MEMORANDUM RE PROPOSED SWINE FACILITY AT NEW BOLTON CENTER

This memorandum is designed to describe the arrangements that are being negotiated between the University of Pennsylvania and a group of ten substantial farmers and investors represented in the negotiations by Mr. John J. Hess, II, (and herein referred to as the Hess Group) with respect to the proposed construction on a tract of land presently comprising a part of New Bolton Center, owned by the University and located in East Marlborough Township, Chester County, of a modern swine service facility.

Subject to (i) approval and authorization by the officers and governing boards of the University and the Hess Group and (ii) agreement with respect to a letter of understanding relating to the operation of the facility, negotiators for the parties have agreed on the following points:

1. The University will sell to the Subchapter S corporation organized by the Hess Group an undeveloped tract of land located at the northwestern corner of Byrd Rd. and Line Rd. in East Marlborough Township, Chester County, for a purchase price of $3,000 per acre, payable
as set forth below. It is contemplated that in order to enable the Hess Group to secure a "farm" assessment for real estate tax purposes, the amount of land to be sold will be ten acres.

2. The purchase price for the real estate will be paid by the delivery at closing of a purchase money mortgage payable at the end of fifteen years bearing interest at the rate of 10%, payable semi-annually. The lien of this mortgage will be specifically subordinated to the financing necessary to construct a swine service confinement service of the type and conforming to the specifications set forth on Exhibit A hereto.

3. It is contemplated that the conveyance of the real estate will be contingent upon and take place simultaneously with the execution by the Hess Group of appropriate documents with respect to the construction and financing of the confinement system and that deed of conveyance will contain covenants running with the land and extending for the 15-year term of the mortgage restricting the use of the land to the construction and operation of the proposed facility. The Hess Group or the manufacturer of the confinement system (with the cooperation of the University) will be responsible for the procurement of all necessary
zoning variances, building permits, environmental licenses and other permits and will pay the legal fees and other costs of procuring the same.

4. The University will be granted an option (which will be properly recorded and will run with the land) to re-purchase the real estate, together with the swine service confinement system constructed thereon at the end of the 15th year following the initial conveyance of the real estate, free and clear of any mortgage or other liens incurred by the Hess Group for construction of the confinement system, for a price of $80,000, payable $30,000 by cancellation of the original purchase money mortgage note and $50,000 in cash. Until the option becomes exercisable, the Hess Group will be responsible to the University for reasonable maintenance of the confinement system, the University will have a right of first refusal with respect to any sale of the premises by the Hess Group, and the University will be entitled to notice of and the right to cure any default under any mortgage financing senior to the subordinated mortgage of the University.

5. Upon the exercise by the University of the option to purchase described in Item 4. above, the Hess Group will have an option to lease the premises and the improvements and facilities located thereon for a period of ten years, the lease to provide that the premises are to be used solely for the operation of the swine service facility. The lease will be a net lease, calling

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for the payment by the tenant of all taxes and charges relating to the property and the payment in addition of an annual rental of $5,000.00.

6. Assuming final approval from the Hess Group and from the institutions supplying the necessary financing, the proposals described herein would involve at the most (i) the surrender by the University of the use of a small piece of its land at New Bolton Center for a period of time that may run as long as 25 years (15 years until the University's option to repurchase "ripens" and 10 years thereafter if the Hess Group exercises its option to lease the land and facility) and (ii) a requirement that the University pay $50,000 fifteen years from now in order to regain title at that time.