OPEN MEETING
OF THE
EXECUTIVE BOARD
OF THE
TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA
19 August 1975

A meeting of the Executive Board of the Trustees of the University of Pennsylvania was held by telephone conference call pursuant to the provisions of Section 7709 of the Pennsylvania Non-Profit Corporation Law on Thursday, August 19, 1975, at 2:00 p.m. The call originated in the offices of Drinker Biddle & Reath. Participating were: Mr. Thomas S. Gates (Chairman), Mr. Samuel H. Ballam, Jr., Mr. Henry M. Chance II, Mr. John W. Eckman, Mr. Donald T. Reagan, Bernard G. Segal, Esq., Mr. Wesley A. Stanger, Jr., Robert L. Treacher, Esq., and Dr. Richard M. Sherman (Assistant Secretary). John Ames Ballard, Esq., attended as counsel and coordinated the conference call. Also present were Ralph H. Clover, Esq., and Mr. Mark S. Levitan.

Once the telephone hook-up had been completed and preliminary comments made, Messrs. Segal and Stanger announced that although they would be participating in the discussion considering the proposed bonds to raise funds for the Silverstein Pavilion, they would not participate in any final vote because they wished to avoid any possible criticism on the ground that they might have a so-called conflict of interest though in fact they did not believe that there did in fact exist any such conflict. Mr. Segal asked that it be noted in the minutes that he was a coexecutor of the Silverstein Estate.

Mr. Ballard announced to those not actually in the conference room that minutes of the meeting were being taken by Dr. Sherman, Assistant Secretary of the Corporation, and noted that in accordance with the "Sunshine Law" the meeting was open and had been so advertised.

The meeting continued with an explanation of certain proposed changes in the draft Official Statement and in the draft Purchase Hospital Revenue Bonds for Silverstein Pavilion.
Contract which had been sent to the several members of the Executive Board prior to the meeting.

It was pointed out, among other things, that the draft Official Statement, as proposed to be revised, included certain changes in maturities, and in the principal amounts of Bonds maturing on the several maturity dates, and set forth interest rates and prices for the Bonds of each maturity. Each of these changes was reviewed and the meeting was advised that the underwriters proposed to purchase the $34,000,000 principal amount of Bonds for an aggregate purchase price of $33,116,000, reflecting a discount or "spread" of 2.6%. Mr. Ballard said that he was informed that these figures resulted in a net interest cost, using the SIA method, of 8.015%. He reported to the meeting that the managing underwriters had indicated that they were prepared to purchase and make a public offering of the Bonds on the above terms as summarized to the meeting; however, since the Purchase Contract was not to be signed until several hours later in the day, he suggested that it would be advisable that the authority of Mr. Chance, who would sign the contract on the University's behalf, be broad enough to give him some flexibility as to the various terms of the Bonds, in case the underwriters found it necessary to change their proposal as summarized.

A thorough discussion ensued concerning the University's proposed guaranty of payment of principal of and interest on the Bonds, and the effect of this guaranty on the University's future borrowing capacity.

Consideration then turned to restrictions on change orders in the sublease and indenture. It was pointed out that the construction of the project will be accomplished through a construction management contract with Turner Construction Company under which Turner will guarantee that the construction costs pursuant to the plans will not exceed a specified maximum. It was also remarked that the University Trustees can exercise the
right to give final approval to any change orders. It was suggested that such control should keep down any rise in the cost as presently predicated, and should also serve to avoid any unnecessary change orders.

In response to a question asked specifically of him, Mr. Levitan noted that the long range planning committee of the medical staff of the hospital has approved the plans for the finished pavilion. He noted that plans provide for an adequate level of completion in offices in the building; however, physicians in specific offices may change the plans as they are presently formulated if they, as individuals, are willing to pay for them. He concluded by noting that at present the total cost figure for the pavilion works out to an average of $12.00 per square foot.

Concerning the problem of change orders, Mr. Regan asked Mr. Chance, as Chairman of the Trustees Finance Committee, to have his committee, at its next meeting, formulate a method to control such alterations. This meeting will be held on 8 September.

Some remarks were made as to the AA rating received by the Bonds. A consensus of those participating was that this high rating was achieved because the Bonds were backed, through the Guaranty, by the outstanding credit reputation of the University.

After some further general discussion, Mr. Gates moved that the resolutions concerning the Bonds be approved. The motion was seconded and the following resolutions were approved and adopted by the affirmative votes of Messrs. Ballam, Chance, Eckman, Gates, Regan and Trescher. (Messrs. Segal and Stanger abstained).

WHEREAS, the full Board of Trustees of the University at its stated meeting held on June 6, 1975, approved and authorized continued negotiations by the officers and representatives of the University with respect to the raising of funds to finance the construction of the Silverstein Pavilion through a proposed offering of not more than $35,000,000 principal amount of Bonds of The Hospitals Authority of Philadelphia to be paid out of the revenues of the Hospital of the University of Pennsylvania and supported by the University's guarantee; and
WHEREAS, at the said meeting the Trustees approved forms of the following documents:

(1) A Lease of the Hospital's building and facilities from the University to the Authority for a lump sum rent equal to the proceeds to be received from the sale of the Bonds.

(2) A Sublease and Security Agreement of the Hospital's building and facilities from the Authority to the University for a rent sufficient to pay principal mandatory redemption amounts, interest on the Bonds, and certain other payments, and providing for the Authority's assignment, to the Trustees under the Trust Indenture herein-after mentioned, of all rentals and other sums payable by the University thereunder; and

(3) A Guaranty providing that the University shall unconditionally guarantee the payment of amounts due with respect to the Bonds, which Guaranty Agreement has been subsequently amended in minor respects and transmitted in revised form to the Executive Board of the University; and

(4) A Trust Indenture securing the Bonds; and

WHEREAS, pursuant to the authorization thus granted the officers and other representatives of the University have participated in the preparation of and the negotiations of a Preliminary Official Statement dated August 4, 1975, and a proposed Purchase Contract relating to the bonds drafted for execution by the University and the Authority and the Underwriters, copies of which have been transmitted to all members of the Executive Board; and

WHEREAS, officers and representatives of the University have prepared and negotiated the terms of a construction management contract with Turner Construction Co., as Construction Manager, under which the said Turner Construction Co. will guarantee to the University that the construction contract price for work on the Silverstein Pavilion project pursuant to plans and specifications therefor will not exceed a price of $21,110,000.

NOW, THEREFORE, BE IT RESOLVED that the forms of Lease, Sublease and Security Agreement, Guaranty Agreement, Preliminary Official Statement and Purchase Contract as either previously submitted to the meeting of the Board of Trustees held June 6, 1975 or as submitted to the Executive Board of the Trustees of the University be and the same hereby are approved and Henry Chance, Chairman of the Trustee's Committee on Finance and Operations or Harold E. Manley, Vice President-Treasurer of the University be, and each of them hereby is authorized to execute, acknowledge (where required and the Secretary or an Assistant Secretary is hereby authorized and directed to affix and attest the corporate seal of the University to) and deliver the same on behalf of the University in connection with and issue of Bonds of The Hospitals Authority of Philadelphia as described and approved in the following authorizing resolutions with such insertions therein and amendments and modifications thereto as either of them

SECRETARY
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may agree to, such agreement to be conclusively evidenced by the execution thereof.

RESOLVED FURTHER, that the Trust Indenture, in the form previously submitted to the meeting of the full Board of Trustees held June 6, 1975, be and the same hereby is approved, with such insertions therein and amendments and modifications thereto as either Mr. Manley or Mr. Chance may agree to, such agreement to be conclusively presumed from his action in executing and delivering the Purchase Contract.

RESOLVED FURTHER, that the assignment by The Hospitals Authority of Philadelphia to the Trustees under the Trust Indenture securing the Bonds, of the rental and other payments to be made by the University to the Authority, under the Sublease and Security Agreement, as well as the assignment of the Lease and the Sublease and Security Agreement by the Authority, is hereby approved.

RESOLVED FURTHER, that the officers of the University are authorized and directed to execute and deliver an assignment to the Trustees of a lump sum rental payable by the Authority under the Lease to be held and applied by the Trustees in accordance with the Indenture.

RESOLVED FURTHER, that the execution of the instrument recited in the foregoing resolutions is approved with respect to an issuance and sale of not more than $34,000,000 principal amount of Hospital Revenue Bonds, Series of 1975 (The Hospital of the University of Pennsylvania) of The Hospitals Authority of Philadelphia, at a purchase price to the Authority of $33,116,000, plus interest accrued on said Bonds from September 1, 1975 to the date of closing thereof (subject to the Purchase Contract), such Bonds mature in the following respective amounts on the following respective dates, and to bear interest at the following respective rates:

<table>
<thead>
<tr>
<th>Principal Amount</th>
<th>Maturity Date</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,130,000</td>
<td>1979</td>
<td>6.10%</td>
</tr>
<tr>
<td>1,130,000</td>
<td>1980</td>
<td>6.35</td>
</tr>
<tr>
<td>1,130,000</td>
<td>1981</td>
<td>6.40</td>
</tr>
<tr>
<td>1,130,000</td>
<td>1982</td>
<td>6.60</td>
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<td>1,130,000</td>
<td>1983</td>
<td>6.80</td>
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<td>1,130,000</td>
<td>1984</td>
<td>7.00</td>
</tr>
<tr>
<td>1,130,000</td>
<td>1985</td>
<td>7.10</td>
</tr>
<tr>
<td>1,130,000</td>
<td>1986</td>
<td>7.25</td>
</tr>
</tbody>
</table>

or at such other purchase price, for such term or terms, and bearing such interest rates as will result in a net interest cost not to exceed 8.15% computed in accordance with the SIA method.

RESOLVED FURTHER, that Mr. Chance or Mr. Manley be and each of them hereby is authorized to negotiate with respect to and agree upon final terms and provisions relating to the issuance and sale of the Bonds within the limits of the authorization set forth in the foregoing resolutions.

RESOLVED FURTHER, that the distribution of the Preliminary Official Statement dated August 4, 1975 be and the same hereby is ratified, confirmed and approved.

Secretary
RESOLVED FURTHER, that Mr. Chance or Mr. Manley and each of them with the advice of University Counsel be and he hereby is authorized to agree upon such insertions, amendments and modifications to the Preliminary Official Statement dated August 4, 1975 as may in his judgment be necessary or advisable accurately and in conformity with applicable legal principles to describe and inform investors concerning the proposed offering of Bonds, and to execute such Final Official Statement on behalf of the University and authorize its distribution.

RESOLVED FURTHER, that either Mr. Chance or Mr. Manley be and that each of them hereby is authorized and directed to take such further action and execute and deliver such other instruments and documents, including, without limitation, financing statements under the Pennsylvania Uniform Commercial Code, and application for an irrevocable letter of credit described in the Indenture, as may in his judgment be necessary or advisable to carry into effect the intent of the foregoing resolutions and the transactions hereby contemplated.

RESOLVED FURTHER, that Paul O. Gaddis, Senior Vice President for Management of the University, Harold F. Manley Vice President-Treasurer of the University, or Fred A. Shabel, Vice President for Operational Services of the University, he and each of them hereby is authorized to execute and deliver, on behalf of the University a construction management contract with Turner Construction Co., as Construction Manager, under which the said Turner Construction Co. will guarantee to the University that the construction contract price for work on the Silverstein Pavilion project pursuant to plans and specifications therefor will not exceed a price of $21,110,000, and containing such further terms and conditions as the officer executing such contract on behalf of the University shall agree to, such agreement to be conclusively presumed from his action in executing such contract.

Adjourned.

Richard M. Sherman
Assistant Secretary