

# UNIVERSITY OF SOUTH ALABAMA

OFFICE OF THE PRESIDENT



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MOBILE, ALABAMA 36688-0002

July 29, 2005

Dear University Employee:

After careful consideration, the University of South Alabama and Infirmary Health System have agreed to conduct an intensive due diligence study to focus on developing a new strategic health care alliance to improve the quality of health care in the Mobile region.

Under this proposal, the University and the Infirmary will work cooperatively to:

- Combine the health care strengths of both institutions to provide patients with the highest quality and most advanced care,
- Enhance the education of physicians, nurses and allied health professionals,
- Advance medical knowledge through a shared commitment to medical research, and,
- Dramatically expedite development of the USA Cancer Research Institute, thus improving the quality of cancer care in the region, as well as enhancing the area's economy by attracting new patients, performing innovative research and stimulating the development of biomedical and high-technology businesses.

Both organizations agree that this is a historic moment in health care, education and economic enhancement for the Mobile region. This alliance will require everyone's cooperation as the operational details are worked out over the coming months. Please be assured that the University is committed to helping all employees successfully adapt. I have attached a copy of the memorandum of understanding for your information.

I thank you for your contributions and ask for your support and patience as we move into this new and exciting chapter for the University, the Infirmary and the people of the Mobile region.

Sincerely,

V. Gordon Moulton

VGM:pbw

Attachment

**Memorandum of Understanding**  
**University of South Alabama and Infirmary Health System, Inc.**

The University of South Alabama (“USA”) and Infirmary Health System, Inc. (“IHS”) each desire to maintain and enhance the quality of health care in the Mobile region, to foster the development of cancer research and treatment, and to improve the quality of clinical education for medical students and residents in the area. To assist in achieving these goals, each of USA and IHS agree to proceed immediately to negotiate in good faith to achieve the following:

- Construction by USA of the USA Cancer Research Center on approximately four plus (4+) acres of land procured by USA from IHS for a nominal price, such land being adjacent to the Mobile Infirmary Medical Center and the USA Children’s and Women’s Hospital and such site being adequate for said construction. USA Cancer Research Center will be owned and operated by USA.
- Long term lease by USA to IHS (or its affiliate) of the acute care and long term acute care hospitals currently known as Knollwood Hospital. IHS will operate the Knollwood Hospital at its sole expense and shall be entitled to all revenues obtained from such operation. Continuously throughout the term of the lease, IHS will work to enhance the clinical services currently offered at Knollwood Hospital and to increase the number of community based primary care physicians and medical specialists on the medical staff to serve the community need.
- USA will continue to concentrate its primary medical teaching services at the USA Medical Center, USA Children’s and Women’s Hospital, and Knollwood Hospital; Mobile Infirmary Medical Center’s role in medical education and training of USA students and residents will be expanded to become USA’s primary teaching affiliate.

This Memorandum of Understanding is entered into by the presidents of USA and IHS on the dates set forth below and is subject to approval by their respective governing boards. Its provisions are not severable. The parties hereto agree to submit this Memorandum of Understanding to their respective governing boards for approval no later than August \_\_, 2005. The closing of the transaction is subject to satisfactory negotiation of definitive documents and further approval by the respective governing boards.

Agreed:

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V. Gordon Moulton, President  
University of South Alabama

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E. Chandler Bramlett, President  
Infirmary Health System, Inc.

Date: \_\_\_\_\_

Date: \_\_\_\_\_