

EXHIBIT 3

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Bylaws

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ARTICLE I

NAME AND PURPOSE

Section 1.01 Name. The name of the corporation is The Pennsylvania State University (hereinafter referred to as the "University"), existing under the Pennsylvania Nonprofit Corporation Law of 1988.

Section 1.02 History. The University was created as the Farmers' High School by special act of the Pennsylvania legislature on February 22, 1855. The name of the institution has been changed successively to the Agricultural College of Pennsylvania in 1862, the Pennsylvania State College in 1874 and The Pennsylvania State University in 1953. On August 28, 1878 after the enactment of Pennsylvania's first corporation law, and pursuant to the provisions thereof, the institution elected to be subject to such corporation law and thereafter, has been existing under such law, as such law has been amended, supplemented and modified from time to time.

Section 1.03 Purpose. The University was formed in 1855 as an institution for the education of youth in the various branches of science, learning and practical agriculture, as they are connected with each other. The University currently exists as a multi-campus public research university that educates students from Pennsylvania, the nation and the world, and improves the wellbeing and health of individuals and communities through integrated programs of teaching, research, and service.

ARTICLE II

TRUSTEES

Section 2.01 Number, Election and Term of Office. The affairs of the University shall be managed by a Board of Trustees.

(a) The number of Trustees which shall constitute the full Board of Trustees shall be thirty two (32) as set forth herein.

(i) Ex Officio Voting Members. The Secretary of Education, the Secretary of Agriculture and the Secretary of Conservation and Natural Resources shall be ex officio voting members of the Board of Trustees.

(ii) Ex Officio Non-Voting Members. The Governor of the Commonwealth of Pennsylvania and the President of the University shall be ex officio, non-voting members of the Board of Trustees.

(iii) Members Appointed by the Governor. Six Trustees shall be appointed by the Governor of the Commonwealth of Pennsylvania.

(iv) Members Elected by the Alumni. Nine Trustees shall be elected by the alumni of the University.

(v) Members Elected by Organizations. Six Trustees, who shall be members of and represent organized agricultural societies and associations, to be elected by three delegates from each county in the Commonwealth representing organized agricultural societies or associations of the said county.

(vi) Members Elected Representing Business and Industry. Six trustees representing business and industry endeavors shall be elected by the Board of Trustees.

(b) Each Trustee shall serve for a term of three (3) years. Term limits for Trustees (other than ex officio Trustees) will be 12 years, effective with terms beginning July 1, 2013 or thereafter. This provision for term limits shall not apply to members of the Board of Trustees while serving in the capacity as Chair of the Board of Trustees. Such individuals will be considered eligible for re-election or re-appointment as a member by the respective

constituent group. For Trustees with terms beginning prior to July 1, 2003, the previously enacted 15 year term limit is effective as of July 1, 2003. For Trustees with terms beginning on July 1, 2003 through and including July 1, 2012, the previously enacted 15 year term limit is effective with the date of such Trustee's initial election or appointment. The Trustees shall be separated into three groups of substantially equal number so that the terms of one third of the Trustees shall expire each year. Each Trustee shall serve until his or her term expires, and thereafter until such Trustee's successor is duly elected, or until such Trustee's earlier death or resignation.

Section 2.02 Qualifications for Membership. Members of the Board of Trustees shall be natural persons of full age who need not be residents of the Commonwealth of Pennsylvania. 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 of Trustees, nor to a person who is a student employed part-time by the University. A person shall not be eligible to serve as a member of the Board of Trustees for a period of five (5) years from the July 1 coincident with or next following the date of (a) last employment in any capacity by the University or (b) the last day of such person's employment with the Commonwealth of Pennsylvania as Governor, Lieutenant Governor, Attorney General, Auditor General or State Treasurer. This qualification for membership shall not apply to a person who is an ex officio member of the Board of Trustees, nor to a person who is a student employed part-time by the University. 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.

Section 2.03 Removal. Any member of the Board of Trustees other an ex-officio member may be removed from his or her position as a Trustee in accordance with this Section 2.03.

(a) Any Trustee who believes that another Trustee has breached his or her fiduciary duty to the University shall raise the issue with the Chair of the Board of Trustees or the chairperson of the Governance and Long-Range Planning Committee.

(b) Removal of a Trustee shall require a joint proposal to the Board of Trustees by the chairperson of the Board of Trustees and the chairperson of the Governance and Long-Range Planning Committee that the Board of Trustees take action to remove a Trustee on the basis that the Trustee has breached his or her fiduciary duty to the University. Such joint proposal shall be furnished in writing to each member of the Board of Trustees not less than 30 days prior to the meeting of the Board of Trustees at which such matter is to be considered. Removal shall require the determination of not less than two-thirds of the Trustees present at a duly called meeting that the Trustee has breached his or her fiduciary duty.

(c) In the event that the Chair of the Board of Trustees or the chairperson of the Governance and Long-Range Planning Committee is the subject of a removal action under this Section 2.03, the Vice Chair of the Board of Trustees shall be substituted for such affected Trustee for purposes of this Section 2.03.

Section 2.04 Regular Meetings; Notice. Regular meetings of the Board of Trustees shall be held at such time and place as shall be designated by the Board of Trustees from time to time. There shall be at least one (1) regular meeting of the Board of Trustees per

year. Notice of such regular meetings shall not be required, except as otherwise expressly required herein or by law, and except that whenever the time or place of regular meetings shall be initially fixed and then changed, notice of such action shall be given promptly by telephone, facsimile, electronic mail or otherwise to each Trustee not participating in such action. Any business may be transacted at any regular meeting.

Section 2.05 Annual Meeting of the Board. One regular meeting of the Board of Trustees shall be designated the annual organization meeting at which the Board of Trustees shall organize itself and elect the officers of the University for the ensuing year and may transact any other business.

Section 2.06 Special Meetings; Notice. Special meetings of the Board of Trustees may be called at any time by the Chair of the Board or by seven members of the Board of Trustees, to be held at such place and day and hour as shall be specified by the person or persons calling the meeting. Notice of every special meeting of the Board of Trustees shall be given by the Secretary to each Trustee by telephone, facsimile, electronic mail or otherwise at least three (3) days before the meeting unless the meeting is being called in the event of an emergency, in which case as much advance notice shall be given to the Trustees as is practicable under the circumstances. In addition, public notice of any special meeting shall be given as required by law. Except as otherwise provided herein or required by law, any business may be transacted at any special meeting regardless of whether the notice calling such meeting contains a reference thereto.

Section 2.07 Quorum. At all meetings of the Board of Trustees, the presence of at least a majority of the voting members of the Board of Trustees in office shall be necessary and sufficient to constitute a quorum for the transaction of business. If a quorum is not present at

any meeting, the meeting may be adjourned from time to time by a majority of the Trustees present until a quorum as aforesaid shall be present, but notice of the time and place to which such meeting is adjourned shall be given to any Trustees not present either by facsimile or electronic mail or given personally or by telephone at least eight hours prior to the hour of reconvening.

Section 2.08 Actions. Resolutions of the Board of Trustees shall be adopted, and any action of the Board of Trustees upon any matter shall be valid and effective, with the affirmative vote of a majority of the Trustees present at a meeting duly convened and at which a quorum is present. The Chair, if one has been elected and is present, or if not, the Vice Chair, if present, or if not, a Trustee designated by the Board of Trustees, shall preside at each meeting of the Board of Trustees. The Secretary, or in his or her absence the Associate Secretary, shall be responsible for ensuring that the minutes of all meetings of the Board of Trustees are recorded in some reasonable manner. In the absence of the Secretary and the Associate Secretary, the presiding officer shall designate any person to take the minutes of the meeting. Unless otherwise modified in these Bylaws, the conduct of business in meetings of the Board of Trustees and any committees thereof shall be in accordance with the parliamentary procedures prescribed in Robert's "Rules of Order."

Section 2.09 Meetings by Telephone. Subject to the requirements of any applicable open meeting laws, one or more Trustees may participate in any regular or special meeting of the Board of Trustees or of a committee of the Board of Trustees by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting in this manner by a Trustee will be considered to be attendance in person for all purposes under these Bylaws.

Section 2.10 Resignations. Any Trustee may resign by submitting his resignation to the Secretary. Such resignation shall become effective upon its receipt by the Secretary or as otherwise specified therein.

Section 2.11 Vacancies. Vacancies in the membership of the Board of Trustees created by death, resignation, removal or any other reason may be filled by appointment by the Chair of the Board of Trustees for the unexpired term in all cases except memberships reserved for gubernatorial appointment and ex officio memberships established by the University's charter.

Section 2.12 Compensation. Members of the Board of Trustees serve as volunteers and are not compensated for their services. Trustees may be reimbursed upon request for transportation and other direct expenses while engaged in the discharge of their official duties, in accordance with the University's travel reimbursement policies in effect from time to time.

Section 2.13 Certain Meetings. The Chair of the Board of Trustees may, at his discretion, request that one or more of the non-voting members of the Board of Trustees be excused from any regular or special meeting of the Board of Trustees or any portion thereof.

ARTICLE III

COMMITTEES AND SUBCOMMITTEES

Section 3.01 Committees and Subcommittees. Standing or temporary committees or subcommittees consisting of at least one (1) Trustee may be appointed by the Board of Trustees from time to time; provided, however, that a temporary committee may not be created for the purpose of acting on any matter appropriate to be acted on by a standing committee or subcommittee thereof. Committees and subcommittees may include non-voting

members that are not Trustees of the University. Each such committee and subcommittee shall have and exercise such authority of the Board of Trustees in the management of the business and affairs of the University as the Board of Trustees may specify from time to time.

Section 3.02 Executive Committee. The executive committee shall have thirteen (13) members, all of whom shall be voting members. The executive committee shall be composed of the Chair of the Board of Trustees (who shall also be the chair of the executive committee), the Vice Chair of the Board of Trustees, the Chairs of the standing committees, the Chair of the Board of Directors of the Milton S. Hershey Medical Center (or, if such chair is not a voting member of the Board of Trustees, a member of the Board of Directors of The Milton S. Hershey Medical Center who is also a voting member of the Board of Trustees), the immediate past Chair of the Board of Trustees and three at-large members nominated by the Governance and Long-Range Planning Committee and elected by the Board of Trustees. In addition, the President of the University shall be an ex-officio nonvoting member of the Executive Committee.

(a) **Purpose of the Executive Committee.** The purpose of the executive committee shall be to transact all necessary business as may arise in the intervals between regular meetings of the Board of Trustees; it being understood that action by the Executive Committee would not be expected to be taken except in extraordinary circumstances. Notice of any action by the Executive Committee shall be provided to the Board of Trustees at its next regular meeting.

(b) **Meetings of the Executive Committee.** Meetings of the executive committee may be called by the Chair of the Board of Trustees or by any three (3) members of

the Executive Committee. No action may be taken by the Executive Committee without the affirmative vote of at least seven (7) members of the Executive Committee.

(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 Chair of the executive 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.

Section 3.03 Standing Committees and Subcommittees. The Board may adopt standing committees and subcommittees thereof in addition to the executive committee in accordance with the terms of these Bylaws.

(a) Function of Standing Committees and Subcommittees. The purpose of the standing committees and subcommittees is to facilitate consideration of the business and management of the Board of Trustees and of the University, as hereinafter set forth.

(b) Referral of Matters to Standing Committees and Subcommittees. Any matters appropriate for consideration by a standing committee or a subcommittee first shall be referred thereto by the Board of Trustees or the Chair of the Board of Trustees; except that a two-thirds (2/3) vote of the Trustees present at a meeting of the Board of Trustees but in no event by an affirmative vote of less than nine (9) Trustees will permit initial consideration by the full Board of Trustees; provided, however, that any matter referred to and considered by a standing committee or a subcommittee, but upon which the committee or subcommittee makes no recommendation or report to the Board of Trustees may be brought before the Board of Trustees for consideration at the request of any Trustee.

(c) Matters Appropriate to More Than One Committee or Subcommittee. Except as otherwise provided in these Bylaws, matters determined to be appropriate for consideration by more than one committee or subcommittee may be referred by the Chair of the Board of Trustees to one committee or subcommittee or more.

(d) 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 of Trustees, and the duty of each standing committee and subcommittee shall be only to consider and to report or make recommendations to the Board of Trustees upon appropriate matters.

(e) 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.

(f) Standing Committees Established. The following shall be the standing committees of the Board of Trustees:

(i) Committee on Academic Affairs and Student Life. The committee on academic affairs and student life shall consist of not less than five (5) appointive members, in addition to the ex officio members, and shall consider and report or recommend to the Board of Trustees on matters pertaining to:

- (1) the educational policies and programs of the University, including the long-range educational development of the University;
- (2) the faculty;
- (3) educational policy matters pertaining to instruction, research, and continuing education; and
- (4) all phases of student life.

(ii) Committee on Finance, Business and Capital Planning. The committee on finance, business and capital planning shall consist of not less than five (5) appointive members, in addition to the ex officio members and shall consider and report or recommend to the Board of Trustees on matters pertaining to:

(1) 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;

(2) endowments, gifts, and fund raising;

(3) the 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; and

(4) 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.

(iii) Committee on Governance and Long-Range Planning. The committee on governance and long-range planning shall consist of not less than five (5) appointive members, in addition to the ex officio members and shall:

(1) in fulfillment of its governance responsibilities, provide counsel and advice to the Board of Trustees 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 Chair of the Board of Trustees with the approval of the Board of Trustees including, but not limited to:

- a. reviewing and recommending to the Board any changes to the expectations of membership and code of conduct for all trustees, including trustees emeriti;
- b. recommending to the Board of Trustees candidates for election to membership on the Executive Committee;
- c. reviewing the service of a Trustee upon retirement; and
- d. evaluating and making recommendations on the working effectiveness of the Board and its committees.

(2) in fulfillment of its long-range planning responsibilities:

- a. charge and support the chief executive with leading a strategic planning process, participating in that process, approve the strategic plan, and monitoring its progress; and
- b. ensure the growth, development, and sustainability of the University for future generations in order to achieve its full potential as one of the world's great universities:

(iv) Committee on Audit and Risk. The committee shall consist of not less than five (5) appointive members, in addition to the ex officio members, and shall oversee the auditing of the University's financial statements and internal controls as set forth more fully in the operating guidelines of the committee. In fulfilling its responsibility, the committee on audit and risk shall consider and report or recommend to the Board of Trustees on matters pertaining to:

(1) regular and special audits; and

(2) the identification and management of risks including financial, material, and reputational.

(v) Committee on Legal and Compliance; The committee on legal and compliance shall consist of not less than five (5) appointive members, in addition to the ex officio members, and shall oversee adherence to laws, regulations, and policies that pertain to University operations. In fulfilling its responsibility, the committee on legal and compliance shall consider and report or recommend to the Board of Trustees on matters pertaining to compliance, oversight and legal issues as legally or otherwise prescribed.

(vi) Committee on Outreach, Development and Community Relations. The committee on outreach, development and community relations shall consist of not less than five (5) appointive members, in addition to the ex officio members and shall, in concert with the University's leadership, engage regularly with the University'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 Chair of the Board of Trustees with the approval of the Board of Trustees including, but not limited to:

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

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

(3) Developing short and long term communication plans consistent with University priorities.

(g) Selection of Committee Members. Members of the standing committees, and the chairperson and vice chairperson thereof, shall be appointed by the Chair of the Board of Trustees. The Chair of the Board of Trustees and, in his or her absence; the Vice Chair of the Board of Trustees shall be an ex officio member of all standing committees, of all special committees and of all subcommittees. No Trustee shall serve as chairperson of any standing committee for more than five (5) consecutive years, except as specifically approved by a two-thirds vote of the Board of Trustees. Members of the subcommittees, and the chairperson and vice chairperson thereof, shall be appointed by the chair of the standing committee of which the subcommittee is a part, after consultation with the Chair of the Board of Trustees.

(h) 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 Board or such other date as may be prescribed by the Chair of the Board of Trustees, and until their successors are appointed in accordance with this Bylaw.

(i) Vacancies on Standing Committees. Vacancies on all standing committees shall be filled through appointment by the Chair of the Board to serve the unexpired term created by the vacancy.

(j) Consultation with Constituent Groups. Standing committees shall seek consultation from representative constituent groups as appropriate in the exercise of their responsibilities.

(k) The following shall be the subcommittees of the Board of Trustees:

(i) The subcommittee on architect/engineer selection (of the committee on finance, business and capital planning) shall be composed of three members of the committee on finance, business and capital planning. When it becomes necessary for the Board of Trustees 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. 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. 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, business and capital planning, the firm that they recommend the Board of Trustees should appoint.

(ii) The subcommittee on finance (of the committee on finance, business and capital planning) shall be composed of up to three members of the committee on finance, business and capital planning. 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, business and capital planning regarding relevant financial oversight matters.

(iii) The subcommittee on human resources (of the committee on finance, business and capital planning) shall be composed of up to five members, not all of whom

need be members of the committee on finance, business and capital planning. 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 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.

(iv) The Subcommittee on Legal (of the committee on legal and compliance) shall be composed of up to five members of the committee on legal and compliance. 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.

Section 3.04 Quorum and Actions. At all meetings of a committee, the presence of at least a majority of the members of such committee (including any ex officio members of such committee) shall be necessary and sufficient to constitute a quorum for the transaction of business. Except as set forth in Section 3.02(b), resolutions of a committee shall be adopted, and any action of the committee upon any matter shall be valid and effective, with the affirmative vote of a majority of the members of the committee present at a meeting duly convened and at which a quorum is present.

Section 3.05 Authority of Board. Any action taken by any committee shall be subject to alteration or revocation by the Board of Trustees; provided, however, that third parties shall not be prejudiced by such alteration or revocation.

Section 3.06 Special Assignments. The Chair of the Board of Trustees may make special assignments to the Trustees from time to time in furtherance of the Board's duties and obligations. Such assignments shall include, but not be limited to, the following:

(a) **Trustee Representative at All Commencements.** The Board of Trustees shall be represented at all Commencements by the Chair of the Board of Trustees or by Trustees designated by the Chair of the Board of Trustees.

(b) **Trustee Representative at Meetings of the Executive Board of the Alumni Association.** On recommendation of the Executive Board of the Alumni Association, the Chair of the Board of Trustees is authorized to appoint a Trustee to attend all official meetings of the Executive Board of the Alumni Association.

(c) **Trustee Liaison to Capital Campaigns.** The Chair of the Board of Trustees is directed to appoint a liaison Trustee to interact with developmental activities for capital campaigns and to apprise the Board of Trustees of the activities and the progress of campaigns.

ARTICLE IV

LIABILITY AND INDEMNIFICATION

Section 4.01 Personal Liability of Trustees.

(a) **Elimination of Liability.** To the fullest extent that the laws of the Commonwealth of Pennsylvania, as now in effect or as hereafter amended, permit elimination or limitation of the liability of Trustees, no Trustee of the University shall be personally liable for monetary damages as such for any action taken, or any failure to take any action, as a Trustee.

(b) **Nature and Extent of Rights.** The provisions of this Section shall be deemed to be a contract with each Trustee of the University who serves as such at any time while this Section is in effect and each such Trustee shall be deemed to be so serving in reliance on the

provisions of this Section. Any amendment or repeal of this Section or adoption of any Bylaw or provision of the Articles of the University which has the effect of increasing Trustee liability shall operate prospectively only and shall not affect any action taken, or any failure to act, prior to the adoption of such amendment, repeal, Bylaw or provision.

Section 4.02 Indemnification.

(a) Right to Indemnification.

(i) As used herein, the word "Action" shall mean any action, suit or proceeding, administrative, investigative or other, (i) to which such person is a party (other than an action by the University) or (ii) in connection with which such person is not a party but is a witness, subject to investigation or otherwise involved, in either case by reason of such person being or having been a Trustee or officer of the University or by reason of such person serving or having served 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.

(ii) Except as prohibited by law, each Trustee and officer of the University shall be entitled as of right to be indemnified by the University against expenses and any liability paid or incurred by such person (i) in the defense of any Action to which such person is a party or (ii) in connection with any other Action.

(iii) A person who is not a Trustee or officer of the University may be similarly indemnified in respect of service to the University to the extent the Board of Trustees at any time designates such person as entitled to the benefits of this Section.

(iv) As used in this Section, "indemnitee" shall include each Trustee and each officer of the University and each other person designated by the Board of Trustees as

entitled to the benefits of this Section; "liability" shall include amounts of judgments, excise taxes, fines, penalties and amounts paid in settlement; and "expenses" shall include fees and expenses of counsel incurred by the indemnitee only (i) if the University has not at its expense assumed the defense of the Action on behalf of the indemnitee with reputable and experienced counsel selected by the University, or (ii) if it shall have been determined pursuant to Section (c) hereof that the indemnitee was entitled to indemnification for expenses in respect of an Action brought under that Section.

(b) Right to Advancement of Expenses. Every indemnitee shall be entitled as of right to have his expenses in defending any Action paid in advance by the University, as incurred; provided, however, that the University receives a written undertaking by or on behalf of the indemnitee to repay the amount advanced if it should ultimately be determined that such person's conduct was such that the University is prohibited by law from indemnifying such person.

(c) Right of Indemnitee to Initiate Action; Defenses.

(i) If a written claim under paragraph (a) or paragraph (b) of this Section is not paid in full by the University within thirty days after such claim has been received by the University, the indemnitee may at any time thereafter initiate an action to recover the unpaid amount of the claim and, if successful in whole or in part, the indemnitee shall also be entitled to be paid the expense of prosecuting such action.

(ii) The only defenses to an action to recover a claim for indemnification otherwise properly asserted under paragraph (a) shall be that the indemnitee's conduct was such that under applicable law the University is prohibited from indemnifying the

indemnatee for the amount claimed, but the burden of proving any such defense shall be on the University.

(iii) The only defense to an action to recover a claim for advancement of expenses otherwise properly asserted under paragraph (b) shall be that the indemnatee failed to provide the undertaking required by paragraph (b), but the burden of proving any such defense shall be on the University.

(d) Non-Exclusivity; Nature and Extent of Rights; Insurance. The rights to indemnification and advancement of expenses provided for in this Section shall (i) not be deemed exclusive of any other rights to which any indemnatee may be entitled, (ii) be deemed to create contractual rights in favor of each indemnatee who serves the University at any time while this Section is in effect (and each such indemnatee shall be deemed to be so serving in reliance on the provisions of this Section), and (iii) continue as to each indemnatee who has ceased to have the status pursuant to which he was entitled or was designated as entitled to indemnification under this Section and shall inure to the benefit of the heirs and legal representatives of each indemnatee. 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.

ARTICLE V

OFFICERS AND EMPLOYEES

Section 5.01 Officers.

(a) Officers. The officers of the Board of Trustees shall be a President (also referred to as the "Chair"), a Vice President (also referred to as the "Vice Chair"), each of whom shall be a member of the Board of Trustees, and a Secretary.

(b) Election and Term of Officers. All officers of the Board of Trustees shall be chosen each year by ballot of the voting members of the Board of Trustees present at the stated meeting of the Board of Trustees in January to serve for a period of one year and until their successors are chosen according to these Bylaws.

(c) Duties of Officers. The Chair of the Board of Trustees shall perform the corporate duties which pertain to that office. The Chair shall appoint all committees and subcommittees of the Board of Trustees and the chairperson thereof (except the executive committee) unless otherwise ordered by the Board of Trustees. The Vice Chair shall, in the absence of the Chair, perform the duties of the Chair. The Secretary shall perform the corporate duties which pertain to that office, 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 of Trustees and of the executive committee.

(d) Vacancies in Office. Vacancies in any office or offices may be filled by ballot of the voting members present at any meeting of the Board of Trustees.

(e) Officers of the University. The executive officers of the University shall be the President, one or more Vice Presidents as the Board of Trustees may from time to time determine, an associate secretary, three assistant secretaries, a Treasurer, and three assistant treasurers, all of whom shall be elected by the Board of Trustees. Except for the office of the President and Secretary, any two or more offices may be held by the same person. Each

executive officer shall hold office at the pleasure of the Board of Trustees, or until his or her death or resignation.

(f) 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.

Section 5.02 Additional Officers; Other Agents and Employees. The Board of Trustees may from time to time appoint or employ such additional officers, assistant officers, agents, employees and independent contractors as the Board of Trustees deems advisable; the Board of Trustees shall prescribe their duties, conditions of employment and compensation; and the Board of Trustees shall have the right to dismiss them at any time, without prejudice to their contract rights, if any. The President of the University may employ from time to time such other agents, employees and independent contractors as he may deem advisable for the prompt and orderly transaction of the business of the University, and he may prescribe their duties and the conditions of their employment, fix their compensation and dismiss them at any time, without prejudice to their contract rights, if any.

Section 5.03 The Chair. The Chair of the Board of Trustees, if any, shall be elected from among the voting members of the Board of Trustees, shall preside at all meetings of the Board of Trustees as provided herein, and shall have such other powers and duties as from

time to time may be prescribed by the Board of Trustees. The Chair shall be an ex officio member of all standing committees and subcommittees, entitled to vote thereon. In the absence or disability of the Chair, the Vice Chair shall have the powers and perform the duties of the Chair.

Section 5.04 The President. The President of the University shall be the chief executive officer of the University. Subject to the control of the Board of Trustees, the President shall have general supervision of and general management and executive powers over all the property, operations, business, affairs and employees of the University, and shall see that the policies and programs adopted or approved by the Board of Trustees are carried out. The President shall exercise such further powers and duties as from time to time may be prescribed in these Bylaws or by the Board of Trustees. The President of the University, as chief administrative officer, shall carry out all orders and directives of the Board of Trustees and shall administer all policies of the Board of Trustees, as well as the policies established by him or her and by the faculty. The President may delegate such administrative authority as he or she deems appropriate to his or her staff, to the Treasurer, to the deans of the various academic units, and to others, who shall exercise such delegated authority in the name of the President. The establishment of senior administrative positions responsible directly to the President and the determination of the functions of such positions shall be made by the President of the University. All administrative officers with the title of vice president or dean shall be appointed by the President, subject to the approval of the Board of Trustees. Removal of such administrative officers with the title of vice president or dean shall be made by the President and, in such event, the President shall inform the Board of Trustees of such removal at the next regular meeting of the Board. The President, as chief policy officer, shall have final authority, subject to the

revisions and orders of the Board of Trustees, to establish policy concerning educational policy and planning, student affairs, the instructional program, courses and curricula, personnel, admissions, graduation requirements, scholarships and honors, calendar requirements, business, planning, research, and finance; provided, however, that the President shall delegate to the faculty, as appropriately organized, subject to the orders of the President, the authority to establish policy concerning the approval and supervision of the instructional program, including courses and curricula, academic admission standards, graduation requirements, and scholarships and honors. The President shall consult with the faculty, as appropriately organized, in the establishment of policy concerning educational policy and planning, including general admissions policy, calendar, academic personnel, student affairs, and any other matter he or she shall deem appropriate. In addition, the President shall consult with the student body, as appropriately organized, in the area of student affairs.

Section 5.05 The Vice President(s). The University may have one or more Vice Presidents. The Vice President(s) may be given by resolution of the Board of Trustees general executive powers, subject to the control of the President, concerning one or more or all segments of the operations of the University. The Vice President(s) shall exercise such further powers and duties as from time to time may be prescribed in these Bylaws or by the Board of Trustees or the President. At the request of the President, or in his or her absence or disability, the Executive Vice President and Provost shall exercise the powers and duties of the President.

Section 5.06 The Secretary, Associate Secretary and Assistant Secretaries. It shall be the duty of the Secretary (a) to keep an original or duplicate record of the proceedings of the Board of Trustees, and a copy of the Charter and of the Bylaws; (b) to give such notices as may be required by law or these Bylaws; (c) to be custodian of the corporate records and of the

seal of the University and see that the seal is affixed to such documents as may be necessary or advisable; and (d) to exercise all powers and duties incident to the office of Secretary; and such further powers and duties as from time to time may be prescribed in these Bylaws or by the Board of Trustees or the President. The Associate Secretary and the assistant secretaries shall assist the Secretary in the performance of his duties and shall also exercise such further powers and duties as from time to time may be prescribed by the Board of Trustees, the President or the Secretary. At the direction of the Secretary or in his or her absence or disability, the Associate Secretary shall exercise the powers and duties of the Secretary.

Section 5.07 The Treasurer and Assistant Treasurers. It shall be the duty of the Treasurer (a) to keep the University's contracts, insurance policies, leases, deeds and other business records; (b) to see that the University's lists, books, reports, statements, tax returns, certificates and other documents and records required by law are properly prepared, kept and filed; (c) to be the principal officer in charge of tax and financial matters, budgeting and accounting of the University; (d) to have charge and custody of and be responsible for the University's funds, securities and investments; (e) to receive and give receipts for checks, notes, obligations, funds and securities of the University, and deposit monies and other valuable effects in the name and to the credit of the University, in such depositories as shall be designated by the Board of Trustees; (f) to cause the funds of the University to be disbursed by payment in cash or by checks or drafts upon the authorized depositories of the University, and to cause to be taken and preserved proper vouchers for such disbursements; (g) to render to the President and the Board of Trustees whenever they may require it an account of all his transactions as Treasurer, and reports as to the financial position and operations of the University; (h) to keep appropriate, complete and accurate books and records of account of all the University's business and

transactions; and (i) to exercise all powers and duties incident to the office of Treasurer; and such further duties from time to time as may be prescribed in these Bylaws or by the Board of Trustees or the President. The assistant treasurers shall assist the Treasurer in the performance of his or her duties and shall also exercise such further powers and duties as from time to time may be prescribed by the Board of Trustees, the President or the Treasurer. At the direction of the Treasurer or in his absence or disability, an assistant treasurer shall exercise the powers and duties of the Treasurer.

Section 5.08 Vacancies. Any vacancy in any office or position by reason of death, resignation, removal, disqualification, disability or other cause shall be filled in the manner provided in this Article V for regular election or appointment to such office.

Section 5.09 Delegation of Duties. The Board of Trustees may in its discretion delegate for the time being the powers and duties, or any of them, of any officer to any other person whom it may select. Upon authorization by the Board of Trustees, an officer may delegate performance of specific duties to employees and agents of the University.

(a) Notwithstanding the foregoing, the following matters shall require the approval of the Board of Trustees:

(i) Basic University Organization and Policy

(1) Amendments to the Charter, Bylaws and Standing Orders;

(2) All reports of standing or special committees of the University's Board of Trustees;

(3) All major modifications of educational policy;

(4) Authorization to grant degrees to graduates;

(5) The determination of the major goals of the University, including the establishment and review of long-range plans for the educational, financial and physical development of the University; and

(6) University intellectual property policy.

(ii) Fiscal Matters

(1) Establishment of, or changes in existing, major University fiscal policies;

(2) Annual operating budgets and changes in the approved totals, state appropriation requests, and appropriation of building funds unappropriated;

(3) Acceptance of gifts, bequests, grants, fellowships, scholarships, loan funds that are not in accord with established policy;

(4) Establishment of, or changes in, fees including tuition, room and board;

(5) Authorization to borrow money; authorization of persons to sign checks, contracts, legal documents, and other obligations, and to endorse, sell, or assign securities; and

(6) Selection of a firm to make annual audit of University accounts.

(iii) Physical Plant

(1) Establishment of, or changes in existing policies, on matters such as selection of architects, naming of buildings and roads, preservation of campus landmarks;

(2) Approval of the purchase or sale of land and other real estate with a value of over \$1 million, with the exception of the sale of land and other real

estate up to \$3 million in value gifted to the University for the express purpose of sale with proceeds benefitting the University;

(3) Approval of specific names for individual buildings and roads;

(4) Design plans for buildings and facilities to be constructed or significant alteration to existing buildings, with the exception of temporary buildings or buildings under \$5 million in cost; provided that review and approval may be requested by the administration in lieu of presentation as an information item for projects of a special nature that fall below the \$5 million level;

(5) Projects under \$5 million in cost that are bond-financed;

(6) Approval to award contracts for construction; provided, however, that the Officers of the University shall have the discretion to expend up to an additional 10 percent of the authorized construction cost, as necessary; and

(7) Appointment of architect for construction of major projects.

(iv) Personnel Matters.

(1) The selection, support, compensation and evaluation of the President of the University and other senior positions, in accordance with policies and procedures adopted by the Board of Trustees from time to time. This responsibility includes a commitment to grant the President broad delegated authority, to support the President in his/her exercise of such authority, to judge the performance of the President, and if necessary, to remove the President. In the selection of a President, the Board shall consult with representatives of the faculty and the student body.

(v) Miscellaneous

(1) Selection of the recipients of Distinguished Alumni Awards, honorary degrees and the Penn State Medal; and

(2) Selection of specific dates for regular meetings of the Board of Trustees;

(b) The delegation of authority set forth in this Section 5.09 requires that the Board of Trustees rely on the judgment and decisions of those who operate under its authority. However, this reliance of the Board of Trustees must be based upon its continuing awareness of the operations of the University. Therefore, the Board of Trustees shall receive and consider thorough and forthright reports on the affairs of the University by the President or those designated by the President. The Board of Trustees has a continuing obligation to require information or answers on any University matter with which it is concerned. In addition to such matters as the President of the University may determine, or as requested by the Chair of the Board of Trustees, the following matters shall be presented to the Board of Trustees for information:

(i) Basic University Organization and Policy

(1) New curricula and major changes in existing curricula;

(2) Major policy matters affecting student welfare and activities; and

(3) Major policy matters affecting research.

(ii) Fiscal Matters

(1) Financial statements, and gifts, bequests, grants, fellowship, scholarships, loan funds that are in accord with established policy; and

(2) The University's annual reports filed under the Clery Act and the Pennsylvania Right to Know Act.

(iii) Personnel Matters

(1) Policies. New policies or changes in existing policies governing appointments, promotions in academic rank, leaves of absence, resignations, retirements, academic freedom and tenure, hours and conditions of employment, and fringe benefits; and

(2) Compensation. Information regarding the compensation and performance of the University's senior executives and leaders.

(iv) Physical Plant

(1) New construction or renovations projects with a cost between \$1,000,000 and \$4,999,999;

(2) Naming of rooms, portions of buildings, and plazas;

(3) Real estate purchases less than \$1 million in value;

(4) Proceeds from the sale of land and other real estate gifted to the University for the express purpose of sale;

(5) Capital budget request submitted to the Commonwealth of Pennsylvania.

(c) Board of Trustees Delegation of Authority to Certain University Administrative Officers.

(i) The President, Vice President, Secretary, Treasurer, Assistant Treasurer, Senior Vice President for Finance and Business, and Corporate Controller of the University, or any one of such officers be and they are hereby fully authorized and empowered on behalf of the University to execute and acknowledge all deeds, agreements and contracts, and to transfer and endorse, sell, assign, set over and deliver

any and all shares of stock, bonds, debentures, notes, evidences of indebtedness or other securities now or hereafter standing in the name of or owned by this University, and to make, execute, acknowledge, and deliver, under the corporate seal of this University, any and all written instruments necessary or proper to effectuate the authority hereby conferred.

(ii) The Treasurer, or in the absence of the Treasurer, the Senior Vice President for Finance and Business, may delegate in writing to such employees of the University as they may deem appropriate, the authority to execute and acknowledge on behalf of the University standardized agreements and contracts for which those employees have administrative responsibility.

(iii) The Executive Director, Office of Investment Management, or in his absence, the Chief Investment Officer, is hereby fully authorized and empowered on behalf of the University to transfer and endorse, sell, assign, set over and deliver any and all shares of stock, bonds, debentures, notes or other securities now or hereafter standing in the name of or owned by this University, and to make, execute, acknowledge, and deliver, under the corporate seal of this University, any and all written instruments necessary or proper to effectuate the authority hereby conferred.

(iv) The Associate Vice President for Finance and Business and Controller, or, in his or her absence, the Associate Controller, be and they are hereby fully authorized and empowered on behalf of the University to execute and acknowledge all agreements and contracts related to the affairs of the College of Medicine.

(v) The Associate Secretary and Assistant Secretary of this University, or any one of such officers, be and they are hereby fully authorized and empowered on behalf of

this University to make, execute, acknowledge, and deliver, under the corporate seal of this University, any and all written instruments necessary or proper to effectuate the authority hereby conferred.

ARTICLE VI

MISCELLANEOUS CORPORATE TRANSACTIONS AND DOCUMENTS

Section 6.01 Execution of Notes, Checks, Contracts and Other Instruments. All notes, bonds, drafts, acceptances, checks, endorsements (other than for deposit), guarantees and all evidences of indebtedness of the University whatsoever, and all deeds, mortgages, contracts and other instruments requiring execution by the University, may be signed by the Chair, the President, any Vice President or the Treasurer, and authority to sign any of the foregoing, which may be general or confined to specific instances, may be conferred by the Board of Trustees upon any other person or persons. Any person having authority to sign on behalf of the University may delegate, from time to time, by instrument in writing, all or any part of such authority to any other person or persons if authorized to do so by the Board of Trustees, which authority may be general or confined to specific instances. Facsimile signatures on checks may be used if authorized by the Board of Trustees.

Section 6.02 Voting Securities Owned by the University. Securities owned by the University and having voting power in any other University shall be voted by the President or any Vice President, unless the Board of Trustees confers authority to vote with respect thereto, which may be general or confined to specific investments, upon some other person. Any person authorized to vote such securities shall have the power to appoint proxies, with general power of substitution.

ARTICLE VII

GENERAL PROVISIONS

Section 7.01 Offices. The principal business office of the University shall be located at 201 Old Main, University Park, Pennsylvania 16802. The University may also have offices at such other places within or without the Commonwealth of Pennsylvania as the business of the University may require.

Section 7.02 Corporate Seal. The Board of Trustees shall prescribe the form of a suitable corporate seal, which shall contain the full name of the University and the year and state of its creation.

Section 7.03 Fiscal Year. The fiscal year of the University shall end on June 30 or on such other day as shall be fixed by the Board of Trustees.

Section 7.04 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.

ARTICLE VIII

CONFLICTS OF INTEREST

Section 8.01 Definitions. For purposes of Sections 8.01 -- 8.11 hereof, the following terms shall have the meanings set forth below.

(a) **Conflict of Interest.** A "conflict of interest" exists when a reasonable observer, having knowledge of all of the relevant facts and circumstances, would conclude that a Trustee has an actual or apparent conflict of interest in a matter related to the University. In

addition to financial conflicts of interest, a conflict of interest includes a situation in which a Trustee, family member or related entity has an interest that may lead the Trustee to act in a way that is incompatible with or a breach of the Trustee's fiduciary duty to the institution or use such Trustee's role to achieve personal gain or benefit or gain or benefit to family, friends or associates.

(b) Family Member. A "family member" means a Trustee's spouse or dependent child.

(c) Financial Conflict of Interest. A "financial conflict of interest" exists when a Trustee, a family member or related entity has an actual or potential financial interest in a matter (i) that is pending before the Board for discussion or vote or (ii) in which the Trustee or a family member is personally involved. A financial conflict of interest does not include a student or employment relationship of a family member.

(d) Related Entity. A "related entity" means a corporation, partnership, association or other entity where the Trustee or family member serves as an officer, director, partner or employee; expects to receive \$5,000 or more in compensation for services in a calendar year; holds any equity in a non-publicly traded entity; or holds an interest of 5% or more in a publicly traded entity.

(e) Known. "Known" means that the Trustee has actual knowledge of the conflict of interest.

(f) Board. "Board" includes any standing or ad hoc committee of the Board.

(g) Disclose or Disclosure. "Disclose" or "disclosure" means to provide a brief summary of the transaction, agreement or business arrangement and the Trustee's financial or other interest.

Section 8.02 Disclosure. Each Trustee must disclose in writing to the Office of the Board of Trustees and to the Chair of the Board all situations that involve actual or apparent conflicts of interest if and as the conflict of interest becomes known to such Trustee.

Section 8.03 Annual Disclosure. In addition to other annual disclosures required by law or policy, each Trustee must disclose annually and in writing to the Secretary of the Board all conflicts of interest that are known to such Trustee. The annual disclosures of known conflicts of interest will be publicly available upon request.

Section 8.04 Recusal. If a matter in which a Trustee has a known conflict of interest comes before the Board for discussion or decision, the interested Trustee shall leave the Board meeting while the matter is discussed and voted upon. The Trustee's interest and recusal shall be noted in the minutes, which shall be publicly available.

Section 8.05 Contracts or Transactions with the University.. (a) A contract or transaction between the University and a Trustee, family member or an entity in which a Trustee or family member has a beneficial interest of ten percent (10%) or more and the contract or transaction is valued at \$10,000 or more must be approved by the Board of Trustees in accordance with this Section. The University official responsible for the matter must first conclude that it is in the best interests of the University to consider entering into such a contract or transaction. In circumstances where the Trustee, family member or related entity is purchasing goods or services from the University, as opposed to selling such goods or services, the matter is presumptively in the University's interests if the price is fair and reasonable and the contract or transaction does not foreclose a similar transaction with another individual or entity. In other circumstances where the University is purchasing goods or services, the officer must first explore alternatives that do not involve an interest of the Trustee, family member or entity in

which the Trustee or family member owns a beneficial interest of ten percent (10%) or more. If, after exercising such due diligence, the official determines that it is in the best interests of the University to proceed, the matter must be submitted to the Board for approval. The written materials submitted to the Board shall include a description of the contracting process, including the use of open and public bidding if possible and practical, and the official's analysis of why it is in the best interests of the University to proceed with the agreement or relationship. The interested Trustee shall leave the meeting during the discussion and voting. The Board shall determine by a majority vote of the disinterested Trustees whether the transaction or arrangement is in the University's best interests, the price and value provided are fair and reasonable to the University and whether to approve the transaction or arrangement. Any such decision shall be recorded in the minutes, which shall be publicly available.

(b) Contracts or transactions of less than \$10,000 between the University and a Trustee, family member or an entity in which the Trustee or a family member has a beneficial interest of ten percent (10%) or more will be disclosed to the Board of Trustees annually in a written report which shall be available to the public. The 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.

Section 8.06 Annual Statements. Each Trustee shall annually sign a statement that affirms that such Trustee (a) has received a copy of the Board's conflict of interest policy as expressed in this Article VIII, (b) has read and understands the policy, and (c) has agreed to comply with the policy.

Section 8.07 Fiduciary Duty. 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 in addition to any other state or federal requirements. Trustees bring to their roles varied backgrounds and expertise, and they are selected in different ways, but they must keep the welfare of the entire University, not just a particular constituency, at all times paramount.

Section 8.08 Misuse of Information. No member of the Board of Trustees shall for personal gain or benefit or for the gain or benefit of others use any information not available to the public at large and obtained as a result of service to the University.

Section 8.09 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.

Section 8.10 Pre-Existing Contract or Transaction. A contract or transaction that would be required to be disclosed under this Article but which was entered into before the interested Trustee assumed office, or which became subject to this Article as a result of amendments to the Article, and which remains to be performed in whole or in part, shall be disclosed by the Trustee pursuant to Section 8.03 but is not subject to the voting and other requirements of this Article.

Section 8.11 Family Members as Employees. A record of all spouses or dependent children of Trustees who are employed by the University or an affiliated entity and where compensation exceeds \$10,000 per year shall be maintained in the Office of the Board of Trustees and the names and positions but not the amount of compensation shall be posted on the University's public website.

Section 8.12 Employment of Trustees. No Trustee may be employed by the University in any capacity before the fifth (5th) anniversary of the date on which such person last served as a Trustee, except as approved by action of the Board of Trustees.

Section 8.13 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 which they are aware before a contract or transaction is consummated. This bylaw shall be published to the University community at least once annually.

Section 8.14 Consultation. Any Trustee or University official may consult with the Secretary of the Board or the University General Counsel concerning the interpretation or application of any of the provisions of Article VIII.

ARTICLE IX

AMENDMENTS

Section 9.01 Amendments. These Bylaws may be amended, altered or repealed, and new bylaws may be adopted, by the Board of Trustees at any regular or special meeting. Except as specifically set forth in Section 4.01, no provision of these Bylaws shall vest any property or contract right in any person.

EXHIBIT 4



PRIVILEGED AND CONFIDENTIAL

November 18, 2011

Steve A. Garban
Chairman, Board of Trustees
and
Paula R. Ammerman
Director, Office of the Board of Trustees
The Pennsylvania State University
205 Old Main
University Park, PA 16802

Re: Engagement to Perform Legal Services

Dear Mr. Garban and Ms. Ammerman:

Investigation Task Force

Task Force

We are pleased that the Board of Trustees of The Pennsylvania State University ("Trustees", "you" or "your"), on behalf of the Special Committee established by the Trustees (the "Special Committee"), has engaged us to represent the Special Committee. This is a new engagement for Fresh Sporkin & Sullivan, LLP ("FSS"). Accordingly, this is to set forth the basic terms upon which FSS has been engaged to represent the Special Committee, including the anticipated scope of our services and billing policies and practices that will apply to the engagement. Although our services are limited at this time to the specific matter described herein, the general terms of this letter will apply to any other matters that FSS may hereafter undertake to handle for the Trustees or the Special Committee.

1. Scope of Engagement. FSS has been engaged to serve as independent, external legal counsel to the Special Committee to perform an independent, full and complete investigation of the recently publicized allegations of sexual abuse at the facilities and the alleged failure of The Pennsylvania State University ("PSU") personnel to report such sexual abuse to appropriate police and government authorities. The results of FSS's investigation will be provided in a written report to the Special Committee and other parties as so directed by the Special Committee. The report will contain FSS's findings concerning: i) failures that occurred in the reporting process; ii) the cause for those failures; iii) who had knowledge of the allegations of sexual abuse; and iv) how those allegations were handled by the Trustees, PSU administrators, coaches and other staff. FSS's report also will provide recommendations to the Special Committee and Trustees for actions to be taken to attempt to ensure that those and similar failures do not occur again.

Task Force
It is understood by FSS, the Trustees and the ~~Special Committee~~ that FSS will act under the sole direction of the ~~Special Committee~~ in performing the services hereunder. It also is understood by FSS, the Trustees and the ~~Special Committee~~ that FSS's investigation will be completed in parallel to, but independent of, any other investigation that is conducted by any policy agencies, governmental authorities or agencies, or other organizations within or outside of (e.g., The Second Mile) PSU, and will not interfere with any such other investigations.

Task Force
It also is understood by FSS, the Trustees and the ~~Special Committee~~ that during the course of FSS's independent investigation performed hereunder, FSS will immediately report any discovered evidence of criminality to the appropriate law enforcement authorities, and provide notice of such reporting to the ~~Special Committee~~. If FSS's investigation identifies any victims of sexual crimes or exploitation, FSS will immediately report such information to the appropriate law enforcement authorities, and provide notice of such reporting to the ~~Special Committee~~.

Task Force
FSS also will communicate regarding its independent investigation performed hereunder with media, police agencies, governmental authorities and agencies, and any other parties, as directed by the ~~Special Committee~~. However, it also is understood by FSS, the Trustees and the ~~Special Committee~~ that neither the Trustees nor the ~~Special Committee~~ will interfere with FSS's reporting of evidence of criminality or identities of any victims of sexual crimes or exploitation discovered throughout the course of FSS's independent investigation performed hereunder, as discussed in the paragraph immediately above.

The precise time frame in which FSS's services will be performed cannot presently be determined. However, FSS, the Trustees and the ~~Special Committee~~ all recognize that the investigation must be completed in a thorough manner, but also as expeditiously as possible.

2. Rates. It is anticipated that Louis J. Freeh will be the lead and billing attorney on this engagement. Other FSS, and other non-FSS professionals, will be assigned from time to time to assist in the representation. FSS will charge you for the services provided under the terms of this engagement letter based on the hourly rates of the professionals working on this matter, plus reasonable expenses as described below in the "Disbursements" section of this engagement letter. The hourly rates that will be charged in connection with this matter are as follows: Mr. Freeh -- [REDACTED] USD per hour; other FSS partners -- [REDACTED] USD per hour; investigators and FSS non-partner lawyers -- [REDACTED] USD per hour; and paraprofessional support staff -- [REDACTED] USD per hour. We reassess our hourly rates from time to time and adjustments are made when we believe such adjustments are appropriate. These adjustments may be reflected in the billing rates utilized to determine our charges to you during the course of our engagement. FSS bills in quarter of an hour increments.

3. Disbursements. In addition to fees for our services, we also charge separately for certain costs incurred on the ~~Special Committee's~~ ^{Trial of F-35's} behalf, such as travel related expenses. Our invoices also will include costs incurred on the ~~Special Committee's~~ ^{Trial of F-35's} behalf for services and materials provided by third-party vendors, including but not limited to courier and messenger service, airfreight service, outside copy service, shipping and express mail, filing fees, deposition transcripts, and court reporters. Under certain circumstances, for certain large disbursements, we may either bill you directly or ask you to advance funds outside our normal billing cycle. In addition to the third-party disbursements noted above, other charges that will be reflected on our invoices include the following:

- International calling costs will be charged at the standard provider rates.
- Computerized research costs will be charged at the standard provider rates.
- Office supply costs are not passed on to a client unless a purchase is specifically required for a particular engagement.

We make every effort to include disbursements in the invoice covering the month in which they are incurred. However, there may be occasions when disbursements may not be posted in the billing system until the following month. If the required payment of our invoices is based on the completion of a specific assignment, pursuant to any alternative timing arrangements that have been established and are described in the "Rates" section of this engagement letter, an estimate of unposted disbursements in addition to an estimate of unposted charges for services will be included in our invoice payable at completion.

4. Payment Terms. Generally, our invoices are prepared and forwarded to our clients monthly covering fees and costs incurred for the prior month. Any alternative timing arrangements for invoicing that have been established are described in the "Rates" section of this engagement letter.

Unless stated differently in the "Rates" section of this engagement letter, our invoices for service are due and payable within thirty (30) days of receipt. Clients whose invoices are not paid within this period may have a late charge assessed on their unpaid balance at the rate of 1% per month. The intent of the late charge is to assess on an equitable basis additional costs incurred by FSS in carrying past-due balances.

FSS requires payment at the conclusion of this engagement of all accrued and unpaid fees and disbursements to the extent invoiced, plus such additional amounts of fees and disbursements as shall constitute our reasonable estimate of fees and disbursements incurred or to be incurred by us through the conclusion of this engagement (though such estimate shall not thereafter preclude a final settling of accounts between us when final detailed billing information is available).

During this engagement, the Trustees and the ^{Task Force} ~~Special Committee~~ may request from us an estimate of fees and/or costs that we anticipate incurring on the ~~Special Committee's~~ behalf. While we may provide an estimate for your or the ~~Special Committee's~~ general planning purposes, our estimate is only a preliminary approximation based on facts that are currently available and the currently anticipated level of work required to complete the engagement. In no event is an estimate to be construed as a commitment of FSS to render services at a minimum or maximum cost.

Unless otherwise agreed, our invoice will be presented in our standard format. If this format is not sufficient for your needs, we will work with you to find one that is. FSS will review individually any requests to use a third party vendor for electronic billing. Depending on the vendor requested, we might provide alternative recommendations in order to insure that electronic billing through a third party is both practical and efficient. All charges related to using a third party vendor for this purpose, including initial start-up costs and maintenance fees, will be payable by the Trustees directly.

Where required, your billing statement may include applicable international taxes such as VAT, GST, and consumption tax, etc.

Upon request, we will forward our billing statements to a third party designated by you who is assuming payment responsibility for your or the ~~Special Committee's~~ legal expenses, e.g., an insurance carrier who holds your liability coverage. In the event that timely payment is not received from the third party, we will look to the Trustees for payment of our legal fees and costs and you agree that you are responsible for prompt payment in that event.

All payments should be sent directly to: 3711 Kennett Pike, Suit 130, Wilmington, Delaware 19807. If you choose to pay by wire transfer, wire transfer instructions are as follows:

Account Holder: Freeh Sporkin & Sullivan, LLP

Bank:

Account No.:

ABA/Routing No.:
(For Domestic Payments)

SWIFT Code:
(For International Payments)

The billing attorney assigned to this matter will review your billing statement before it is sent to you and make any adjustments he or she views as appropriate. If you have

any questions concerning any invoice item, please do not hesitate to contact the billing attorney.

5. Retention of Third Parties. We may determine that it is necessary to involve third parties to assist us in performing services in connection with this engagement. If that determination is made, we will notify the ~~Special Committee~~ ^{Task Force} promptly to discuss the proposed third parties, the expected scope of the services to be provided by the third parties and the related fees and costs expected to be charged by those third parties. FSS will consult with the ~~Special Committee~~ ^{Task Force} about any changes to the third parties' scope of services or related fees and costs that may occur throughout the course of this engagement.

For the purpose of providing legal services to the ~~Special Committee~~ ^{Task Force}, FSS will retain Freeh Group International Solutions, LLC ("FGIS") to assist in this engagement. It should be noted that Louis J. Freeh is a partner and member in FSS and FGIS, respectively, and has a controlling interest in both. FSS is a law firm and FGIS is a separate investigative and consulting group.

As described in the "Disbursements" section of this engagement letter, our invoices will include fees and costs incurred on the ~~Special Committee's~~ ^{Task Force's} behalf for services and materials provided by third parties, unless stated otherwise in the "Rates" section of this engagement letter, or in a separate writing signed by FSS and the Trustees.

6. Confidentiality and Responding to Subpoenas and Other Requests for Information. The work and advice which is provided to the ~~Special Committee~~ ^{Task Force} under this engagement by FSS, and any third party working on behalf of FSS to perform services in connection with this engagement, is subject to the confidentiality and privilege protection of the attorney-client and attorney work product privileges, unless appropriately waived by the parties or otherwise determined by law. In the event that FSS, or any third party working on behalf of FSS to perform services in connection with this engagement, is required to respond to a subpoena or other formal request from a third party or a governmental agency for our records or other information relating to services we have performed for the ~~Special Committee~~ ^{Task Force}, or to testify by deposition or otherwise concerning such services, to the extent permitted by law, we will provide you and the ~~Special Committee~~ ^{Task Force} notice of such a request and give you and the ~~Special Committee~~ ^{Task Force} a reasonable opportunity to object to such disclosure or testimony. It is understood that you will reimburse us for our time and expense incurred in responding to any such demand, including, but not limited to, time and expense incurred in search and photocopying costs, reviewing documents, appearing at depositions or hearings, and otherwise litigating issues raised by the request.
7. General Responsibilities of Attorney and Client. FSS will provide the above-described legal services for the ~~Special Committee's~~ ^{Task Force's} benefit, for which the Trustees will be billed in the manner set forth above. We will keep the ~~Special Committee~~ ^{Task Force}

apprised of developments as necessary to perform our services and will consult with the ~~Special Committee~~ ^{Talk Force} as necessary to ensure the timely, effective and efficient completion of our work. However, although we will make every reasonable effort to do so, we cannot guarantee that we will be able to provide specific results and the Trustees and the ~~Special Committee~~ ^{Talk Force} acknowledge that FSS does not promise any result.

We understand that the ~~Special Committee~~ ^{Talk Force} will provide us with such factual information and documents as we require to perform the services, will make any business or technical decisions and determinations as are appropriate to facilitate the completion of our services, and will remit payment of our invoices when due, pursuant to the terms of this engagement letter.

Moreover in connection with any investigation, civil or criminal action, administrative proceeding or any other action arising out of this matter, the Trustees have agreed to indemnify FSS, its partners, employees, agents and third-party vendors who have provided or are providing services in connection with this engagement, for all costs, expenses, attorney's fees (to be paid as accrued and billed) and judgments, including any amounts paid in settlement of any claims. This obligation shall survive the termination of this engagement.

8. Waiver of Future Conflicts. Our agreement to represent the ~~Special Committee~~ ^{Talk Force} is conditioned upon our mutual understanding that FSS is free to represent any clients (including your adversaries) and to take positions adverse to either you or an affiliate in any matters (whether involving the same substantive areas of law for which you have retained us on behalf of the ~~Special Committee~~ ^{Talk Force} or some other unrelated areas, and whether involving business transactions, counseling, litigation or otherwise), which do not involve the same factual and legal issues as matters for which you have retained us on behalf of the ~~Special Committee~~ ^{Talk Force} or may hereafter retain us. In this connection, you and the ~~Special Committee~~ ^{Talk Force} should be aware that we provide services on a wide variety of legal subjects, to a number of clients, some of whom are or may in the future operate in the same areas of business in which you are operating or may operate. Subject to our ethical and professional obligations, we reserve the right to withdraw from representing the ~~Special Committee~~ ^{Talk Force} should we determine that a conflict of interest has developed for us.

9. Engagement Limited to Identified Client. This will also confirm that, unless we otherwise agree in writing, our engagement is solely related to the ~~Special Committee~~ ^{Talk Force} established by The Pennsylvania State University Board of Trustees and the specific matter described above. By entering into this engagement, we do not represent any individuals or entities not named as clients herein, nor do we represent any owner, officer, director, founder, manager, general or limited partner, employee, member, shareholder or other constituent of any entity named as a client in this letter, in their individual capacities or with respect to their individual affairs.

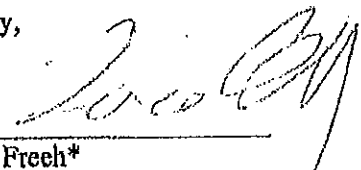
10. Termination. Our engagement may be terminated at any time by FSS or the ~~Special Committee~~ upon written notice and, with respect to FSS, subject to our ethical and professional obligations. In addition to other reasons, the Trustees and the ~~Special Committee~~ agree that FSS may terminate its legal services and withdraw from this engagement in the event our invoices are not paid in a timely manner, pursuant to the terms of this engagement letter. Upon termination, all fees and expenses due and owing shall be paid promptly. Your and the ~~Special Committee~~'s acceptance of this engagement letter constitutes your and the ~~Special Committee~~'s understanding of, and consent to, the particular terms, conditions, and disclosure herein.

11. Client Files. In the course of our representation of the ~~Special Committee~~, we will maintain a file containing, for example, correspondence, pleadings, agreements, deposition transcripts, exhibits, physical evidence, expert reports, and other items reasonably necessary for the ~~Special Committee~~'s representation ("Client File"). We may also place in such file documents containing our attorney work product, mental impressions or notes, drafts of documents, and internal accounting records ("Work Product"). The ~~Special Committee~~ is entitled upon written request to take possession of its Client File, subject to our right to make copies of any files delivered to the ~~Special Committee~~. The Trustees and the ~~Special Committee~~ agree that the Work Product is and shall remain our property. Under our document retention policy, we normally destroy files ten years after a matter is closed, unless other arrangements are made with the client.

FSS, of course, is delighted to be asked to provide legal services to the ~~Special Committee~~, and we are looking forward to working with the ~~Special Committee~~ on this engagement. While ordinarily we might prefer to choose a less formal method of confirming the terms of our engagement than a written statement such as this, it has been our experience that a letter such as this is useful both to FSS and to the client. Moreover, in certain instances, FSS is required by law to memorialize these matters in writing. In any event, we would request that the Trustees and the ~~Special Committee~~ review this letter and, if it comports with your and the ~~Special Committee~~'s understanding of our respective responsibilities, so indicate by returning a signed copy to me at your earliest convenience so as not to impede the commencement of work on behalf of the ~~Special Committee~~. If you or the ~~Special Committee~~ have any questions concerning this engagement letter, or should the ~~Special Committee~~ ever wish to discuss any matter relating to our legal representation, please do not hesitate to call me directly, or to speak to one of our other attorneys who is familiar with the engagement.

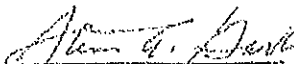
Task Force
~~Task Force~~ Again, we look forward to serving the ~~Special Committee~~ *Task Force* and thank the Special Committee and the Trustees for looking to FSS to assist the ~~Special Committee~~ *Task Force* in this matter.

Sincerely,



Louis J. Freeh*
Senior Managing Partner
Freeh Sporkin & Sullivan, LLP

APPROVED AND AGREED TO ON BEHALF OF
The Board of Trustees of The Pennsylvania State University:

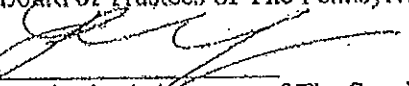
By: 
an authorized signatory of The Board of Trustees of The Pennsylvania State University

Printed Name: Steve A. Garban

Title: Chair, Board of Trustees
The Pennsylvania State University

Date: 12/2/11

Investigation Task Force
APPROVED AND AGREED TO ON BEHALF OF
The Special Committee established by
The Board of Trustees of The Pennsylvania State University:

By: 
an authorized signatory of The Special *Investigation Task Force* Committee established by
The Board of Trustees of The Pennsylvania State University

Printed Name: K.C. Frazier

Title: Chair, Special Investigations Task Force

Date: 12/2/11

* Licensed to practice law in New York, New Jersey and Washington, DC only.