

MINUTES OF MEETING

BOARD OF TRUSTEES

VOLUME 232

May 18, 2007

A meeting of the Board of Trustees was held in the Boardroom of The Nittany Lion Inn, University Park, Pennsylvania, on May 18, 2007, at 2:45 p.m.

The following Trustees were present: Broadhurst (chairman), Garban (vice chairman), Alexander, Arnelle, Baldwin, Chaiken, Clemens, Conti, Eckel, Foulke, Hayes, Henning, Hetherington, Hintz, Jones, Joyner, Junker, Metzgar, Myers, Peechatka, Poprik, Riley, Shaffer, Spanier, Strumpf, Suhey, and Wolff; Trustees Emeriti Huck, Robinson, Wise, and Wood; and Zahorchak's Representative Fleck.

Present by invitation were faculty representative Hufnagel; student representatives Casiano, Chamberlin, and Gyekis; staff members Ammerman, Curley, DiEugenio, Dolbin, Doncsecz, Erickson, Kirsch, Mahon, Pangborn, Paz, Pell, Poole, Romano, Schultz, Stryker, Triponey, and Weidemann; and Mr. Courtney of McQuaide Blasko.

It was voted to approve the minutes of the March 23, 2007 meetings of the Board of Trustees.

Reports from Standing Committees

- A. Chair Conti reported that the Committee on Campus Environment met on May 18, 2007, and there were no recommendations for action to present to the Board of Trustees.
- B. Chair Jones reported that the Committee on Educational Policy met on May 18, 2007, and recommended that the Board of Trustees approve the following resolutions:
 - 1. RESOLVED, That the Board of Trustees approves the change in name of the Department of Energy and Geo-Environmental Engineering to the Department of Energy and Mineral Engineering in the College of Earth and Mineral Sciences effective immediately.
 - 2. RESOLVED, That the Board of Trustees approves President Graham B. Spanier's appointment of Dr. William E. Easterling III as Dean of the College of Earth and Mineral Sciences effective July 1, 2007.

The Board voted to approve the action items as recommended by the Committee on Educational Policy.

- C. Chair Metzgar reported that the Committee on Finance and Physical Plant met on May 18, 2007, and recommended that the Board of Trustees approve the following resolutions:
 - 1. RESOLVED, That the conditions governing certain existing scholarships, fellowships, awards, and similar funds previously established at the University be revoked and that the Officers of the University are authorized to put into effect the revised regulations as summarized below and the same are approved: (See Appendix I)
 - A. Christopher Warren Barnes Endowment
 - B. Dr. Joseph Davis Fund for the Encouragement of Innovative Research in the Department of Kinesiology
 - C. Faculty and Staff Enhancement Endowment in the School of Hospitality Management and in the Department of Recreation, Parks and Tourism Management
 - D. Judy S. Finkelstein Memorial Research Award
 - E. Ernest E. and Bernice C. Fryer Family Psychology Scholarship
 - F. Darin P. and Laura Taylor Johnson Trustee Scholarship in the College of Engineering
 - G. KlingStubbins Engineering Graduate Scholarship
 - H. Susan E. Lutz and John K. Maser, III Education Abroad Scholarship in the College of the Liberal Arts

- I. NOVA Chemicals, Inc. Beaver Valley Plant Scholarship at Penn State Beaver
- J. Pasto Agricultural Museum Endowment
- K. PennAg Poultry Council Scholarship in Poultry Science
- L. James R. and Elizabeth Wolfram Raymond Alumni Scholarship
- M. Simpson-Marcher-Petersen Endowed Scholarship Fund in the College of the Liberal Arts
- N. Robert B. Spieth Scholarship Fund
- O. University Chair in Pathology
- P. Gregory H. and Betsy E. Wolf Endowment in Sports Medicine
- Q. Gregory H. and Betsy E. Wolf Endowed Scholarship for Strong Safety

2. RESOLVED, That the Board of Trustees gratefully acknowledges the generous contributions of the many friends of the University in support of endowments, funds, and other major commitments as reported to the Committee on Finance and Physical Plant at its meeting of May 18, 2007.

FURTHER BE IT RESOLVED, That the Officers of the University are authorized to convey the Board's appreciation to these generous benefactors who provide opportunities for many students to receive a quality education.

3. RESOLVED, That the Board of Trustees approves reestablishing the term of a 6.36 acre land lease with the U.S. Government, as well as the existing 22.62 acre land lease, to reflect a commencement of March 1, 2007 through February 28, 2042 and three (3) consecutive five (5) year renewal options, for Pennsylvania Air & Army National Guard training facilities at University Park Airport, Benner Township, Centre County.

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

4. RESOLVED, That pending adoption of a new budget to reflect clarification of the amount and form of the State appropriation, and subsequent decision regarding the amount of tuition charges, adjustments to salaries, wages, and employee benefits, and provisions for fuel and utilities and other cost increases, the Board of Trustees approves continuation for the interim period beginning July 1, 2007, total budget amounts at the level of the adjusted 2006-07 budget as follows:

	University Park and Other Locations^a	College of Medicine	Pennsylvania College of Technology	Total University
General Funds	\$1,375,144,000	\$79,801,000	\$91,567,000	\$1,546,512,000
Agricultural Federal Funds	18,362,000			18,362,000
Restricted Funds	465,005,000	67,000,000	26,858,000	558,863,000
Auxiliary Enterprises ^b	267,795,000	4,374,000	17,833,000	290,002,000
Total	\$2,126,306,000	\$151,175,000	\$136,258,000	\$2,413,739,000
Milton S. Hershey Medical Center				\$808,892,000
Total Funds				\$3,222,631,000

^aIncludes Dickinson School of Law.

^bIncludes increase in room and board charges as approved by the Board of Trustees, November 17, 2006.

5. RESOLVED, That the proposal whereby the University in an Agreement with the Centre Area Transportation Authority will grant continued use of the transit center and bus stop on Curtin Road at Pattee Library for a period of thirty (30) years is approved.

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

6. WHEREAS, The Board of Trustees on November 6, 1986, adopted a resolution regarding the University's Endowment Spending and Investment Policies for Endowment and General University Funds and subsequently approved revisions on March 18, 1995; July 12, 1996; September 8, 2000; November 22, 2002; and November 19, 2004; and

WHEREAS, The Officers of the University have recommended an amendment of such policies as hereinafter set forth.

NOW, THEREFORE, BE IT RESOLVED, That the membership of the Penn State Investment Council, as stated in the University's Endowment Spending and Investment Policies for Endowment and General University Funds, paragraph (1), be amended as follows:

- (1) That the Penn State Investment Council, comprised of the Senior Vice President for Finance and Business/Treasurer, as Chairman, Executive Director, Office of Investment Management, and five to seven non-University members, each serving one-year renewable terms, is hereby authorized to administer the spending and investment policies hereinafter adopted by the Board of Trustees and to report periodically concerning the same to the President of the University and to the Committee on Finance and Physical Plant of the Board of Trustees. In such administration, the Investment Council may delegate appropriate functions to properly designated University Officers and other University Personnel.

7. WHEREAS, by resolutions adopted on November 19, 2004, the Board of Trustees authorized borrowing of up to Three Hundred Fifty Million (\$350,000,000) Dollars for capital projects approved by the University's Board of Trustees to award construction contracts prior to January 1, 2008 (the "2004 Resolution");

WHEREAS, approximately Two Hundred Million (\$200,000,000) Dollars of the funds authorized to be borrowed under the 2004 Resolution have been borrowed;

WHEREAS, it is in the financial interests of the University to extend the date for the Board of Trustees' approval to award construction contracts under the 2004 Resolution from January 1, 2008 to June 30, 2013;

WHEREAS, the University and its affiliated organization, The Milton S. Hershey Medical Center (the "Medical Center") have studied their capital needs and plan to make capital expenditures for depreciable assets, or to reimburse their other funds for capital expenditures already made, in an amount approximately equal to Six Hundred Million (\$600,000,000) Dollars during the period until June 30, 2013;

WHEREAS, the University may be required to provide its guaranty of obligations issued by the Medical Center for the payment of costs of capital projects of the Medical Center;

WHEREAS, it is in the financial interests of the University and the Medical Center to pay for depreciable assets over a period which does not exceed the useful lives of such depreciable assets or such longer period as is permitted by Federal tax law;

WHEREAS, depending on the stage of development of the various capital

projects, it may be in the financial interests of the University and the Medical Center to incur obligations for the payment of the cost of capital projects at one time or in part from time to time;

WHEREAS, the specific timing of University borrowing or guarantees by the University of indebtedness of the Medical Center in light of trends in the financial markets can make a significant difference to the University, the Medical Center and their constituents in the cost of borrowing for capital projects;

WHEREAS, the decisions as to price, timing, interest rates, terms, serialization and tax exempt or taxable status of such borrowing of the University and the form of any guarantees by the University of indebtedness of the Medical Center can be made by the officers of the University in a more flexible, timely and efficient fashion than would be the case if it were necessary to postpone a financing until the next scheduled meeting of the University's Board of Trustees;

WHEREAS, it may be advantageous to refund or otherwise refinance certain outstanding obligations of the University from time to time or, prior to, concurrently with or subsequent to the issuance of obligations of the University, to enter into agreements relating to bond insurance, letters of credit or other credit or liquidity facilities (collectively, "Credit Enhancement") or agreements relating to interest rate swaps or other forms of interest rate hedge or similar agreements associated with such obligations (collectively, "Hedge Agreements") and such decisions can be made by the officers of the University in a more flexible, timely and efficient fashion than would be the case if it were necessary to postpone such actions until the next scheduled meeting of the Board of Trustees;

WHEREAS, the University may from time to time issue its obligations directly or indirectly through other qualified governmental entities, and rate subsidies or other benefits may be available if the University's obligations are issued through certain Commonwealth of Pennsylvania public authorities and the proceeds of such obligations are loaned by the issuing public authorities to the University or to the Medical Center (with such loans to the Medical Center guaranteed by the University, if appropriate), and decisions regarding the form of such obligations and borrowing can be made by the officers of the University in a more flexible, timely and efficient fashion than would be the case if it were necessary to postpone such actions until the next scheduled meeting of the Board of Trustees.

NOW, THEREFORE, BE IT RESOLVED, that the authority to borrow the remaining funds not yet borrowed under the 2004 Resolution shall be extended to capital projects approved by the University's Board of Trustees to award construction contracts prior to June 30, 2013;

FURTHER RESOLVED, that the Board of Trustees of the University acknowledges that decisions regarding the form of University obligations and borrowing of the University and as to the other aspects of such obligations and borrowing described in the recitals to these resolutions may be most effectively made from time to time by officers of the University as hereafter described and that, for purposes of these resolutions, the term "officers of the University" shall mean the persons holding the positions of the President, the Senior Vice President for Finance and Business/Treasurer, the Vice President for Finance and Business, and the Corporate Controller, or any two of them, acting from time to time pursuant to the authority granted by these resolutions.

FURTHER RESOLVED, that officers of the University are authorized to cause the University to issue, in addition to the extended borrowing authority under the 2004 Resolution: 1. Bonds of The Pennsylvania State University and 2. Guarantees of indebtedness of The Milton S. Hershey Medical Center in an aggregate principal amount not to exceed Six Hundred Million (\$600,000,000) Dollars (collectively, the "Obligations") to be issued at any time or from time to time in one or more series, bearing such fixed or variable rate or rates of interest, having such other terms and provisions, including, without limitation, original issue discount

or premium, and secured by such security, including, without limitation, trust indentures, mortgages, security agreements, pledges of revenue or of the general credit of the University, as the officers of the University shall deem to be necessary or appropriate to the University.

FURTHER RESOLVED, that the officers of the University are authorized to execute, in the name and on behalf of the University, such agreements, contracts, bonds, official statements, trust indentures, mortgages, deeds of trust, security and pledge agreements, guarantees, loan agreements, bond purchase agreements, interest rate management agreements, investment contracts and other agreements and documents of every nature and description which are necessary or appropriate to accomplish the foregoing or in connection with the issuance of the Obligations.

FURTHER RESOLVED, that the officers of the University are authorized to cause such Obligations to be issued directly by the University and also by and through public authorities of the Commonwealth of Pennsylvania, including, without limitation, The Pennsylvania Higher Educational Facilities Authority, or the Centre County Higher Education Authority, with the proceeds of such indebtedness of such public authorities being loaned to the University, or to the Medical Center, as the case may be.

FURTHER RESOLVED, that the officers of the University are authorized to refund or otherwise refinance the Obligations and other outstanding indebtedness of the University from time to time and, prior to, concurrently with or subsequent to the issuance of indebtedness of the University, to execute any agreements (including any amendments or supplements thereto or thereof) which are required in connection with Credit Enhancement or Hedge Agreements, all on such terms and conditions as the officers of the University shall deem necessary or appropriate.

FURTHER RESOLVED, that this resolution is intended to be a reimbursement resolution within the meaning of Treasury Regulation Section 1.150-2 and, in implementation hereof, the officers of the University may approve specific capital expenditures to be reimbursed from the proceeds of obligations later to be issued, and the funds from which such capital expenditures shall be paid, as required by the said Regulation.

FURTHER RESOLVED, that the borrowing of the University or guarantees of indebtedness of the Medical Center under these resolutions shall be limited to capital projects approved by the University's Board of Trustees to award construction contracts prior to June 30, 2013.

FURTHER RESOLVED, that the officers of the University are hereby authorized and directed to execute and deliver such other agreements and documents and to take such other action as may be necessary or appropriate in order to effectuate the foregoing resolutions.

8. RESOLVED, That the botanical gardens in the Arboretum at Penn State be named the "H.O. Smith Botanic Gardens" in recognition of Charles "Skip" Smith's generous philanthropic support.

RESOLVED, That within the H.O. Smith Botanic Gardens, the event lawn path is named the "Kathryn E. Smith Event Lawn Path," the demonstration garden path is named the "Joan M. Smith Demonstration Garden Path," and the water feature is named the "Margery E. Smith Water Feature."

The Board voted to approve the action items as recommended by the Committee on Finance and Physical Plant.

Approval to Grant Honorary Degrees

The Board of Trustees approved the following resolution:

RESOLVED, That the Board of Trustees approves the granting of the Honorary Doctor of Humane Letters to Dr. Lee S. Shulman at an upcoming commencement ceremony.

Appointment of Members, Board of Directors of The Milton S. Hershey Medical Center

The Board of Trustees voted to adopt the following resolution:

RESOLVED, that the following individuals are appointed as members of the Board of Directors of The Milton S. Hershey Medical Center for a three-year term ending June 30, 2010:

Steve A. Garban
L. J. Rowell, Jr.
Gary C. Schultz

Report on the Election of Trustees by Alumni

The report of the election of Trustees by alumni was presented by Trustee Anne Riley (See Appendix II). It was reported that the following candidates, having received the highest number of votes cast, were elected to the Board of Trustees for a term of three years beginning July 1, 2007:

Steve A. Garban
George T. Henning
Paul V. Suhey

The report of the results of the election of Alumni Trustees was approved.

Report of the Election of Trustees by Delegates

The report of the election of trustees by delegates from agricultural societies was presented by Chairman James S. Broadhurst (See Appendix III). It was reported that the following candidates were elected by the respective societies to the Board of Trustees for a term of three years beginning July 1, 2007:

Keith W. Eckel
Samuel E. Hayes, Jr.

The report of the results of the election of Agricultural Trustees was approved.

Election of Trustees Representing Business and Industry Endeavors

The Board of Trustees voted to adopt the following resolution:

RESOLVED, that the following individuals are elected as members of the Board of Trustees representing business and industry endeavors for a three-year term beginning July 1, 2007.

Edward P. Junker III
John P. Surma

Election of Officer

Chairman Broadhurst noted that Dr. Spanier nominated Albert G. Horvath for the position of Assistant Treasurer. There being no further nominations, ballots were distributed.

The following person was elected to serve until the annual election in January 2008:

Albert G. Horvath, Assistant Treasurer

Report on the Task Force on Trustee Selection

A report and recommendations of the Task Force on Trustee Selection was distributed and accepted (See Appendix IV).

Announcements by the Chairman of the Board of Trustees

Chairman Broadhurst in his remarks:

- Congratulated Trustees Eckel, Garban, Hayes, Henning, Junker, and Suhey on their reelection to the Board;
- Stated that Bud Rowell choose not to seek reelection for another term, there will be a future opportunity to recognize his contributions;
- Presented an appreciation gift to Donna M. Roseberry, a retiring member of the Board of Trustees Office;
- Congratulated Galen Foulke on his graduation and acceptance into Penn State's College of Medicine;
- Reminded the Board that there will be a seminar the afternoon of Thursday, July 12, 2007; and
- The review of committee and other assignments will be occurring over the course of the next few weeks.

The meeting adjourned at 3:20 p.m.

Respectfully submitted,

Paula R. Ammerman
Associate Secretary
Board of Trustees