

C O N T E N T S

THE CORPORATE BYLAWS

ART. 1	Organization and Meetings of the Board	B-1
ART. 2	Qualifications for Membership on the Board of Trustees	B-1
ART. 3	Officers of the Corporation and Their Duties	B-2
ART. 4	Committees of the Board of Trustees	B-2
ART. 5	Liability and Indemnification	B-6
ART. 6	Conflict of Interest	B-7
ART. 7	Miscellaneous Provisions	B-9

THE CORPORATE BYLAWS

ART. 1. ORGANIZATION AND MEETINGS OF THE BOARD *

- (1) Corporate Authority: The authority for effecting the corporate purposes and for management and government of The Pennsylvania State University is vested by charter in the Board of Trustees.
- (2) Stated Meetings: There shall be such stated meetings of the Board of Trustees each year at such times and places as the Board of Trustees shall from time to time determine.
- (3) Special Meetings: Special meetings of the Board of Trustees may be called upon motion of the Board, upon written request of five members, or upon call by the chairperson of the Board or upon call of the President of the University.
- (4) Notice of Time and Place of Meetings: Written notice of the time and place of all meetings shall be mailed by the secretary to each member of the Board at his/her post office address at least 10 days in advance of the date of the meeting in the case of stated meetings and 3 days in the case of special meetings.
- (5) Quorum: Thirteen (13) members of the Board shall constitute a quorum for the official transaction of all business.
- (6) Vacancies: Vacancies in the membership of the Board of Trustees created by death, resignation, or failure to qualify after election by written acceptance may be filled by appointment by the president of the corporation for the unexpired term in all cases except memberships reserved for gubernatorial appointment and ex officio memberships established by charter.

ART. 2. QUALIFICATIONS FOR MEMBERSHIP ON THE BOARD OF TRUSTEES

- (1) Members of the Board of Trustees shall be natural persons of full age who need not be residents of the Commonwealth of Pennsylvania.
- (2) A person who is employed in any capacity by the University shall not be eligible to serve as a member of the Board of Trustees. This qualification for membership shall not apply to a person who is an ex officio member of the Board, nor to a person who is a student employed part-time by the University.
- (3) A person shall not be eligible to serve as a member of the Board of Trustees for a period of three (3) years from the July 1 coincident with or next following the date of last employment in any capacity by the University. This qualification for membership shall not apply to a person who is an ex officio member of the Board, nor to a person who is a student employed part-time by the University.
- (4) Only graduates of The Pennsylvania State University who shall have received an associate degree, a bachelor's degree, or an advanced degree from the University shall be eligible to serve as a trustee elected by the Alumni. No member of the faculty or the governing board of any other college or university in Pennsylvania shall be eligible to serve as a trustee elected by the Alumni.

* Use of Proxies at Meetings - In a legal opinion on February 4, 1963, the University's legal counsel determined that proxies could be used at meetings only if the Bylaws so provide. The Bylaws are silent on the matter.

ART. 3. OFFICERS OF THE CORPORATION AND THEIR DUTIES

- (1) Officers of the Corporation: The officers of the corporation shall be a president, a vice president, a secretary, an associate secretary, three assistant secretaries, a treasurer, and three assistant treasurers, all of whom except the associate secretary, the assistant secretaries, the treasurer, and the assistant treasurers shall be members of the Board of Trustees.
- (2) Secretary of the Board: The President of the University shall be ex officio the Secretary of the Board.
- (3) Election and Term of Officers: All other officers of the corporation shall be chosen each year by ballot of the members of the Board of Trustees present at the stated meeting of the Board in January to serve for a period of one year and until their successors are chosen according to these bylaws.
- (4) Duties of Officers: The president of the corporation shall perform the corporate duties which pertain to that office and shall also be chairperson of the Board. The president shall appoint all committees of the Board of Trustees and the chairperson thereof except the executive committee unless otherwise ordered by the Board. The vice president shall, in the absence of the president, perform the duties of the president. The secretary shall perform the corporate duties which pertain to that office; he/she shall be custodian of the corporate seal, conduct the ordinary correspondence of the Board of Trustees and maintain an accurate record of all proceedings of the Board and of the executive committee. The associate secretary shall assist the secretary in the performance of his/her duties and shall act for and on behalf of the University in the same manner and with the same authority as the secretary. The assistant secretaries shall assist the associate secretary and shall act for and on behalf of the University in the same manner and with the same authority as the secretary. The treasurer shall receive and disburse all monies of the corporation under procedures and safeguards prescribed by the Board of Trustees. The assistant treasurers shall assist the treasurer in the performance of these duties and shall act for and on behalf of the University in the same manner and with the same authority as the treasurer.
- (5) Vacancies in Office: Vacancies in any office or offices may be filled by ballot of the members present at any meeting of the Board of Trustees.

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.
 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 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

(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.
- (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 Audit, Risk, Legal and Compliance.
- (a) Counted in Determining a Quorum: Ex officio members shall be counted in determining the presence of a quorum.
- (7) Committee on Academic Affairs and Student Life: The committee on 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 academic affairs and student life shall consist of not less than six (6) appointive members, in addition to the ex officio members.
 - 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, Business and Capital Planning: The committee on finance, business and capital planning shall:
- (a) Consider and report or recommend to the Board on matters pertaining to finance, business, budgets, non-budget expenditures, 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, 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 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 six (6) appointive members, in addition to the ex officio members.
 - 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 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;
 - (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.

ART. 5. LIABILITY AND INDEMNIFICATION

- (1) Limitation on Liability: To the fullest extent permitted by law, no trustee of the University shall be personally liable for monetary damages for any action taken, or any failure to take any action, as a trustee. This Section (1) shall apply to actions filed, and any breach of performance of duty or any failure of performance of duty occurring, on or after January 27, 1987. This Section (1) shall be deemed to be a contract with each trustee of the University who serves while this Section is in effect. Any amendment or repeal of this Section (1) or the adoption of any other provision of the Bylaws which has the effect of increasing trustee liability shall not be retroactive.
- (2) Indemnification:
 - (a) Except as prohibited by law, every trustee and officer of the University shall be entitled as of right to be indemnified by the University against expenses (including counsel fees) and any liability (including judgments, fines, penalties, excise taxes and amounts paid in settlement) paid or incurred by such person in connection with any actual or threatened claim, action, suit or proceeding, civil, criminal, administrative, investigative or other, (hereinafter the "Claim") whether brought by or in the right of the University or otherwise, in which such person may be involved, as a party or otherwise, by reason of such person being or having been a trustee

or officer of the University or by reason of the fact that such person is or was serving at the request of the University as a director, officer, employee, fiduciary or other representative of another corporation, partnership, joint venture, trust, employee benefit plan or other entity. No right of indemnification shall exist for such Claim brought by a trustee or officer against the University or other trustees or officers unless the Claim is for indemnity and expenses pursuant to this Section 2(a).

- (b) A trustee or officer subject to such Claim, shall be entitled as of right to have expenses (including counsel fees) paid in advance by the University prior to final disposition of the Claim, subject to the right of the University to require the trustee or officer to provide an undertaking to reimburse the University for such expenses if it is finally determined by a court of competent jurisdiction that such trustee's or officer's conduct was such that the University is prohibited by Pennsylvania Law from indemnification.
- (c) The University may indemnify and advance the expenses of an agent or employee as though such person was a trustee or officer. To the extent that an agent or employee has been successful on the merits or otherwise in defense of the claim, issue or matter therein, the University shall indemnify such person against expenses (including attorneys fees) actually and reasonably incurred by such person in connection therewith.
- (d) The University may provide, at its cost, insurance, or may self insure, to protect itself and any trustee, officer, agent or employee eligible to be indemnified hereunder against any liability or expense whether or not the University would have the power to indemnify such trustee, officer, agent or employee.
- (e) To the extent permitted by law, this Section 2 shall apply to every Claim filed on or after January 27, 1987. Article 5 of the Bylaws as it existed on May 14, 1987, shall apply to every other Claim.

ART. 6. CONFLICT OF INTEREST

(1) Disclosure of Potential Conflict of Interest by Members of the Board of Trustees:

Members of the Board of Trustees: Members of the Board of Trustees stand in a fiduciary relationship to the University which reposes special confidence in each member. Members of the Board of Trustees shall act in good faith, with due regard to the interests of the University, and shall comply with the fiduciary principles of conduct hereinafter set forth in addition to any other federal or state reporting requirements.

(a) Contracts and Transactions with University:

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

the relationship or interest of the member or members of the Board of Trustees, or spouse or dependent child of such member or members, and disclosure of the material facts as to the contract or transaction, including a sole source justification. Approval by a majority of disinterested members of the Board of Trustees shall be valid even though the disinterested members are less than a quorum. The member or members interested in the contract or transaction may be counted in determining the presence of a quorum, may briefly state a position on the contract or transaction, and may answer pertinent questions concerning the contract or transaction, but such member or members shall not vote on the matter. The minutes of the meeting shall reflect that disclosure was made, the abstention from voting by the interested member or members and the approval by a majority of disinterested members. A record of such contracts or transactions shall be maintained in the office of the senior vice president for finance and business and shall be available for inspection by members of the Board of Trustees.

2. A contract or transaction valued at less than \$10,000 between the University and one or more members of the Board of Trustees, or any member's spouse, or between the University and any other corporation, partnership, association or organization in which one or more members of the Board, or any member's spouse or dependent child has a beneficial ownership of ten (10%) percent or more, shall be subject to disclosure, but shall not be subject to bidding requirements and need not be approved by the Board of Trustees. Disclosure of such contracts and transactions shall be made annually by written report to the Board of Trustees, which report shall include a certification by the appropriate officers of the University that such contracts or transactions were made in the normal course of business and were fair to the University.
 3. A contract or transaction between the University and one or more members of the Board of Trustees, or any member's spouse, or between the University and any other corporation, partnership, association or other organization in which one or more members of the Board, or any member's spouse or dependent child, has a beneficial ownership of ten (10%) percent or more, which was made before any such member assumed office as a member of the Board, and which remains to be performed, in whole or in part, at the time of assumption of office as a member of the Board, shall be subject to the disclosure requirements of Section (1)(a) 2 of this Article but shall not be subject to approval by the Board of Trustees.
 4. In addition, a record of all spouses, children and family members of members of the Board of Trustees who are employed by the University and whose compensation exceeds \$10,000 per tax year shall also be maintained in the office of the senior vice president for finance and business and available for inspection by members of the Board of Trustees.
- (b) Misuse of Information: No member of the Board of Trustees shall for personal gain or for the gain of others use any information not available to the public at large and obtained as a result of service to the University.

- (c) Gifts and Favors: No member of the Board of Trustees shall solicit or accept for personal use or for the use of others any gift, loan, gratuity, reward, promise of future employment or any other thing of monetary value based on any understanding that the vote, official action or judgment of the member would be influenced thereby.

(2) Disclosure of Potential Conflict of Interest by Employees of the University:

Employees of the University shall exercise the utmost good faith in all transactions touching upon their duties to the University and its property. In their dealings with and on behalf of the University, they shall be held to a strict rule of honest and fair dealings between themselves and the University. They shall not use their positions, or knowledge gained therefrom, in such a way that a conflict of interest might arise between the interest of the University and that of the individual. Employees shall disclose to the administrative head of the college or other unit in which they are employed, or other appropriate superior officer, any potential conflict of interest of which they are aware before a contract or transaction is consummated. This Bylaw shall be published to the University community at least once annually.

ART. 7. MISCELLANEOUS PROVISIONS

- (1) Order of Business: The order of business at all meetings of the Board of Trustees shall be as follows: (a) roll call, (b) approval of minutes of preceding meetings of the Board and the executive committee, (c) report of the President of the University, (d) reports of other officers, (e) reports of committees, (f) unfinished business, (g) new business, (h) election of officers and members of the executive committee (January meeting).
- (2) Compensation: No member of the Board shall receive compensation for his/her services, but shall be paid his/her necessary traveling expenses and hotel bills actually incurred while attending a meeting of the Board of Trustees or a meeting of a committee of the Board of Trustees of which he/she is a member, except that travel by personal automobile shall be reimbursed at the same rate established for the use of personally owned automobiles by staff members of the University when traveling on business for the University.
- (3) Fiscal Year: The fiscal year of the corporation shall be as fixed by the Board of Trustees from time to time. (On March 31, 1961, the Board voted that the fiscal year of the University shall continue to be from July 1 to June 30.)
- (4) Rules of Order: Unless otherwise modified by these Bylaws, the conduct of business in meetings of the Board and its committees shall be in accordance with the parliamentary procedures prescribed in Robert's "Rules of Order."
- (5) Amendments: These Bylaws may be amended or repealed by a two-thirds vote of those present at any meeting of the Board provided written notice and copy of the proposed change or changes have been given in the call for the meeting or at a preceding stated or special meeting.
- (6) Repeals: All resolutions of the Board inconsistent with these Bylaws are hereby repealed.
- (7) Private Inurement: No part of the net earnings of the University shall inure to the benefit of, or be distributable to, its trustees, officers or other private persons, except that the University shall be authorized and empowered to pay reasonable compensation for

services rendered and to make payments and distributions in furtherance of the purposes set forth in these Bylaws and the University's Charter.

- (8) Term Limits: Term limits for elected members of the Board will be 15 years, effective with terms beginning July 1, 2003 or thereafter. This provision for term limits shall not apply to elected members of the Board while serving in the capacity as President or Vice President of the Board of Trustees. (For Trustees with terms beginning prior to July 1, 2003, the 15 year term limit is effective with the date of the most recent election or re-election as trustees elected by the alumni, elected by delegates of agricultural societies, and/or elected as business and industry trustees.)