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 January 20, 2012?

3. **President’s Report**

4. **Update on The Milton S. Hershey Medical Center**

   Harold L. Paz, M.D., Senior Vice President for Health Affairs, Dean, College of Medicine, and Chief Executive Officer, The Milton S. Hershey Medical Center will provide an update on the medical center.

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 Campus Environment** - Michael F. DiBerardinis, Chair

   B. **Committee on Educational Policy** - Kenneth C. Frazier, Chair

   1) **Discussion of Consent Agenda Items Provided for Information or Approval of the Committee on Educational Policy:**

      Information Items -
      a) Information on Undergraduate Programs
      b) Information on Graduate Programs

      (See Appendix I)

   2) **Proposed Reorganization of the Department of African and African American Studies and the Renaming of the Department to the Department of African American Studies in the College of the Liberal Arts**

      It is proposed to reorganize the Department of African and African American Studies. Discussions to reorganize the department have occurred periodically for several years, and were given impetus last semester by the Core Council's suggestion to examine the structure and curriculum of smaller departments.

      The reorganization includes a change in name to the Department of African American Studies to more accurately reflect a focus on African American Studies. The African Studies Program will be created as a budgeted, but non-tenure granting unit.

      The change in name will assist in achieving the following goals:

      • Avoid confusion about the relative purview of the Department of African and American Studies’ successor units
      • Clearly convey the department's curricular scope and faculty specializations to potential majors
5. **Reports from Standing Committees** (Continued)

**B. Committee on Educational Policy** (Continued)

2) **Proposed Reorganization of the Department of African and African American Studies and the Renaming of the Department to the Department of African American Studies in the College of the Liberal Arts** (Continued)

- Will indicate to potential faculty allies and affiliates in other units that the department is organized around a focused, precise scholarly and pedagogical mission

The proposal for the restructuring and renaming of the department was favorably reviewed by the faculty task force; the Dean of the College of the Liberal Arts; and was unanimously approved by the University Faculty Senate Council at its meeting of February 21, 2012.

Will the Committee on Educational Policy recommend to the Board of Trustees adoption of the following resolution:

RESOLVED, That the Board of Trustees approves the reorganization and renaming of the Department of African and American Studies in the College of the Liberal Arts to the Department of African American Studies effective immediately.

3) **Informational Report on Interdisciplinary Health Science Education**

Richard Simons, M.D., Vice Dean for Educational Affairs, along with Mary Beth Clark, Ed.D., Assistant Professor of Nursing and Hershey Campus Coordinator, will present information on Interdisciplinary Health Science Education.

**C. Committee on Finance and Physical Plant** - Linda B. Strumpf, Chair

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

Information Items -

a) Curtin Road Chilled Water, University Park
b) East Campus Steam Plant Boiler Repairs, University Park
c) Bryce Jordan Center Retractable Seating Replacement, University Park
d) Laundry Relocation, University Park
e) Hetzel Union Building Energy Conservation Measures & Chilled Water Connection, University Park
f) Forestry Building Slab Remediation, University Park
g) McKean Road Reconstruct, University Park
h) Resident Apartment Buildings Renovation, Penn State Erie, The Behrend College
i) Purchase of Property at 4909 Jordan Road, Penn State Erie, The Behrend College
j) Purchase of Property at 27 North Sixth Street, Penn State DuBois
k) Naming of Rooms, Portions of Buildings, and Plazas
l) Status of Major Construction Programs and Borrowing
m) Investment Review of Endowment and Similar Funds
n) Summary and Designation of Gifts Received by the University
5. **Reports from Standing Committees** (Continued)

C. **Committee on Finance and Physical Plant** (Continued)

1) **Discussion of Consent Agenda Items Provided for Information or Approval of the Committee on Finance and Physical Plant:** (Continued)

   Action Items -
   - o) Summary of Revisions to Existing Scholarships, Fellowships, etc.
   - p) Acknowledgement of Endowments and Other Major Commitments

   (See Appendix II)

2) **Proposed Naming of the Replacement for South Henderson the "Health and Human Development Building." University Park**

   The Facilities Naming Committee has recommended that the Board of Trustees name the new Health and Human Development Building to be built on the site of South Henderson the "Health and Human Development Building." Portions of South Henderson will be torn down in about a year with the new building taking its place. The Health and Human Development dean's office will be located in the new building and it will become the administrative hub of the college.

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

   **RESOLVED,** That the new building to be built on the site of South Henderson is named the "Health and Human Development Building."

   (See Appendix III)

3) **Proposed Naming of Various Spaces Around the New Office of Physical Plant (OPP) Greenhouse Facilities, University Park**

   The Facilities Naming Committee has recommended that the Board of Trustees name various spaces around the new Office of Physical Plant (OPP) greenhouse facilities as listed below. This includes naming the road that runs through the facility "Greenhouse Drive" so that deliveries can be appropriately directed and also for Centre County 911 calls.

   "Tower Road Landscape Shop" - Building No. 0939-000 (Former DGS Construction Inspection Building
   "OPP Greenhouse Production 1" -- Building No. 0904-026 Existing Structure
   "OPP Greenhouse Production 2" -- Building No. 0904-027 Existing Structure
   "OPP Plant Material Storage 1" -- Building No. 0904-028 Future Structure (6 months-1 year)
   "OPP Greenhouse Storage 1" -- Building No. 0904-023 Existing Structure
   "OPP Greenhouse Storage 2" -- Building No. 0904-024 Future Structure (1-2 years)
   "OPP Potting Shed" -- Building No. 0904-025 Future Structure (1-2 years)
   "Greenhouse Road" -- Road that runs through the facilities connecting Tower Road and Big Hollow Road
5. **Reports from Standing Committees** (Continued)

C. **Committee on Finance and Physical Plant** (Continued)

3) **Proposed Naming of Various Spaces Around the New Office of Physical Plant (OPP) Greenhouse Facilities, University Park** (Continued)

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

RESOLVED, That the various spaces around the new Office of Physical Plant (OPP) greenhouse facilities be named as listed.

"Tower Road Landscape Shop" - Building No. 0939-000 (Former DGS Construction Inspection Building
"OPP Greenhouse Production 1" -- Building No. 0904-026 Existing Structure
"OPP Greenhouse Production 2" -- Building No. 0904-027 Existing Structure
"OPP Plant Material Storage 1" -- Building No. 0904-028 Future Structure (6 months-1 year)
"OPP Greenhouse Storage 1" -- Building No. 0904-023 Existing Structure
"OPP Greenhouse Storage 2" -- Building No. 0904-024 Future Structure (1-2 years)
"OPP Potting Shed" -- Building No. 0904-025 Future Structure (1-2 years)
"Greenhouse Road" -- Road that runs through the facilities connecting Tower Road and Big Hollow Road

(See Appendix IV)

4) **Proposed Naming of the New Lacrosse Field the "Penn State Lacrosse Field," University Park**

The Facilities Naming Committee has recommended that the Board of Trustees name the new lacrosse field, located between University Drive and the Multi-Sport Facility on Dauer Road, the "Penn State Lacrosse Field."

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

RESOLVED, That the new lacrosse field is named the "Penn State Lacrosse Field."

(See Appendix V)

5) **Proposed Appointment of an Architect, Steidle Renovation, University Park**

Steidle Building, located in the historic core of campus was designed by Charles Klauder and built in 1931. It houses the College of Earth and Mineral Science's Department of Materials Science and Engineering, one of the premier departments in this field in the world. Most of the outdated labs in Steidle no longer have the utilities or functions needed for modern materials science. The mechanical, electrical and plumbing systems in both buildings are deficient. Heating, ventilation, and air conditioning units are failing or unable to provide the environment necessary for modern-day material science research.
5. **Reports from Standing Committees** (Continued)

   C. **Committee on Finance and Physical Plant** (Continued)

   5) **Proposed Appointment of an Architect, Steidle Renovation, University Park**

   (Continued)

   The University intends to reorganize new lab and office areas into more open, collaborative "research clusters" to meet current and future program goals and objectives. The building's mechanical systems will be replaced and utility infrastructure to the building will be upgraded, including connecting the building to the campus chilled water system. In keeping with our commitment to environmental sustainability, we expect that this facility will attain LEED certification.

   Modern labs and utilities will maintain and improve Penn State's ability to educate undergraduate and graduate students, compete for research contracts, and recruit top faculty and students.

   Due to the special nature of this project, the interview process has been conducted by the Office of Physical Plant. The Office of Physical Plant recommends the appointment of EYP Architecture & Engineering, P.C. for the design of this work because of their specific experience and advanced expertise in designing complicated laboratory facilities, phased replacements of infrastructure systems, and renovation of historically significant buildings, such as Steidle. The team will validate the program, develop a schematic design and a phasing strategy, and will complete designs for each phase as funding is available. Each phase will be advanced for approval when construction funding becomes available.

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

   **RESOLVED**, That in view of the special nature of this project, the interview process has been conducted by the University's Office of Physical Plant.

   **FURTHER BE IT RESOLVED**, That the Officers of the University are authorized to appoint EYP Architecture & Engineering, P.C. of Albany, New York to design the Steidle Building Renovations at University Park.

   6) **Proposed Appointment of an Architect, Mueller and Whitmore Laboratories Renovation, University Park**

   The Subcommittee on Architect/Engineer Selection will make a report and recommendation on the appointment of an architect for the Mueller and Whitmore Laboratories Renovation at University Park.

   7) **Proposed Final Plans and Authorization to Award Contracts, South Halls Addition and Renovation, University Park**

   The four buildings that make up the South Halls complex provide housing to more than 1,000 students, including half of Penn State sororities. They were built in 1957 and have received no significant renovations or changes since that time. The facilities are clearly outdated and no longer meet the expectations of today's students and parents. Deferred maintenance projects have been delayed in anticipation of a planned renovation to South Halls, leaving the existing building systems are worn out and inadequate. The University is planning to renovate all four buildings.
5. **Reports from Standing Committees** (Continued)

C. **Committee on Finance and Physical Plant** (Continued)

7) **Proposed Final Plans and Authorization to Award Contracts, South Halls Addition and Renovation, University Park** (Continued)

The scope of the renovation work includes new energy-efficient mechanical systems, the addition of air conditioning, reconfigured bathrooms for privacy, upgraded sorority suites, and new covered porches and entrance vestibules. New lighting and interior finishes will be provided throughout as well as enhanced security features. Exterior enhancements to the building envelopes include; new windows and doors, new roofs, cleaned and repointed brickwork and new stone veneer enclosures to match the existing stone. ADA upgrades will be provided throughout the complex, both inside and outside the buildings.

To offset the 74 beds lost as a result of the renovations, the University plans to construct a new 45,000 square foot residence hall in the South Halls complex which will house approximately 211 students. This new hall will be built early during the project to ease the phasing of the project. In addition to the residence hall work, modest additions and exterior enhancements are planned for Redifer Dining Hall, which serves students all across campus, especially those who reside in South Halls. These functional improvements and exterior enhancements at Redifer Hall, along with the coordinated planned enhancements for the residence halls, will materially improve the aesthetic appearance of South Halls from College Avenue and improve pedestrian flow through the complex.

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

RESOLVED, That the final plans for the South Halls Addition and Renovation, as designed by the firm of Barton Malow of Baltimore, Maryland are approved.

FURTHER BE IT RESOLVED, That authorization to award contracts to construct the project be approved at a cost of $94,100,000.

8) **Report on Status of Commonwealth Appropriation Request**

9) **Photo Report on Selected Construction Projects**

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

6. **Legal Matters**

Cynthia A. Baldwin, Vice President and General Counsel, will present an informational report on University legal matters and/or normally considered by a Standing Committee of the Board.
The below information was distributed at the meeting which replaced and superseded the item contained in the agenda. Additionally, the below item represents an amendment made on the floor of the meeting and approved by the Board of Trustees.

7. **Proposed Revisions to the Bylaws and the Standing Orders of the Board of Trustees**

It is proposed to amend the Bylaws and Standing Orders of the Board of Trustees to reflect a change in the committee structure replacing its three standing committees (on Educational Policy; on Campus Environment; and on Finance and Physical Plant) with five committees:

- Committee on Academic Affairs and Student Life
- Committee on Finance, Business and Capital Planning
- Committee on Governance and Long-Range Planning
- Committee on Audit, Risk, Legal and Compliance
- Committee on Outreach, Development and Community Relations

Additionally, it is proposed to add two additional subcommittees to assist the standing committees in respective areas of oversight and responsibility as well as adjust the reporting structure of an existing subcommittee:

- Subcommittee on Audit (of the Committee on Audit, Risk, Legal and Compliance)
- Subcommittee on Legal (of the Committee on Audit, Risk, Legal and Compliance)
- Subcommittee on Human Resources (of the Committee on Finance, Business and Capital Planning)

The revisions proposed reflect these structural organizational changes.

Will the Board of Trustees adopt the following resolutions:

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**

(1) **The Executive Committee:** Not less than seven (7) nor more than eleven (11) members of the Board of Trustees to be chosen by ballot of the members present at the stated meeting of the Board in January each year together with the president and the secretary of the corporation shall constitute an executive committee to serve for a period of one year and until their successors are chosen. The president of the corporation shall be chairperson of the executive committee and the secretary of the corporation the recording secretary of the executive committee. The number of elected members of the executive committee, within the above limitations, shall be determined by the Board of Trustees at each said stated meeting.

(a) **Purpose of the Executive Committee:** The purpose of the executive committee, under the direction of and subject to the approval of the Board of Trustees, shall be to transact all necessary business as may arise in the intervals between meetings of the Board.

(b) **Meetings of the Executive Committee:** Meetings of the executive committee may be called by the Board of Trustees, by the President of the Board or by the President of the University.

(c) **Place of Meetings of the Executive Committee:** All meetings of the executive committee shall be held at the executive offices of the University unless otherwise ordered by the chairperson of the committee.

(d) **Notice of Meetings of the Executive Committee:** Notice of the time and place of all meetings of the executive committee shall be given in the same manner as for meetings of the Board of Trustees.

(2) **Standing Committees:**

(a) **Function of Standing Committees:** To facilitate consideration of the business and management of the corporation and of the University, standing committees are established as hereinafter set forth.
7. Proposed Revisions to the Bylaws and the Standing Orders of the Board of Trustees (Continued)

1. Referral of Matters to Standing Committees: Any matters appropriate for consideration by a standing committee first shall be referred thereto by the Board of Trustees, the President of the Board or the President of the University, except that a two-thirds (2/3) vote of the trustees present at a meeting of the Board but in no event by an affirmative vote of less than nine (9) Trustees will permit initial consideration by the full Board.

2. Consideration by Board of Matters on Which Standing Committees Make No Recommendation or Report: Provided, however, that any matter referred to and considered by a standing committee, but upon which the committee makes no recommendation or report to the Board, may be brought before the Board for consideration at the request of any trustee.

3. Matters Appropriate to More Than One Committee: Except as otherwise provided in the bylaws, matters determined to be appropriate for consideration by more than one committee may be referred by the President of the Board of Trustees and the President of the University to one committee or more.

4. Final Authority of the Board: Unless otherwise specifically delegated and except as otherwise provided herein, authority to act on all matters is reserved to the Board, and the duty of each standing committee shall be only to consider and to report or make recommendations to the Board upon appropriate matters.

5. Specific Responsibility of Standing Committees: The several standing committees are charged specifically with the immediate care and supervision of the subject matters respectively indicated by and properly relating to their titles.

(b) Standing Committees Established: The following shall be the standing committees of the Board:

- Committee on Educational Policy
- Academic Affairs and Student Life Committee on Finance, Business and Physical Plant
- Capital Planning
- Committee on Governance and Long-Range Planning
- Committee on Audit, Risk, Legal and Compliance
- Committee on Outreach, Development and Community Relations

(3) Selection of Committee Members:

(a) Appointment of Members: Members of the standing committees, and the chairperson and vice chairperson thereof, shall be appointed by the President of the Board of Trustees after consultation with the President of the University.

(b) Term of Committee Members: Committee members shall serve for a term of one (1) year commencing upon the date of the election of officers of the corporation, and until their successors are appointed in accordance with this bylaw.

(c) Vacancies on Standing Committees: Vacancies on all standing committees shall be filled through appointment by the President of the Board after consultation with the President of the University to serve the unexpired term created by the vacancy.

(4) Special Committees: Special committees shall be appointed by the President of the Board, after consultation with the President of the University, upon authority of the Board with such powers and duties as the Board may determine, provided that no special committee shall be created to act upon any matter appropriate to be acted upon by a standing committee.

(a) Length of Service of Special Committees: A special committee shall act for no more than one year from the date of appointment and shall be considered discharged upon the expiration of said year unless specifically authorized by the Board at the time of its appointment, or from year to year, to act for a longer period.

(5) Subcommittees: Each committee shall have such subcommittees as may be required for the effective conduct of the business of the committee, provided, however, that subcommittees shall be created only in response to need and to serve a specific purpose.
7. Proposed Revisions to the Bylaws and the Standing Orders of the Board of Trustees
(Continued)

(a) Appointment of Subcommittees: Each subcommittee shall be appointed by the chairperson of the committee of which it is a part, after consultation with the President of the Board and the President of the University.

(b) Length of Service of Subcommittees: Each subcommittee shall serve for a period of not more than the term of the members of the standing committee of which it is a part.

(6) Ex Officio Members: The President of the Board of Trustees, or in his/her absence the Vice President of the Board, shall be an ex officio member of all standing committees, of all special committees, and of all subcommittees. The President of the University shall be an ex officio member of all standing committees, of all special committees, and of all subcommittees except the Subcommittee on Audit of the Committee on Finance and Physical Plant Audit, Risk, Legal and Compliance.

(a) Counted in Determining a Quorum: Ex officio members shall be counted in determining the presence of a quorum.

(b) Chairperson of Committee Ex Officio Member of Subcommittees: The chairperson of each committee shall be an ex officio member of each subcommittee of his/her committee.

(7) Committee on Educational Policy Academic Affairs and Student Life: The committee on educational policy academic affairs and student life shall:

(a) Consider and report or recommend to the Board on matters pertaining to the educational policies and programs of the University, including the long-range educational development of the University;

(b) Consider and report or recommend to the Board on matters pertaining to the faculty;

(c) Consider and report or recommend to the Board on educational policy matters pertaining to instruction, research, and continuing education;

(d) Consider and report or recommend to the Board on matters pertaining to all phases of student life.

1. Number of Members: The committee on educational policy academic affairs and student life shall consist of not less than eight (8) six (6) appointive members, in addition to the ex officio members.

2. Non-Voting Faculty and Student Representatives: Three non-voting faculty representatives and three non-voting student representatives may be invited to attend and participate in the meetings of the committee on educational policy, except executive sessions of the committee. The faculty and student representatives shall be selected by the President of the University in such manner as he/she deems appropriate.

2. The committee on academic affairs and student life will seek consultation from representative constituent groups as appropriate in the exercise of its responsibilities.

(8) Committee on Finance and Physical Plant, Business and Capital Planning: The committee on finance and physical plant, business and capital planning shall:

(a) Consider and report or recommend to the Board on matters pertaining to finance, business, budgets, non-budget expenditures, audits, human resources, investments, trust funds, insurance, real estate contracts, government and private contracts, and grants, fees, room and board charges, and the long-range financial planning and development of the University;

(b) Consider and report or recommend to the Board on matters pertaining to endowments, gifts, and fund raising;

(c) Consider and report or recommend to the Board on matters pertaining to purchase and sale of real estate, master plans, construction, the appointment of architects, the selection of architectural styles and materials, architect's plans, rights of way, the award of contracts, and the names of buildings and roads;

(d) Consider and report or recommend to the Board on matters pertaining to the University's capital plan, the long-range comprehensive physical plant and infrastructure development.
7. Proposed Revisions to the *Bylaws* and the *Standing Orders* of the Board of Trustees
(Continued)

of the University at each campus, consistent with the long-range educational development of the University.

1. **Number of Members**: The committee on finance and physical plant shall consist of not less than eight (8) appointive members, in addition to the ex officio members.

2. **Non-Voting Faculty and Student Representatives**: Three non-voting faculty representatives and three non-voting student representatives may be invited to attend and participate in the meetings of the committee on finance and physical plant, except executive sessions of the committee. The faculty and student representatives shall be selected by the President of the University in such manner as he/she deems appropriate.

2. The committee on finance, business and capital planning will seek consultation from representative constituent groups as appropriate in the exercise of its responsibilities.

(9) **Committee on Campus Environment**: The committee on campus environment shall:

(a) Consider and report or recommend to the Board on matters pertaining to the learning and work environment for students, faculty, staff and all other members of the University community, with particular emphasis on policies relating to diversity, nondiscrimination and human resources.

1. **Number of Members**: The committee on campus environment shall consist of not less than eight (8) appointive members, in addition to the ex officio members.

2. **Non-Voting Faculty and Student Representatives**: Three non-voting faculty representatives and three non-voting student representatives may be invited to attend and participate in the meetings of the committee on campus environment, except executive sessions of the committee. The faculty and student representatives shall be selected by the President of the University in such manner as he/she deems appropriate.

9) **Committee on Governance and Long-Range Planning**: The committee on governance and long-range planning shall:

(a) in fulfillment of its Governance responsibilities, provide counsel and advice to the Board in matters concerning the development of strategies, policies, and practices that orient, educate, organize, motivate, and assess the performance of trustees. It shall assume such additional responsibilities as may from time to time be assigned by the Board's leadership with the approval of the full Board including, but not limited to:

(1) oversight of all committee guidelines to ensure appropriate and comprehensive distribution of responsibilities;

(2) review and recommending to the Board any changes to the expectations of membership and code of conduct for all trustees;

(3) recommending to the Board candidates for election to membership on the Executive Committee;

(4) reviewing the service of a Trustee upon retirement. The committee may recommend to the Board that emeritus/a status be awarded to the retired trustee. Criteria to be considered by the group shall include offices held, attendance record, participation in the activities of the Board, length of service, or other significant contributions;

(5) evaluate and make recommendations on the working effectiveness of the Board and its committees.

(b) in fulfillment of its Long-Range Planning responsibilities:

(1) charge and support the chief executive with leading a strategic planning process, participating in that process, approve the strategic plan, and monitoring its progress;
7. Proposed Revisions to the Bylaws and the Standing Orders of the Board of Trustees (Continued)

(2) ensure the growth, development, and sustainability of the University for future generations and to achieve its full potential as one of the world's great universities.

1. Number of Members: The committee on governance and long-range planning shall consist of not less than six (6) appointive members, in addition to the ex officio members.

2. The committee on governance and long-range planning will seek consultation from representative constituent groups as appropriate in the exercise of its responsibilities.

(10) Committee on Audit, Risk, Legal and Compliance: The committee shall oversee the auditing of the University's financial statements and internal controls, and adherence to laws, regulations, and policies that pertain to University operations as set forth more fully in the operating guidelines of the subcommittees. In fulfilling its responsibility, the committee on audit, risk, legal and compliance shall:

(a) Consider and report or recommend to the Board on matters pertaining to regular and special audits;

(b) Consider and report or recommend to the Board on matters pertaining to the identification and management of risks including financial, material, and reputational;

(c) Consider and report or recommend to the Board on matters pertaining to compliance, oversight and legal issues as legally or otherwise prescribed.

1. Number of Members: The committee on audit, risk, legal and compliance shall consist of not less than six (6) appointive members, in addition to the ex officio members.

2. The committee on audit, risk, legal and compliance will seek consultation from representative constituent groups as appropriate in the exercise of its responsibilities.

(11) Committee on Outreach Development and Community Relations: The Committee on Outreach Development and Community Relations shall:

(a) in concert with the University's leadership, engage regularly with the institution's major constituents including the faculty, staff, students, alumni, supporters, relevant state and local government agencies and officials, business leaders, and the public. It shall assume such additional responsibilities as may from time to time be assigned by the Board's leadership with the approval of the full Board including, but not limited to:

(1) Educating constituents about the role and responsibilities of the Board of Trustees;

(2) Communicate value of the University to all constituents at all locations; and

(3) Development of short and long term communication plans consistent with University priorities

1. Number of Members: The committee on outreach, development and community relations shall consist of not less than six (6) appointive members, in addition to the ex officio members.

2. The committee on outreach, development and community relations, will seek consultation from representative constituent groups as appropriate in the exercise of its responsibilities.
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:

(1) Subcommittee on Architect/Engineer Selection (of the Committee on Finance and Physical Plant Business and Capital Planning).
   (a) This subcommittee will be composed of three members of the Committee on Finance and Physical Plant Business and Capital Planning.
   (b) When it becomes necessary for the Board to appoint an executive architect or engineer for major University physical plant projects, University staff will prepare a list of not less than three nor more than five firms for consideration by the subcommittee.
   (c) The qualifications of these firms to perform this particular professional activity as well as background information regarding the type of firm and previous professional work will be presented to the subcommittee.
   (d) Based on this information, and upon any recommendation that may be forthcoming from a program committee, and any additional information the subcommittee may request, the subcommittee, after discussion with the staff, will recommend to the Committee on Finance and Physical Plant Business and Capital Planning, the firm that they recommend the Board should appoint.

(2) Subcommittee on Audit (of the Committee on Finance and Physical Plant Audit, Risk, Legal and Compliance).
   (a) This subcommittee will be composed of up to four members of the Committee on Finance and Physical Plant Audit, Risk, Legal and Compliance, who are financially literate.
   (b) This subcommittee shall be responsible for reviewing on a regular basis the performance and determinations of the auditing firm and informing the Committee on Audit, Risk, Legal and Compliance Finance and Physical Plant regarding relevant financial oversight matters.
   (c) This subcommittee shall be responsible for reviewing on a regular basis matters pertaining to the identification and management of risks including financial, material, and reputational.

(3) Subcommittee on Finance (of the Committee on Finance and Physical Plant Business and Capital Planning).
   (a) This subcommittee will be composed of up to three members of the Committee on Finance and Physical Plant Business and Capital Planning.
   (b) This subcommittee shall be responsible for reviewing on a regular basis certain of the University's material financial matters, including the operating and capital budgets, balance sheet management and debt strategy, non-endowed investments, review and endorsement of endowment spending rates, and informing the Committee on Finance and Physical Plant Business and Capital Planning regarding relevant financial oversight matters.

(4) Subcommittee on Human Resources (of the Committee on Finance, Business and Capital Planning).
   (a) This subcommittee will be composed of up to five members, not all of whom need be members of the Committee on Finance, Business and Capital Planning.
   (b) This subcommittee shall be responsible for reviewing on a regular basis certain of the University's greatest assets, its human resources, including the applicable policies and procedures concerning the
7. Proposed Revisions to the Bylaws and the Standing Orders of the Board of Trustees (Continued)

recruitment, retention, and training of employees, as well as diversity and inclusion. The Subcommittee shall be responsible for a review of compensation policies and practices.

(5) Subcommittee on Legal (of the Committee on Audit, Risk, Legal and Compliance).

(a) This subcommittee will be composed of up to three members of the Committee on Audit, Risk, Legal and Compliance.

(b) This subcommittee shall be responsible for reviewing matters pertaining to compliance, oversight and legal issues as legally or otherwise prescribed, including but not limited to litigation strategies and other matters as prescribed by the subcommittee’s charter.

(4) Governance Advisory Group The President of the Board is directed to appoint a governance advisory group, strictly advisory in nature, including representatives from all constituent groups appointed or elected to the Board of Trustees, for the purpose of providing counsel and advice to the President of the Board in matters concerning the development of strategies, policies, and practices that orient, educate, organize, motivate, and assess the performance of trustees. The group shall assume such additional responsibilities as may from time to time be assigned by the Board’s leadership with the approval of the full Board including, but not limited to:

(a) recommending to the Board candidates for election to membership on the Executive Committee; and

(b) reviewing the service of a Trustee upon retirement. The group may recommend to the Board that emeritus/a status be awarded to the retired trustee. Criteria to be considered by the group shall include offices held, attendance record, participation in the activities of the Board, length of service, or other significant contributions:

The group shall regularly inform the Board of its practices and priorities.

abe - deletion
abc - addition

8. Recommendation for Approval to Grant Honorary Degree

Will the Board of Trustees approve the following resolution:

RESOLVED, that the Board of Trustees approves the granting of the Honorary Doctorate of Science to Steven Chu at an upcoming commencement ceremony.

9. Report on The Corporation for Penn State

A report on the activities of The Corporation for Penn State is included as Appendix VI. Dr. Rodney A. Erickson, President and Chief Executive Officer of the Corporation, will be available to answer any questions.

(See Appendix VI)
10. **Election of Members of the Executive Committee**

Article 4, section (1) of the *Bylaws* of the University specifies that "Not less than seven (7) nor more than eleven (11) members of the Board of Trustees to be chosen by ballot of the members present at the stated meeting of the Board in January each year together with the president and the secretary of the corporation shall constitute an executive committee to serve for a period of one year and until their successors are chosen. The president of the corporation shall be chairman of the executive committee, and the secretary of the corporation the recording secretary of the executive committee. The number of elected members of the executive committee, within the above limitations, shall be determined by the Board of Trustees at each said stated meeting."

It is recommended that the Executive Committee be composed of up to eleven (11) members, including the ex officio members, and nominates the following Trustees to membership on the committee:

- Marianne E. Alexander
- James S. Broadhurst
- Mark H. Dambly
- Keith W. Eckel
- Rodney A. Erickson
- Kenneth C. Frazier
- Edward R. Hintz, Jr.
- Keith E. Masser
- Karen B. Peetz
- Linda B. Strumpf
- John P. Surma

Will the Board of Trustees elect members to the Executive Committee for 2012?

11. **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.

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:

- Marianne E. Alexander
- James S. Broadhurst
- Mark H. Dambly
- Keith W. Eckel
- Rodney A. Erickson
- David J. Gray
- Edward R. Hintz, Jr.
- Keith E. Masser
- Robert N. Pangborn
- Karen B. Peetz
- Linda B. Strumpf

12. **Proposed Appointment of Member, Board of Directors of The Milton S. Hershey Medical Center**

In May 2000, the Board of Trustees approved the establishment of the corporation "The Milton S. Hershey Medical Center," a Pennsylvania nonprofit corporation for the purpose of employing personnel, owning equipment, and holding the hospital and other licenses necessary to provide healthcare services. The Board further confirmed that the University will continue to fulfill its obligations as Successor Trustee of The Milton S. Hershey Medical Center through establishment of the corporation to operate the clinical enterprise and make the necessary appointments to the Board of Directors.

The Board of Directors of The Milton S. Hershey Medical Center consists of 15 members. Nine directors are appointed directly by the Board of Trustees with three-year, staggered terms; two are *ex officio* directors: the Senior Vice President for Health Affairs of The Pennsylvania State University, Dean of the College of Medicine, and Chief Executive Officer; and one director is elected
12. **Proposed Appointment of Member, Board of Directors of The Milton S. Hershey Medical Center** (Continued)

from among the clinical department chairs at The Milton S. Hershey Medical Center. The remaining four directors are considered independent directors, with three-year, staggered terms, and are self-perpetuating. Together, these 15 directors are responsible for governance of The Milton S. Hershey Medical Center, subject, of course, to the authority of the Board of Trustees to appoint and remove its appointees.

Will the Board of Trustees adopt the following resolution:

RESOLVED, That Keith E. Masser is appointed as a member of the Board of Directors of The Milton S. Hershey Medical Center effective March 16, 2012, for a term ending June 30, 2013.

13. **Announcements by the Chairman of the Board of Trustees**
1. Information on Undergraduate Programs

A. Eberly College of Science

1) Applied and Industrial Mathematics Option in the Bachelor of Science in Mathematics: New Option

The Applied and Industrial Mathematics Option in the Bachelor of Science in Mathematics will focus on areas of specialization necessary in crafting post-baccalaureate careers. The new option will be effective Summer 2012.

2) Applied Analysis Option and the Teacher Certification Option in the Bachelor of Science in Mathematics: Drop of Options

The Applied Analysis Option has experienced low student enrollments that necessitate closure. The Teacher Certification Option is being dropped due to changes in certification requirements enacted by the Commonwealth of Pennsylvania. The dropped options will be effective Summer 2012.

B. Penn State Erie, The Behrend College

1) Computer Science Option in the Bachelor of Science in Chemistry: Drop of Option

The Computer Science Option has experience low student enrollments that necessitate closure. The dropped option will be effective Summer 2012.

2. Information on Graduate Programs

A. Adult Gerontology Acute Care Nurse Practitioner, available in the Master of Science (M.S.) Degree in Nursing in the College of Health and Human Development: New Option

The proposal to create the Adult Gerontology Acute Care Nurse Practitioner, available in the Master of Science (M.S.) Degree in Nursing in the College of Health and Human Development was approved by the Graduate Council at its January 18, 2012 meeting.

This change is being taken to incorporate new national standards and certification/licensure requirements for the nurse practitioners which require specialization in both a population and practice focus. The new option will also address a national and state-wide shortage of healthcare providers who have the education to function in an acute/critical care setting.

B. Master in Science (M.S.) Degree in Engineering Mechanics and Changing the M.S. Degree in Engineering Science to the M.S. Degree in Engineering Science and Mechanics in the College of Engineering: Drop of Program and Change of Program

The proposal to drop Master in Science (M.S.) Degree in Engineering Mechanics and changing the M.S. Degree in Engineering Science to the M.S. Degree in Engineering Science and Mechanics in the College of Engineering was approved by the Graduate Council at its January 18, 2012 meeting.

The range of research and educational expertise amassed by the ESM (Engineering Science and Mechanics) faculty has grown over the past several years. With increased collaboration across the boundaries of engineering science and mechanics, the ESM faculty voted to unify the two separate degree-granting programs into a composite Master of Science degree program in Engineering Science and Mechanics.

C. Integrated Undergraduate-Graduate (IUG) Degree Program (Bachelor of Science/Master of Science) in Computer Science at Penn State Harrisburg: New Program

The proposal to create and integrated undergraduate-graduate (IUG) degree program (Bachelor of Science/Master of Science) in Computer Science at Penn State Harrisburg was approved by the Graduate Council at its January 18, 2012 meeting.
C. Integrated Undergraduate-Graduate (IUG) Degree Program (Bachelor of Science/Master of Science) in Computer Science at Penn State Harrisburg: New Program (Continued)

This program offers a limited number of academically superior Bachelor of Science candidates the opportunity to enroll in an integrated, continuous program of study leading to both the Bachelor of Science and the Master of Science in Computer Science. The ability to coordinate as well as concurrently pursue the two degree programs enables the student to earn the degrees in five years.

D. Integrated Undergraduate-Graduate (IUG) Degree Program (Bachelor of Architectural Engineering/Master of Science) in Architectural Engineering in the College of Engineering: New Program

The proposal to create and integrated undergraduate-graduate (IUG) degree program (Bachelor of Architectural Engineering/Master of Science) in Architectural Engineering in the College of Engineering was approved by the Graduate Council at its January 18, 2012 meeting.

The Architectural Engineering Department instituted an integrated undergraduate/graduate degree program in 1999 that permitted undergraduate students to pursue both a professional bachelor's degree (B.A.E., Bachelor of Architectural Engineering) and a professional master's degree (M.A.E., Master of Architectural Engineering). Graduates of this program are easily employed, but do not command significantly higher salaries that Penn State Architectural Engineering graduates who have only earned a bachelor's degree. Feedback from employers indicates that B.A.E./M.A.E. graduates are of top quality, but lack the skills that a research-based master's degree, such as a Master of Science (M.S.) degree, would provide.

An integrated undergraduate-graduate B.A.E./M.S. degree program would benefit both the students and their employers by adding an integrated research component to the students and their employers by adding and integrated research component to the student's degree programs. The department would also benefit from the pool of highly qualified M.S. degree candidates whose funding requirements match the length of many of the research projects. Additionally, the exposure to research would help attract more highly qualified students into the Ph.D. program.


The proposal to change of requirements for the graduate program in Energy and Mineral Engineering, change of requirements for the Environmental Health and Safety Engineering option and the Energy Management and Policy option, and creation of an undergraduate-graduate (IUG) degrees in Energy and Mineral Engineering in the College of Earth and Mineral Sciences was approved by the Graduate Council at its February 15, 2012 meeting.

Changes in the compulsory (core) course requirements for all Energy and Mineral Engineering graduate students and required courses for the Environmental Health and Safety Engineering and Energy Management and Policy options as well as changes in the option-specific courses are being made to be in compliance with Graduate Council Policy. The creation of the IUGs corrects an oversight from the time of the original graduate program approval.

F. Agricultural Biosecurity Option in the Master of Professional Studies Degree in Homeland Security: Change in Name to Agricultural Biosecurity and Food Defense Option

The proposal to change the name of the Agricultural Biosecurity Option to the Agricultural Biosecurity and Food Defense Option in the Master of Professional Studies Degree in Homeland Security (intercollege graduate degree program academically housed in the Graduate School) was approved by the Graduate Council at its February 15, 2012 meeting.
F. **Agricultural Biosecurity Option in the Master of Professional Studies Degree in Homeland Security: Change in Name to Agricultural Biosecurity and Food Defense Option (Continued)**

The change of option name from Agricultural Biosecurity to Agricultural Biosecurity and Food Defense is proposed to better reflect the subject matter covered in the option, and to attract a greater number of students to the option. The content of the four Agricultural Biosecurity prescribed courses includes a significant component on the topic of food defense. While the term agricultural biosecurity can be interpreted to include food defense the connection may not be apparent to potential students.

G. **Enterprise Architecture, Offering a Master of Professional Studies (M.P.S.) Degree in the College of Information Sciences and Technology: New Program**

The proposal to add Enterprise Architecture, offering a Master of Professional Studies (M.P.S.) Degree in the College of Information Sciences and Technology was approved by the Graduate Council at its February 15, 2012 meeting.

Enterprise Architecture (EA) is the analysis and design of an enterprise in its current and future states from a strategic, organizational, and technology perspective. The goal of EA is to improve organizational performance by delivering business-aligned enterprise systems. Increasingly, EA frameworks, methodologies, and practices are being applied to areas outside of information technology. This rare combination of skills and perspectives positions the professional for a wide variety of leadership roles within the enterprise. Not surprisingly, such professionals are in high demand in industry, government, and non-profit organizations.

H. **Doctor of Juridical Science (S.J.D.) in The Dickinson School of Law: New Program**

The S.J.D. (Doctor of Juridical Science) degree is intended for students, largely foreign lawyers, who seek advanced and specialized knowledge in a particular area of law, a career in academic law or in other scholarly, research, policy, or professional enterprises, or career advancement through the acquisition of an academic doctorate in law. The course of study required for the degree will offer students with outstanding academic or professional credentials an opportunity to pursue sustained, supervised study, and research and writing leading to the production of a dissertation that makes an original and valuable contribution to legal scholarship. The program will be of modest size, usually including no more than three to six students annually.
1. **Curtin Road Chilled Water, University Park**

   The University intends to extend central chilled water piping from the intersection of Bigler and Curtin Roads east to the intersection of University Drive and Curtin Road to provide central chilled water to the natatorium addition, the new tennis facility, Shields and Intramural Buildings, and Pegula Ice Arena. Taps for other buildings will be extended to the curb for future connections. Construction will be complete by this summer. The cost estimate for this project is $3,100,000.

   (See Appendix II.1)

2. **East Campus Steam Plant Boiler Repairs, University Park**

   The University intends to upgrade the two East Campus Steam Plant boilers located near Porter Road. Both boilers have extensive corrosion and erosion of internal tubes that have reduced boiler reliability. This upgrade will improve reliability and efficiency of the boilers. The scope of work includes replacing the insulation and refractory. In addition to the internal repairs, the existing combustion control and burner management systems will be replaced. The cost estimate for this project is $3,000,000.

   (See Appendix II.2)

3. **Bryce Jordan Center Retractable Seating Replacement, University Park**

   The University intends to replace worn retractable seating at the Bryce Jordan Center to provide increased flexibility in seating options and improve customer and employee safety. All seating sections are independently powered to allow alternate seating configurations. A total of 1,956 seats are included in the retractable seat sections. The cost estimate for this project is $3,400,000.

   (See Appendix II.3)

4. **Laundry Relocation, University Park**

   The University intends to construct a 5,400 square foot addition to the operations side of The Penn Stater Conference Center Hotel to accommodate laundry operations for the University Park campus. The current inefficient laundry facility on Park Avenue will be available for space reassignment. The scope of the project includes automated and energy-efficient equipment. The exterior of the addition will match the existing brick masonry of The Penn Stater. The cost estimate for this project is $3,700,000.

   (See Appendix II.4)

5. **Hetzel Union Building Energy Conservation Measures and Chilled Water Connection, University Park**

   The University intends to complete energy conservation measures for existing HUB Robeson Center utility systems. Three hundred terminal units will be replaced in the HUB and all mechanical equipment control valves will be replaced. Due to the interconnectedness of mechanical systems, 54 fan coils in the Grange Building will also be replaced as part of this project. The HUB Robeson Center and Grange Building will be connected to the campus chilled water system. The cost estimate for this project is $1,600,000.

   (See Appendix II.5)

6. **Forestry Building Slab Remediation, University Park**

   The University intends to remove and replace the concrete slab-on-grade and fill material at the basement level of the Bigler Wing portion of the Forest Resources Building. This remediation work is required to prevent continued heaving and distress of the slab-on-grade and to prevent future impacts on the existing structure. Work will consist of removal and replacement of existing concrete slab, removal and replacement of fill material, and demolition and reinstatement of basement level fit-out in all areas except the mechanical room. Mechanical equipment located there will be outfitted with flexible connections to accommodate floor
6. **Forestry Building Slab Remediation, University Park** (Continued)

   movement. All areas outside of the basement level of the Bigler Wing will remain occupied during the remediation work. The cost estimate for this project is $2,000,000.

(See Appendix II.6)

7. **McKean Road Reconstruct, University Park**

   The University is planning to install chilled water piping under McKean Road from Shortlidge Road to near the entrance to Ewing Cross Residence Hall. The project scope will also include reconstruction of McKean Road from Shortlidge Road to the northwest corner of Eastview Terrace with storm water system upgrades, paving, and new lighting. The steam tunnel top along McKean Road will be replaced and a new sidewalk will be installed from Shortlidge Road to Redifer Commons. McKean Road will be narrowed and raised crosswalks will be installed to calm traffic and improve pedestrian safety in this area. The cost estimate for this project is $1,500,000.

(See Appendix II.7)

8. **Resident Apartment Buildings Renovation, Penn State Erie, The Behrend College**

   The University intends to renovate seventy two resident apartments in nine apartment buildings at Penn State Erie, The Behrend College. The project scope includes alterations to kitchens and bathrooms and removal and replacement of appliances, finishes, and furnishings. Exterior improvements include masonry restoration and cleaning of the basement stairways and mechanical areaways, repairing and painting the stucco finish, replacing metal infill panels above the second floor bedroom windows with fiber-cement lap siding, and replacing metal fascia.

   The project will be completed in two phases. Phase One includes the exterior and interior improvements to buildings 4, 5, 6, and 7. Phase Two includes the exterior and interior improvements to buildings 1, 2, 3, 8, and 9. The cost estimate for the entire project is $3,200,000.

(See Appendix II.8)

9. **Purchase of Property at 4909 Jordan Road, Penn State Erie, The Behrend College**

   *Standing Order V.*, Paragraph (4) (c), entitled "Real estate purchases less than $1 million in value" provides for such purchases to be presented to the Board of Trustees for information. The Board of Trustees is advised that in December 2011, the University purchased a .9 acre property including a 1,550 square foot residence adjoining Penn State Erie, located at 4909 Jordan Road, Harborcreek Township, Erie County, from the Evelyn Balmer Trust for $170,000. The Balmer family in turn gifted the net proceeds of the transaction back to the University for Penn State Erie student scholarship programs. The purchase provides strategic campus expansion opportunities and eliminates the possibility of adverse ownership.

(See Appendix II.9)

10. **Purchase of Property at 27 North Sixth Street, Penn State DuBois**

   *Standing Order V.*, Paragraph (4) (c), entitled "Real estate purchases less than $1 million in value" provides for such purchases to be presented to the Board of Trustees for information. The Board of Trustees is advised that in December 2011 the University purchased a .2 acre property including a 1,200 square foot residence adjoining Penn State DuBois, located at 27 N. Sixth Street, DuBois, Clearfield County, from the estate of Lorraine Johnson for $63,000. The purchase provides strategic campus expansion opportunities and eliminates the possibility of adverse ownership.

(See Appendix II.10)
11. **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:

A. Name the Library Group Study Room (Room 202, Group Study Room 1), Lewis Katz Hall, Carlisle, in recognition of a gift from Lee and Sandra Levine. The recognition plaque should read:

   \[\text{Lee Levine ‘63 and Sandra Levine} \]
   \[\text{Library Study Room}\]

B. Name a Faculty Office (Room 224), Lewis Katz Hall, Carlisle, in recognition of a gift from Dean and Wendy Weidner. The recognition plaque should read:

   \[\text{Dean Weidner ‘69 and Wendy Weidner} \]
   \[\text{Faculty Office}\]

C. Name the plaza outside the Perkins Student Center, Penn State Berks, for the founding CEO, Dr. Harold Perkins. The student center was named in honor of Dr. Perkins in the early 1980s. The recognition plaque should read:

   \[\text{Perkins Plaza}\]

D. Name Seminar Room 104, Lewis Katz Hall, Carlisle, in recognition of a gift from Martin Lane. The recognition plaque should read:

   \[\text{Martin G. Lane Jr.} \]
   \[\text{Seminar Room}\]

E. Name the Career Service Suite, Lewis Katz Hall, Carlisle, in recognition of a gift from Gene and Becky Cavallucci. The recognition plaque should read:

   \[\text{Eugene Cavallucci ‘72 and Becky Strauss Cavallucci ‘68 Edu} \]
   \[\text{Career Services Suite}\]

F. Name the Portico Lobby (Trickett Hall entrance), Carlisle, in recognition of a gift from William R. Caroselli and Dusty Elias Kirk. The recognition plaque should read:

   \[\text{William R. Caroselli ‘66 and Dusty Elias Kirk ‘79} \]
   \[\text{Lobby}\]

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

   (See Appendix II.11)

13. **Investment Review of Endowment and Similar Funds**

   Appendix II.12 is a report of the University’s endowment and similar funds as of December 31, 2011.

   (See Appendix II.12)

14. **Summary and Designation of Gifts Received by the University**

   Appendix II.13 is a summary of gifts received during the period July 1, 2011 through January 31, 2012.

   (See Appendix II.13)
15. **Summary of Revisions to Existing Scholarships, Fellowships, Etc. (For the period December 19, 2011 through February 17, 2012)**

Will the Committee on Finance and Physical Plant 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 be revoked and that the Officers of the University are authorized to put into effect the revised regulations as requested by the donors.

16. **Acknowledgments of Endowments and Other Major Commitments**

The Committee on Finance and Physical Plant is advised that for the period December 19, 2011, through February 17, 2012, 36 new funds totaling approximately $2,496,454 were accepted by the University, including scholarships, fellowships, etc. All of these items conform to established University policies and regulations.

For the period November 1, 2011 through December 31, 2011, 33 major commitments were accepted by the University totaling approximately $9,689,183.

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 gratefully acknowledges the generous contributions of the many friends of the University in support of endowments, funds, and other major commitments as reported to the Committee on Finance and Physical Plant at its meeting of March 16, 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.
Retractable Seating

University Park

(Appendix II.3)

-2-
University Park

↑ N

Bryce Jordan Center Retractable Seating

- New retractable seating
- Sections to be removed
Innovation Park

(Appendix II.4)
Steam Tunnel Top/ New Sidewalk

New Crosswalk

Chilled Water Piping

McKeans Road Reconstruction

New Crosswalks

University Park

HUB Deck

Shortridge Road

Pollock Commons

Pollock Halls

Redifer Commons

Schreyer Honors College

White

Eastview Terrace

College Avenue

Shortlidge Road

College Avenue

3/16/2012 F&PP
Penn State Erie, The Behrend College

Front of 4909 Jordan Road Property

Back of 4909 Jordan Road Property
### Project Data

<table>
<thead>
<tr>
<th>Campus</th>
<th>Project Name</th>
<th>Budget Amount</th>
<th>Commonwealth Funding</th>
<th>CHF Amount</th>
<th>Authoring Selection</th>
<th>Final Plan Approval</th>
<th>Start Date</th>
<th>Completion Date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Altoona</td>
<td>Renovations to PSU Altoona Housing &amp; Foods Building</td>
<td>$5,400,000</td>
<td>$0</td>
<td>$0</td>
<td>N/A</td>
<td>03/11</td>
<td>08/12</td>
<td>08/12</td>
<td>Construction to begin in March 2012.</td>
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<td>Brandywine</td>
<td>Brandywine Main Building Renovation</td>
<td>$8,000,000</td>
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<td>09/12</td>
<td>07/12</td>
<td>08/13</td>
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<td>Hershey</td>
<td>Children's Hospital</td>
<td>$206,500,000</td>
<td>$14,000,000</td>
<td>$65,000,000</td>
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<td>11/09</td>
<td>03/10</td>
<td>03/12</td>
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<td>Harrisburg</td>
<td>Education Activity Building</td>
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<td>11/12</td>
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<td>Philadelphia</td>
<td>GPC Hub, Building 661 Retrofit, Philadelphia Navy Yard</td>
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<td>11/12</td>
<td>12/12</td>
<td>12/13</td>
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<tr>
<td></td>
<td>Beaver Stadium Scoreboard Upgrades</td>
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<td>$0</td>
<td>01/11</td>
<td>TBD</td>
<td>TBD</td>
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<tr>
<td></td>
<td>Behavioral Health Building</td>
<td>$48,100,000</td>
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<td>01/08</td>
<td>07/10</td>
<td>12/10</td>
<td>10/12</td>
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<td></td>
<td>Eve J. Pell Laboratory for Advanced Biological Research</td>
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<td>$0</td>
<td>09/11</td>
<td>11/11</td>
<td>09/11</td>
<td>02/13</td>
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<td>East Campus Steam Line</td>
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<td>06/11</td>
<td>08/12</td>
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<td></td>
<td>Environmental Improvements BFP Installations</td>
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<td>Essential Services Program</td>
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<td>12/14</td>
<td>Project program is approximately 68% complete.</td>
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<td>Henderson South (Phase II)</td>
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<td>10/14</td>
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<td>HUB Addition</td>
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<td>11/12</td>
<td>01/13</td>
<td>02/14</td>
<td>Project in design.</td>
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<td></td>
<td>Old Main Renovation</td>
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<td>11/12</td>
<td>01/13</td>
<td>02/14</td>
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<td>Pegula Ice Arena</td>
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<td>$89,000,000</td>
<td>11/10</td>
<td>01/12</td>
<td>01/12</td>
<td>06/13</td>
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<td>IM Building Addition</td>
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<td>09/11</td>
<td>11/12</td>
<td>01/13</td>
<td>02/14</td>
<td>Project in design.</td>
</tr>
<tr>
<td></td>
<td>McCoy Natatorium and Indoor Tennis</td>
<td>$66,000,000</td>
<td>$0</td>
<td>$10,000,000</td>
<td>11/11</td>
<td>09/13</td>
<td>06/13</td>
<td>02/15</td>
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<td>Moore Building Renovation</td>
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<td>$18,900,000</td>
<td>$3,000,000</td>
<td>07/05</td>
<td>01/12</td>
<td>03/12</td>
<td>06/13</td>
<td>Construction to begin in March 2012.</td>
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<tr>
<td></td>
<td>Recreation Hall Air Conditioning</td>
<td>$5,200,000</td>
<td>$0</td>
<td>$0</td>
<td>01/12</td>
<td>03/12</td>
<td>TBD</td>
<td>TBD</td>
<td>Postponed for one (1) year.</td>
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<td>South Frear Third Floor Renovations</td>
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<td>03/11</td>
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<td>Construction is approximately 65% complete.</td>
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<td>South Frear Fourth Floor Renovations</td>
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<td>$0</td>
<td>01/12</td>
<td>03/13</td>
<td>02/13</td>
<td>12/13</td>
<td>Project beginning design.</td>
</tr>
<tr>
<td></td>
<td>South Halls Renovations and New Building</td>
<td>TBD</td>
<td>$0</td>
<td>$0</td>
<td>3/11, 11/11</td>
<td>03/12</td>
<td>05/12</td>
<td>TBD</td>
<td>Project in design. Bid is in progress for initial phase.</td>
</tr>
<tr>
<td></td>
<td>Steam Production Modifications</td>
<td>$35,000,000</td>
<td>$0</td>
<td>$0</td>
<td>01/11</td>
<td>03/13</td>
<td>TBD</td>
<td>TBD</td>
<td>Project in design.</td>
</tr>
<tr>
<td></td>
<td>Transformer Replacement Program</td>
<td>$9,600,000</td>
<td>$1,000,000</td>
<td>$0</td>
<td>N/A</td>
<td>N/A</td>
<td>06/07</td>
<td>12/13</td>
<td>Project program is approximately 62% complete.</td>
</tr>
<tr>
<td></td>
<td>Water Treatment Plant</td>
<td>$30,000,000</td>
<td>$25,000,000</td>
<td>$0</td>
<td>01/11</td>
<td>03/12</td>
<td>07/12</td>
<td>07/13</td>
<td>Project in design.</td>
</tr>
<tr>
<td></td>
<td>West Campus Chilled Water</td>
<td>$11,900,000</td>
<td>$6,500,000</td>
<td>$0</td>
<td>N/A</td>
<td>03/11</td>
<td>05/11</td>
<td>03/12</td>
<td>Construction is approximately 85% complete.</td>
</tr>
<tr>
<td></td>
<td>West Campus Chilled Water Plant Chiller</td>
<td>$14,000,000</td>
<td>$0</td>
<td>$0</td>
<td>01/12</td>
<td>03/13</td>
<td>02/13</td>
<td>04/14</td>
<td>Project beginning design.</td>
</tr>
<tr>
<td></td>
<td>West Plateau Library Renovations</td>
<td>$7,000,000</td>
<td>$0</td>
<td>$7,000,000</td>
<td>N/A</td>
<td>03/11</td>
<td>05/11</td>
<td>03/12</td>
<td>Construction is approximately 95% complete.</td>
</tr>
</tbody>
</table>

### Summary of University Long-Term Debt - $(000) (excluding PCT)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Bonds, Notes and Capital Leases as of June 30, 2011</td>
<td>$1,044,193</td>
</tr>
<tr>
<td>Bonds, Notes, and Capital Leases Issued Year to Date Fiscal Year 2011/12</td>
<td>$1,200</td>
</tr>
<tr>
<td>Year to Date Principal Payments and Premium Amortizations</td>
<td>$(36,662) *</td>
</tr>
<tr>
<td>Total Bonds, Notes and Capital Leases as of February 29, 2012</td>
<td>$1,008,731</td>
</tr>
</tbody>
</table>

* Related Interest Expense Totals Approximately $36,103

### Authorized Borrowing Status - $(000) (excluding PCT)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing Authority per May 2007 Board of Trustees</td>
<td>$600,000</td>
</tr>
<tr>
<td>Capital Leases, Bonds, &amp; Notes Issued</td>
<td>$(313,548)</td>
</tr>
<tr>
<td>Future Capitalized Leases &amp; Other Anticipated Commitments</td>
<td>$(6,000)</td>
</tr>
<tr>
<td>Estimated Authority Remaining</td>
<td>$280,452</td>
</tr>
</tbody>
</table>
Endowment & Similar Funds
Investment Review for Calendar 2011
Submitted March 2012

This cover page provides a summary overview of the Pennsylvania State University Endowment and Similar Funds for Calendar Year 2011. The second page summarizes Endowment-related data that is discussed on the remaining pages, along with in depth Endowment performance analysis.

Executive Overview

Endowment Performance
Annualized net investment returns for the Penn State University Endowment (adjusted for the impact of gifts and spending, and after external investment management expenses) are shown below for periods ending December 31, 2011:

<table>
<thead>
<tr>
<th>Calendar 11</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.9%</td>
<td>10.2%</td>
<td>3.3%</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

Endowment & Similar Funds Market Value (pg 3)
Penn State University’s Endowment was valued at $1,669 million as of December 31, 2011, with an additional $90 million in Similar Funds.

Review of Investment Markets (pg 4)
The graph below compares respective returns for 12-months ending December 31, 2010 and 2011 for the S&P 500, MSCI All Country World (ACW) ex-US, 91-day US Treasury Bills, Barclays Aggregate Bond, and publicly-traded Real Estate Investment Trusts (REITs) Indexes. As shown below, both US and non-US public equity returns for calendar 2011 trailed their 2010 performances, while domestic real estate (REITs) again outperformed all other asset classes. For both years, bonds were positive while T-Bill returns were again negligible.

Investment Diversification and Asset Mix (pg 5)
At calendar year-end, 57% of Endowment assets were invested in public equities (domestic and foreign), 17% in fixed income/cash, and 26% in private capital partnerships (venture capital, private buyouts, real estate, and natural resources).

Comparative Fund Performance (pg 6)
Penn State’s Endowment returned 3.9% net for the year ending December 31, 2011 versus 4.2% for the Passive Policy Portfolio, while the Endowment’s 3- and 5-yr relative performance was somewhat better than the respective passive benchmarks.

Endowment Liquidity (pg 7)
With approximately one-half of its assets convertible to cash in a matter of days, the Endowment maintains adequate liquidity to satisfy anticipated cash requirements.

Endowment Performance and Spending (pg 8)
The Penn State Endowment’s average annual net returns of 6.5% and 8.1% over the last 10 and 20 years, respectively, have allowed the Endowment to maintain inflation-adjusted spending while achieving long-term intergenerational equity.
5-Year Endowment Facts and Figures

<table>
<thead>
<tr>
<th>Annual Periods Ending December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>-----------------------------------</td>
</tr>
<tr>
<td><strong>Investment Performance</strong> Endowment¹ (annualized net returns)</td>
</tr>
<tr>
<td><strong>Market Values</strong> ($ millions) Endowment¹</td>
</tr>
<tr>
<td>Similar Funds²</td>
</tr>
<tr>
<td>Endowment and Similar Funds</td>
</tr>
<tr>
<td>Gifts &amp; Other Additions ($ mils)</td>
</tr>
<tr>
<td>Current Spending ($ mils)</td>
</tr>
</tbody>
</table>

¹ Endowment assets over which Penn State’s Office of Investment Management (OIM) has investment responsibility, as approved by the Penn State Investment Council (PSIC).

² Similar Funds — includes donor-restricted and deferred gifts, plus funds in transit to Endowment.

Penn State Investment Council (PSIC) Meetings

March 17, 2011:
- Committing $4 million to IDG Accel China Growth Fund III, L.P.
- Committing $6 million to IDG Accel China Capital Fund II, L.P.

June 24, 2011:
- Committing $5 million to Accel Growth Fund II, L.P and Accel XI, L.P.
- Committing $10 million to Emergence Capital Partners III, L.P.
- Committing $10 million to GSR Ventures IV, L.P.

August 19, 2011:
- Committing $10 million to Sofinnova Venture Partners VIII, L.P.
- Investing $25 million with TCW Emerging Markets Income Fund

October 14, 2011:
- Committing $15 million to Angelo Gordon Core Plus Realty Fund III, L.P.

December 16, 2011:
- Committing $5 million to Lightspeed Venture Partners IX, L.P
- Committing $15 million to the Franklin Park International Fund 2012, L.P.

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.
Endowment and Similar Funds Market Value

As of December 31, 2011, Penn State’s Endowment was valued at $1,669.1 million. Non-pooled assets — charitable remainder trusts, charitable gift annuities, and other life income funds in addition to some donor restricted funds, as well as cash in transit to the Endowment — accounted for an additional $89.7 million, bringing Penn State’s Endowment and Similar Funds to $1,758.8 million. The annual market values for the University’s Endowment and Similar Funds for each of the last five calendar years ending December 31 are shown below:

From the graph above:

The Endowment and Similar Funds’ total value increased by $96.5 million during calendar 2011. As seen in the table on page 2, new gifts added to the Pool over the last 12 months totaled $139.1 million, while Endowment program support (spending) amounted to $66.4 million.

Inflows of new gifts, along with positive investment returns, have resulted in a cumulative 3.64% increase in the Endowment’s value, net of spending, from December 31, 2007 to December 31, 2011.

The total Endowment’s $61.8 million increase over the last five years reflects new gift contributions and reinvested investment earnings, after providing cumulative program support of $316.2 million.

(Appendix II.12)
Review of Investment Markets in Calendar 2011

Following a year of strong double-digit gains, global equities in calendar 2011 trailed fixed income returns, while non-US indexes sharply lagged US equity markets. The performance of investment markets that directly impact Penn State University’s Endowment is discussed below.

US Equities

The S&P 500 returned 2.1% for the 12 months ending December 31, 2011, compared to 15.1% for calendar 2010, while the large-cap biased Dow Jones Industrial Index returned 8.4% and 14.1%, respectively. Small-capitalization stocks, as measured by the Russell 2000 Index, returned -4.2% versus 26.9% last year. The Nasdaq Index’s return of -1.8% lagged the broad domestic indexes in calendar 2011, as well as its 2010 return of 16.9%.

Non-US Equities

Equities outside the United States generally matched those in the US as the Morgan Stanley All Country World (ACW) Index ex-US returned -13.3% for the 12-month period ending December 31, 2011. This was sharply below its calendar 2010 return of 11.6%. Emerging market equities in developing countries returned -18.2% over the last 12 months, far below their 19.2% return in calendar 2010.

Fixed Income

Barclays Capital Aggregate Bond Index (various maturities of US Government and non-government domestic bonds) returned 7.8% in calendar 2011 versus 6.5% in 2010. US Long-Term Treasury Bonds returned 29.9% in calendar 2011 versus 9.4% a year earlier.

For calendar 2011, 91-day Treasury Bills again earned 0.1% and Global Treasury Inflation Protected Securities (TIPS) returned 10.2% in calendar 2011 compared to 3.0% in calendar 2010.

Real Estate

Publicly-traded Real Estate Investment Trusts (REITs) returned 8.3% for the calendar year ended December 2011 compared to 27.9% in 2010. Privately-held real estate investment partnerships, as measured by the largely commercial property NCREIF Index, rebounded to earn 16.1% in calendar 2011 compared to 5.8% in 2010.

Alternatives

Private Equity Buyouts and Venture Capital saw an increase, averaging returns of 13.4% and 20.9%, respectively, for the 12 months ending September 30, 2011 (private capital partnerships are reported on a 3-month lag). In the previous 12-month period ending September 30, 2010, Private Equity returned 18.0%, while Venture Capital was at 8.3%. By comparison, the Russell 2000 Index of small-capitalization stocks returned -3.5% for the 12 months ending September 30, 2011 and 13.3% for the year ending September 30, 2010.

Economic and Market Outlook

In the 12 months ending December 31, 2011, global equity markets softened relative to 2010, with US equities outpacing non-US indexes. Fixed income markets provided a fifth consecutive year of positive returns, as the Federal Reserve continued to hold down interest rates to alleviate credit market distress brought on by the decline in housing prices and the accompanying deleveraging. Looking ahead, expectations for domestic corporate profits are leveling off in the face of a slowly recovering world economy, especially in the developed countries.

Penn State’s well-diversified Endowment portfolio — consisting of public equities, private partnerships, bonds, and hedge funds in addition to inflation-sensitive “real assets” — continues to be the most appropriate investment approach for long-term growth and sustainable spending.
Investment Diversification and Asset Mix

Asset allocation is a primary determinant of investment performance and risk control. The Endowment’s asset mix combines three very broad asset categories - public equities, private capital, and fixed income - to maximize potential returns, while tempering volatility. Reflecting a desire to support generous spending and the need to preserve purchasing power in light of changing market and economic conditions, the Penn State Investment Council (PSIC) regularly reviews the Endowment’s investment policy.

In the graph below, the three macro categories – public equities, fixed income, and private capital – are shown in the outermost ring with their December 31, 2011 allocations of 57%, 17%, and 26%, respectively.

At a more granular level, the Endowment’s diversified portfolio includes a variety of asset classes that comprise the three macro categories, as shown by the slices within the inner pie (percentages are rounded):

- 57% in Public Equities includes publicly-traded US (38%) and non-US (12%) common stocks, and equity-oriented hedge funds (7%).
- 17% in Fixed Income includes 14% in nominal bonds (largely US government and investment grade corporate bonds), and 3% in Global Treasury Inflation Protected Securities (Global TIPS).
- 26% in Private Capital includes the following private partnerships: 15% private equity (venture capital, leveraged buy-outs, distressed-debt), and 11% in total real assets (private and public real estate, and energy).

The individual asset classes above represent market values as of December 31, 2011; however, the percentages fluctuate over time depending on market trends and allocations approved by the Penn State Investment Council.

The approximately 83% currently allocated to public equities and private capital is intended to take advantage of capital growth and purchasing power protection offered by equity-type investments. On the other hand, the 17% invested in fixed income is intended to provide diversification and stability during times of market turbulence.
Endowment Performance Compared to Passive Portfolio

The Endowment’s investment performance is measured against a hypothetical Passive Portfolio, comprised of three broad asset categories: Public Equities, Private Capital, and Fixed Income. This passive portfolio serves as a blended benchmark against which the performance of the actual, actively-managed Endowment is monitored. In the table below, the respective static weightings of the three major asset categories, along with respective sub-categories, are associated with corresponding market benchmarks to generate Passive Portfolio returns over 1-, 3-, and 5-year horizons:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Benchmark</th>
<th>% Weighting</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equities (listed on stock exchanges)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Equities</td>
<td>S&amp;P 500 Index</td>
<td>40</td>
<td>2.1</td>
<td>14.1</td>
<td>-0.3</td>
</tr>
<tr>
<td>Non-US Equities</td>
<td>All Country World ex US Index</td>
<td>15</td>
<td>-13.7</td>
<td>10.7</td>
<td>-2.9</td>
</tr>
<tr>
<td>Private Capital (non-marketable alternatives)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Equity</td>
<td>CA Private Equity Composite</td>
<td>15</td>
<td>13.4</td>
<td>6.5</td>
<td>8.6</td>
</tr>
<tr>
<td>Venture Capital</td>
<td>CA Venture Capital Composite</td>
<td>5</td>
<td>20.9</td>
<td>4.3</td>
<td>6.6</td>
</tr>
<tr>
<td>Private Real Estate</td>
<td>NCREIF Index</td>
<td>5</td>
<td>16.1</td>
<td>-1.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Fixed Income/Cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total US Bonds</td>
<td>Barclays Aggregate Bonds</td>
<td>20</td>
<td>7.8</td>
<td>6.8</td>
<td>6.5</td>
</tr>
<tr>
<td>Total Passive Portfolio (net)</td>
<td></td>
<td>100%</td>
<td>4.2%</td>
<td>9.7%</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

Note: the above categories/sub-categories are very broad and are assumed to be constant over the entire 5-yr period, much like a traditional balanced portfolio. As shown on the previous page, the actual endowment portfolio is comprised of several separate portfolios whose periodic weights vary as a result of fluctuating market returns.

As shown above, Penn State’s Endowment returned 3.9% net for calendar 2011, less than the 4.2% return of the Passive Portfolio. For the trailing 3- and 5-years, the Passive Portfolio would have realized annualized returns of 9.7% and 2.6%, respectively.

By comparison, the Endowment’s actual 3- and 5-year returns outperformed in each period, netting 10.2% and 3.3%, respectively. Overall, this shows that the Endowment’s investment managers augmented the performance relative to passive benchmarks.

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 endowment spending. The Endowment’s performance varies from the static Passive Portfolio as a consequence of several factors, including but not limited to the following: timing of cash-flows into and out of the Endowment, tactical shifts in asset mix, and individual investment manager performance.
Endowment Liquidity

The financial crisis that erupted in 2008 was characterized, among other considerations, by lack of liquidity. Many institutions were unable to meet current obligations due to lack of available cash. This was exacerbated by their inability to readily convert some assets to cash because of reduced trading volumes in various financial instruments.

In the graph below, Endowment assets are classified according to how quickly they can be converted to cash. Most securities listed on exchanges or traded over-the-counter, and held at our custodian bank in 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 some having more and/or less frequent liquidity “windows.” Non-marketable partnerships are considered illiquid primarily because of the inherent inability of limited partners to transact at will.

Observations from the blue (left) bars of each of the four pairs above for the period ending December 31, 2011:

- 52% percent of Endowment assets are invested in stocks and bonds that can be converted to cash in a matter of days. Of this, about 1% is held in money market accounts, along with approximately 6% in “securitized cash” (i.e., fully collateralized equities/treasuries futures), to minimize the possibility that other assets will need to be liquidated in order to satisfy day-to-day and/or unforeseen cash requirements.
- Commingled portfolios, primarily non-US public equity, comprise 14% of Endowment assets and can be converted to cash within 30 days or sooner.
- 7% of Endowment assets are invested in five hedge fund partnerships and can be at least partially converted to cash annually or in some cases quarterly.
- 27% percent of Endowment assets are invested in more than 90 different partnerships or other non-marketable investments which are conservatively considered illiquid because of uncertain timing of future cash flows.

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

Increased Liquidity and Investment Performance

As shown above, the liquidity profile of Penn State’s Endowment changed slightly from the end of calendar 2010 (tan bars) to the end of calendar 2011 (blue bars). Daily liquidity increased from 50% to 52%. Meanwhile monthly liquidity decreased from 17% to 14% and yearly liquidity decreased from 10% to 7%. Illiquid non-marketable alternative assets increased from 24% to 27% of Endowment assets in calendar 2011, owing largely to market value appreciation in some illiquid holdings.
Long-Term Endowment Growth and Spending

In the chart below, the top line represents the cumulative net investment return of the Penn State Endowment over the last 20 years, during which the Endowment’s investment return averaged 8.1% per year. The layers illustrate investment return apportioned to program support (spending) and inflation (as measured by the Higher Education Price Index [HEPI]), with the remaining residual representing net, real (inflation-adjusted) growth.

The Endowment’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 (top 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 endowment return, oscillates across the horizontal “intergenerational equity” line. While market fluctuations have caused the growth layer to swing positive and negative, “intergenerational equity” has largely been achieved.

Two Very Different Decades of Market Performance

The variable nature of investment returns is characterized in the table below which bifurcates the last 20 years into two successive 10-year periods, whose respective investment returns differed widely. The 10 years ending December 2001 (second row) benefitted from an extended equity bull market during the 1990’s, while the 10 years ending December 2011 (first row) suffered two large sell-offs in equities. The substantial return disparity is reflected by comparing the S&P 500’s 10-year average return for the decade ending 2011 (2.9%) versus 2001 (12.9%) below:

<table>
<thead>
<tr>
<th>10-Year Periods</th>
<th>Annual Nominal Returns</th>
<th>Annual Real Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ending December 31</td>
<td>S&amp;P 500</td>
<td>Bond Index</td>
</tr>
<tr>
<td>2001 to 2011</td>
<td>2.9%</td>
<td>5.8%</td>
</tr>
<tr>
<td>1991 to 2001</td>
<td>12.9</td>
<td>7.2</td>
</tr>
<tr>
<td>Diff (percentage points)</td>
<td>-10.0%p</td>
<td>-1.4%p</td>
</tr>
</tbody>
</table>

As shown by the negative differentials in the last row above, investment returns for the most recent 10 years lagged those for the previous 10 years in every instance. Owing to the severity of two bear markets, the S&P 500’s 2.9% annualized nominal return for the 10-year period ending December 2011 trailed its 12.9% pace for the 10-year period ending December 2001 by a sizeable 10.0%p (percentage points). Over the same two periods, the respective return difference for bonds (Barclays Aggregate Bond Index) was -1.4%p and for the Endowment was -3.2%p, net of fees.

On an inflation-adjusted basis relative to HEPI (boxed column in above table), the Endowment’s net real return difference was -2.8%p, compared to real differences of -9.6%p for stocks and -1.0%p for bonds (last row of the right three columns above). Over the past decade, decreased public equity exposure along with increased “alternative investments” has enabled the Endowment to outperform both stocks and bonds (nominal and real) for the 10 years ending December 2011, when overall investment returns were substantially lower than the prior 10-year period.
### THROUGH JANUARY 2012

<table>
<thead>
<tr>
<th>TYPE</th>
<th>This Year Year-To-Date (As of 1/31/12)</th>
<th>Last Year Year-To-Date (As of 1/31/11)</th>
<th>Change Year-To-Date (From 2011 - 2012)</th>
<th>Last Fiscal Year Grand Totals (7/01/10 - 6/30/11)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gifts Dollars</td>
<td>Gifts Dollars</td>
<td>Gifts Dollars</td>
<td>Gifts Dollars</td>
<td>Gifts Dollars</td>
</tr>
<tr>
<td>ALUMNI</td>
<td>74,641 49,670,914</td>
<td>75,935 97,836,782</td>
<td>(1,294) (48,165,868)</td>
<td>129,948 131,707,780</td>
</tr>
<tr>
<td>FRIENDS</td>
<td>89,682 19,964,806</td>
<td>89,556 16,299,189</td>
<td>126 3,665,617</td>
<td>158,994 39,033,294</td>
</tr>
<tr>
<td>CORPORATIONS</td>
<td>6,664 33,049,778</td>
<td>7,092 27,602,295</td>
<td>(428) 5,447,483</td>
<td>13,971 51,673,238</td>
</tr>
<tr>
<td>FOUNDATIONS</td>
<td>708 13,766,477</td>
<td>1,019 19,727,204</td>
<td>(311) (5,960,727)</td>
<td>1,897 30,511,281</td>
</tr>
<tr>
<td>ORGANIZATIONS</td>
<td>2,328 8,204,699</td>
<td>1,618 9,076,700</td>
<td>710 (872,001)</td>
<td>3,348 22,127,183</td>
</tr>
<tr>
<td>TOTALS</td>
<td>174,023 $124,656,674</td>
<td>175,220 $170,542,170</td>
<td>(1,197) ($45,885,496)</td>
<td>308,158 $275,052,776</td>
</tr>
</tbody>
</table>
## Purpose of Gift

**Year-To-Date Report - All Sources**

### Through January 2012

<table>
<thead>
<tr>
<th>Purpose of Gift</th>
<th>This Year Year-To-Date (As of 1/31/12)</th>
<th>Last Year Year-To-Date (As of 1/31/11)</th>
<th>Change Year-To-Date (From 2011 - 2012)</th>
<th>Last Fiscal Year Grand Totals (7/01/10 - 6/30/11)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gifts Dollars</td>
<td>Gifts Dollars</td>
<td>Gifts Dollars</td>
<td>Gifts Dollars</td>
<td></td>
</tr>
<tr>
<td><strong>UNRESTRICTED</strong></td>
<td>5,790 1,400,327</td>
<td>5,441 669,337</td>
<td>349 730,990</td>
<td>8,497 1,039,028</td>
</tr>
<tr>
<td><strong>ACADEMIC DIVISIONS</strong></td>
<td>9,938 3,079,916</td>
<td>10,474 3,790,970</td>
<td>(536) (711,054)</td>
<td>18,326 5,187,318</td>
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<tr>
<td><strong>FACULTY RESOURCES</strong></td>
<td>377 2,500,861</td>
<td>281 17,307,714</td>
<td>96 (14,806,853)</td>
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<td><strong>RESEARCH</strong></td>
<td>1,930 17,788,783</td>
<td>1,782 21,165,887</td>
<td>148 (3,377,104)</td>
<td>4,072 34,965,830</td>
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<td><strong>PUBLIC SVC &amp; EXT</strong></td>
<td>12,913 1,954,306</td>
<td>12,960 2,524,075</td>
<td>(47) (569,769)</td>
<td>23,028 4,693,657</td>
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<td><strong>LIBRARY</strong></td>
<td>975 192,131</td>
<td>1,035 178,430</td>
<td>(60) 13,701</td>
<td>1,721 303,306</td>
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<td><strong>PHYS. PLANT MAINT.</strong></td>
<td>70 11,382</td>
<td>95 17,929</td>
<td>(25) (6,547)</td>
<td>177 30,908</td>
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<td><strong>STUDENT AID</strong></td>
<td>30,576 28,018,460</td>
<td>26,815 32,364,336</td>
<td>3,761 (4,345,876)</td>
<td>51,161 60,798,268</td>
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<td><strong>SCHOLARSHIPS</strong></td>
<td>9,642 13,547,628</td>
<td>9,605 18,765,663</td>
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<td>353 85,284</td>
<td>16 962,937</td>
<td>337 (877,653)</td>
<td>176 1,050,558</td>
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<td>10 (723,841)</td>
<td>779 4,122,515</td>
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<td>16,751 10,041,955</td>
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<td>4,138 53,369,712</td>
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<td><strong>175,220 170,542,170</strong></td>
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<td>This Year-To-Date</td>
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</table>
The Corporation for Penn State is a Pennsylvania non-profit corporation organized in 1985 and is tax-exempt under the Federal Internal Revenue Code. Its Board of Directors is elected annually by the Board of Trustees and the current membership includes:

Rodney A. Erickson
Steve A. Garban
David J. Gray
Edward R. Hintz, Jr.

Robert N. Pangborn
Harold L. Paz
Linda B. Strumpf
John P. Surma

The Chair of the Board of Trustees serves as Chair of the Board of Directors; and the University President serves as President and Chief Executive Officer.

The Corporation has two principal purposes-- it acts as a holding company for a number of affiliates and subsidiaries engaged in activities, which for a variety of reasons, the University cannot or should not do directly.

These include the following three for-profit subsidiaries and affiliates:

1. The Nittany Insurance Company is a captive insurance company incorporated in the State of Vermont, organized for the purpose of providing access to the reinsurance market for various insurance programs.

2. The Research Park Management Corporation is responsible for the administration of the development of Innovation Park.

3. Penn State Hershey Health System was organized for the purpose of investing in joint ventures with healthcare organizations.

There are five non-profit subsidiaries and affiliates:

1. The Penn State Research Foundation is a corporate vehicle for the patenting, licensing and commercialization of intellectual property created by the faculty of the University. The proceeds of these activities are used to support research and technology transfer at the University.

2. The Ben Franklin Technology Center of Central and Northern Pennsylvania is a non-profit corporation which receives funding from the Commonwealth of Pennsylvania Department of Community and Economic Development and exists as a means to help create and preserve jobs in Pennsylvania.

3. The Pennsylvania College of Technology has been a subsidiary and part of Penn State since 1989.

4. The Recycling Markets Center receives its funding from the Commonwealth and was organized in 2005 for the purpose of aiding corporations throughout the Commonwealth to overcome technical barriers to the use of recyclable materials.

5. The Pennsylvania State University Philanthropic Fund was established in 2010 for the purpose of receiving gifts and grants from the public to be used to support and further the educational mission of The Pennsylvania State University.

The Board of Directors receives reports from each of these subsidiaries and the affiliates at least once each year.

The second principal purpose of The Corporation for Penn State is that it can, under certain circumstances, accept gifts on behalf of the University that cannot be made directly to the University. This continues to be an important vehicle for the accomplishment of University objectives.