

MINUTES OF SPECIAL MEETING

BOARD OF TRUSTEES

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A special meeting of the Board of Trustees was held in Room 108, The Penn Stater Conference Center Hotel, University Park, Pennsylvania, on Friday, October 26, 2012 at 5:00 p.m.

The special meeting was convened at 5:27 p.m.

The following Trustees participated in person or via conference call: Peetz (chairman), Masser (vice chairman), Alexander, Arnelle, Broadhurst, Cotner, Dambly, Deviney, Eckel, Erickson, Frazier, Greig, Hayes, Hintz, Huber, Khoury, Lubert, Lubrano, McCombie, Myers, Silvis, Strumpf, Suhey, Surma, Taliaferro, and Tomalis.

Present by invitation were staff members Ammerman, DiRaimo, Dunham, Foley, Gaudelius, Gray, and Hanes.

[A complete audio recording of the meeting is available at <http://www.youtube.com/watch?v=2JVtNI3ZsGQ>]

Chairman Karen Peetz's remarks are included in their entirety:

"Good afternoon, everyone. The first order of business is to announce that the Board of Trustees met in Executive Session earlier this afternoon to receive an update from legal counsel.

"As noted in the announcement of the special meeting, the purpose of this special meeting is for the Board of Trustees to consider a resolution that would authorize the Legal Subcommittee of the Committee on Legal and Compliance to approve settlements of civil claims against the University.

"Our counsel have advised that it is not legally necessary for the Board of Trustees, or any committee of the board, to approve settlements of civil litigation against the University. Under the University's *Charter* and *Bylaws*, this is an administrative matter. That said, under the special circumstances surrounding these cases, and in view of the fact that the amount of the settlements, individually and in the aggregate, could be significant, some level of board oversight is appropriate and advisable.

"It is not practical, or required in order for us as trustees to fulfill our fiduciary duty, however, for the entire board to provide that oversight.

"As a board, we have many other things on our agenda. Important things such as strategic planning, the presidential search, the oversight of the Freeh recommendations and many other issues which will occupy our time. On the other hand, the Legal Subcommittee has been deeply immersed in the facts of these cases and has evaluated the University's litigation strategy in great detail. The subcommittee is small enough to be able to convene on short notice.

"The Legal Subcommittee will report, of course, to the full board on a regular basis, as it has been doing since its inception.

"I think that the Board has a great deal of trust and confidence in the members of the Legal Subcommittee. For those reasons, it is being proposed that the Board adopt the resolution authorizing the Legal Subcommittee to approve settlements of the civil claims against the University.

"Before we act on this, I would like to ask Ira Lubert, Chair of the Legal Subcommittee, to say a few words."

Chair Lubert's remarks:

"Thank you, Chair Peetz. The Legal Subcommittee has been meeting since early February on a weekly basis, working with our lawyers to craft a strategy. Today is the culmination of that strategy. We are going to introduce some members of our legal team, Ken Feinberg and Michael Rozen, who we've hired to represent us as neutrals. They are working for us to help facilitate the settlement of the cases, if possible.

"I would like to call upon Ken and Michael to get a little bit about their background and what they have done and see here. Thank you very much."

Ken Feinberg and Michael Rozen, of Feinberg and Rozen, LLP, noted the following:

- Feinberg and Rozen, LLP ("the firm"), was retained by Penn State to help facilitate settlement in each case. The firm has no authority whatsoever to bind Penn State to do anything.
- Unlike the firm's previous work in the 9/11 Victim Compensation Fund and the BP Oil Spill Fund, this is not a process where Penn State has instructed us to go out and allocate an aggregate fund. Each case stands on its own, each case will be evaluated on the merits, and each case will either be resolved or not resolved.
- Penn State will decide for itself in each particular case how much information it needs to evaluate and decide whether it is appropriate to try and resolve the dispute.
- At present there are between twenty and twenty-five possible cases. That number may increase or decrease.
- All of the counsels for all of the claimants thus far have engaged with the firm in the utmost of good faith, and are ready, willing, and able to have discussions. This is not concluding that there will be an outcome that satisfies either them or the University. All have agreed to engage in the process and the firm is moving that process forward.

Chairman Peetz, following a motion and second, called for a roll call vote to consider the below resolutions:

WHEREAS, claims have been and are expected to be made against the University by persons alleging, among other things, that the University is liable for injuries suffered by such persons relating to the actions of Gerald Sandusky;

WHEREAS, the Board of Trustees desires to resolve such claims in a manner that is fair, expeditious and efficient;

WHEREAS, the Subcommittee on Legal of the Committee on Legal and Compliance of the Board of Trustees was created, in part, to oversee litigation and other legal matters affecting the University;

THEREFORE BE IT RESOLVED, that the President and the Senior Vice President for Finance and Business/Treasurer be, and each of them hereby is, authorized to cause the University to pay such amounts within such dollar limits as the Subcommittee on Legal may approve in advance to one or more such persons in settlement of such claims, in each case on terms and conditions approved by the President, or the Senior Vice President for Finance and Business/Treasurer, and by the Vice President and General Counsel as to form, and that the President and the Senior Vice President for Finance and Business/Treasurer be, and each of them hereby is, authorized to execute any necessary settlement agreements, and any other documents, instruments or agreements deemed necessary or advisable in connection therewith.

RESOLVED FURTHER, that the execution and delivery of any such settlement agreement, or any other documents, instruments or agreements deemed necessary or advisable in connection therewith, shall constitute conclusive evidence of such proper officer's approval within the authority approved and authorized by the Subcommittee on Legal.

The Board of Trustees unanimously approved the resolutions.

The special meeting adjourned at 5:40 p.m.

Respectfully submitted,

Paula R. Ammerman
Associate Secretary
Board of Trustees