

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

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2010-2013

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Mr. John M. Peek
Dr. Steven H. Stokes, Past Chair

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Mr. J. Cecil Gardner
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Dr. Steven H. Stokes

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

**JUNE 7, 2013
10:00 A.M.**

**FREDERICK P. WHIDDON ADMINISTRATION BUILDING
SUITE 130, BOARD ROOM**

REVISED AGENDA

ITEM		PAGE
*	Approve: Revised Agenda.....	<i>i</i>
* 1	Approve: Minutes	1, 14 and 18
2	Report: President's Report	<i>Presentation at Meeting</i>
3	Report: Presidential Search Committee.....	<i>Presentation at Meeting</i>
4	Approve: Board Meeting Schedule, 2013-2014.....	21
HEALTH AFFAIRS:		
5	Approve: USA Hospitals Credentials – March and April 2013	1
6	Approve: Medical Staff Bylaws, and Rules and Regulations, Revisions of April 24, 2013.....	8
7	Report: Health System and Health Sciences	<i>Presentation at Meeting</i>
* 7.A	Approve: Salary Adjustments – USA Health System	11
8	Report: USA Mitchell Cancer Institute	<i>Presentation at Meeting</i>
ACADEMIC AND STUDENT AFFAIRS:		
9	Report: Academic Affairs	<i>Presentation at Meeting</i>
10	Approve: Tenure and Promotion	<i>Presentation at Meeting</i>
11	Report: Student Affairs.....	<i>Presentation at Meeting</i>
* 12	Approve: Tuition, Housing and Fee Schedules, 2013-2014.....	1
BUDGET AND FINANCE:		
13	Report: Monthly Fund Financial Reports - January, February and March 2013	1, 16 and 31
	Quarterly GASB Financial Statements, Six Months ended March 2013	46
	Summary Comparison of Fund Financial Reports to GASB Financial Statements, March 31, 2013 and 2012.....	80
14	Approve: Creation of a 501(c)(3) Corporation for the Development and Support of Research and Commercialization	84
* 15	Approve: Lease of Space to the USA Research and Technology Corporation	99
16	Approve: Contract Officers	104
17	Approve: Banking Resolution	106
* 17.A	Approve: Sale of USA Knollwood Hospital	109
18	Approve: Investment Resolution	141
19	Approve: Bond Issue	<i>Preparation in Progress</i>
AUDIT:		
* 19.A	Report: Alabama Department of Examiners of Public Accounts Compliance Report, October 1, 2008, through September 30, 2011	1
DEVELOPMENT, ENDOWMENT AND INVESTMENTS:		
20	Report: Endowment and Investments.....	<i>Presentation at Meeting</i>
* 20.A	Report: 2012-2013 Strategic Campaigns.....	<i>Presentation at Meeting</i>
OTHER:		
21	Approve: Election of Officers	<i>Presentation at Meeting</i>
* 20.A	Approve: Commendation of V. Gordon Moulton as President Emeritus.....	<i>Presentation at Meeting</i>
* <i>Items added or revised.</i>		



MEMORANDUM

UNIVERSITY OF SOUTH ALABAMA

May 28, 2013

TO: USA Board of Trustees

FROM: Bettye R. Maye *BRM*
Secretary, Board of Trustees

Included herein are the unapproved minutes of Board meetings held March 8 and April 3, 2013, and for an Executive Committee meeting held May 9, 2013. Please review these documents for amendment or approval at the June 7, 2013, Annual Meeting of the Board of Trustees.

BRM:mgc

Enclosures

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES MEETING**

**March 8, 2013
10:00 a.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Mr. Jim Yance, Chair *Pro Tempore*, on Friday, March 8, 2013, at 10:03 a.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Scott Charlton, Tom Corcoran, Steve Furr, Sam Jones, Bettye Maye, Christie Miree, Arlene Mitchell, Bryant Mixon, John Peek, Jimmy Shumock, Steve Stokes and Jim Yance.

Members Absent: Trustees Robert Bentley, Tommy Bice, Cecil Gardner and Ken Simon.

Administration and Others: Acting President Dr. John Smith and President Gordon Moulton; Drs. Mike Boyd, Joe Busta, Phil Carr/Doug Marshall/Tom Meyer (Faculty Senate), Errol Crook, Ron Franks, David Johnson, Anthony Martino, Mike Mitchell, Ed Partridge (UAB), David Stearns, Sam Strada and Ron Styron; Messrs. Terry Albano, Keith Ayers, Owen Bailey, Parker Chastain (SGA), Wayne Davis, Stan Hammack, Mark Hoffman (NAA), Don Langham, Tom Meyer (Faculty Senate), Abe Mitchell, Norman Pitman and Steve Simmons; and Mss. Jenny Biggs, Lynne Chronister, Berry McKelvain, Geri Moulton, Lee Stearns and Jean Tucker.

Press: Messrs. Ron Edmondson (WPML) and Rodney Rocker (WALA); and Ms. Theresa Seiger (Press-Register/al.com).

Upon the call to order, Chairman Yance observed that the Distinguished Alumni and Service Awards Gala on March 7 was a great event, and he congratulated the award recipients. He called for adoption of the revised agenda. On motion by Ms. Mitchell, seconded by Ms. Maye, the revised agenda was approved unanimously. Chairman Yance called for consideration of **ITEM 1**, the minutes of the December 6, 2012, and February 1, 2013, meetings of the Board of Trustees, as well as the December 5 meetings of the Audit Committee/Committee of the Whole and the Development, Endowment and Investments Committee. On motion by Dr. Stokes, seconded by Mr. Peek, the minutes were adopted by unanimous vote.

Chairman Yance called upon Dr. Boyd to address **ITEM 6**, a resolution authorizing adoption of a Declaration of Intent between the University of South Alabama and The Board of Trustees of the University of Alabama, on behalf of the University of Alabama at Birmingham. Dr. Boyd updated Board members on the activities of the Mitchell Cancer Institute (MCI) Executive Advisory Board (EAB), from which the concept of a consortium partnership between the MCI and the University of Alabama at Birmingham Comprehensive Cancer Center (UABCCC), one of the nation's foremost National-Cancer-Institute (NCI)-designated comprehensive cancer centers, emerged. He introduced Dr. Edward Partridge, Director of the UABCCC and EAB member, to give a perspective on this collaboration. Dr. Partridge commented on the

remarkable growth of the MCI since its creation in 2003, and on its impressive group of scientists. He stated USA's and UAB's cancer programs are Alabama's only academic programs, each with broad clinical service areas that do not overlap. He discussed a wide range of advantages the consortium would make possible, such as the sharing of science, resources and expensive equipment, and expanded clinical trials. Another important benefit is that the separate identities of each partner would remain intact. Dr. Partridge added that, together, the MCI and UABCCC would be a strong force in the political arena, and that the consortium has great potential to improve the quality of research and clinical care. Chairman Yance, who participated in the EAB site visit in December, agreed the consortium will give rise to great things. He said the Board would vote on the USA-UAB Declaration of Intent later in the meeting.

Chairman Yance called upon President Smith for presentation of **ITEM 2**, the President's Report. President Smith recognized Mr. Don Langham, Trustee Emeritus; Dr. Phil Carr, President – Faculty Senate, whom he thanked for his service; and Mr. Mark Hoffman, President – National Alumni Association. He reported on Higher Education Day held at the state capitol on February 28, stating the event had been well-attended and the local legislative delegation was pleased to see involvement by USA alumni. He introduced and thanked Dr. Michael Mitchell, Dean of Students, who will take over supervision of the Division of Student Affairs while Dr. Smith serves in the role of Acting President. He updated the Board on President Moulton's recovery.

President Smith said recruitment figures are positive, and Dr. Johnson would give a report later in the meeting. A new design for USA car tags was shown. Proceeds from car tag purchases benefit scholarships. Dr. Busta said the new tags would be available in August. Mr. Peek noted the sale of car tags provide substantial revenue, which Dr. Busta estimated at \$600,000. Dr. Busta said car tag sales had surged since the implementation of the football program. A project to place signage on the Bankhead Tunnel that promotes the University of South Alabama was discussed. Messrs. Shumock and Vince Calametti, Director of the Mobile Department of Transportation, were credited for advancing this initiative. Mr. Shumock recognized Mayor Jones for his efforts to bring the project forward. Mr. Ayers talked about the value of this marketing strategy.

President Smith detailed upcoming events. The Red and Blue Spring Football Game will take place on Saturday, April 6, at 2:00 p.m. at Ladd-Peebles Stadium, and will be preceded at 11:00 a.m. by the College of Medicine's Annual Gumbo/Chili Cookoff, benefitting the Reagan Robinson Young Scholarship Fund. President Smith said Trustees would find schedules for the 2013 football season on the table, and he gave details on the USA vs. North Florida baseball game scheduled at 6:30 p.m. at Stanky Field, as well as statistics for the 2013 baseball season. He advised that Dr. Bert Eichold would be honored as *Mobilian of the Year* on Thursday, April 4, at the Mitchell Center.

President Smith reminded Trustees and guests that USA's 50th Anniversary Grand Celebration would take place on Friday, May 3, at 6:30 p.m. at Moulton Tower and Alumni Plaza. The festivities will include food and fireworks. President Smith said production of a 50th anniversary

commemorative book, featuring key moments and figures in the University's history, is close to completion. The book will be distributed on campus and to all guests attending the May 3 gala.

President Smith said Spring Commencement would be held on Saturday, May 11, and the program would focus on USA's history. He discussed the 50th Anniversary Campaign, which he stated was in full-swing, indicating that details can be viewed on the USA Web site. Regarding construction progress, President Smith said updates would be addressed as part of division reports, and noted plans for a dedication of the USA Children's and Women's Hospital expansion on Thursday, June 6, in conjunction with the June 7 Annual Meeting of the Board of Trustees. On behalf of the Board, Chairman Yance extended congratulations to Dr. Eichold for being named *Mobilian of the Year*, and to Mr. Hoffman and the National Alumni Association for the success of the awards gala. Mr. Hoffman thanked Board members for their participation, and recognized Dr. Busta and Ms. Karen Edwards, Director – Office of Alumni Relations, for their involvement.

Concerning **ITEM 2.A**, the appointment of a Nominating Committee, Chairman Yance announced Board officers would be elected in June. He appointed Ms. Mitchell, Mayor Jones and Dr. Stokes to serve on the Nominating Committee charged with accepting nominations, and with presentation of a slate of candidates for the positions of Chair *pro tempore*, Vice Chair and Secretary at the Annual Meeting on June 7. He asked Dr. Stokes to serve as chair of the Nominating Committee.

Chairman Yance called for a report of health affairs items. Dr. Furr, Chair of the Health Affairs Committee, called upon Dr. Franks for discussion of **ITEM 4**, a report on the activities of the USA Health System and the Division of Health Sciences. Dr. Franks said two reports would be given, and he called upon Dr. Strada to comment first. Dr. Strada introduced Dr. Errol Crook, Professor and Abraham A. Mitchell Chair of Internal Medicine, for a report on USA's Center for Healthy Communities, a program established in 2003 which focuses on the elimination of health disparities. Dr. Crook, Director of the Center, advised that the National Institutes of Health had recently awarded additional funding for the program in the amount of \$7.5 million, constituting a third renewal of the grant for five years and giving the Center the distinction of a *Center of Excellence*. He outlined the Center's approach, which combines community engagement, translational research and primary research, and detailed factors influencing health disparity. He credited Drs. Roma Hanks, Chair of Sociology and Anthropology, and Hattie Myles, Assistant Dean of Student Affairs and Education Enrichment for the College of Medicine, as community outreach core co-directors, as well as project researchers Drs. William Gerthoffer, Chair of Biochemistry; Clara Massey, Professor of Internal Medicine; Kenneth Hudson, Associate Professor of Sociology; and Martha Arrieta, Director of Research for the Center, for contributing to the Center's success.

Mr. Owen Bailey, Administrator - USA Children's & Women's Hospital (CWH), updated Board members on the expansion project. He thanked Dr. Furr for chairing the development council for the hospital campaign, and Messrs. Ron Blount and Dow Bark, SA Group, the University's construction managers, for a job well done. As photos were viewed, he detailed expansion high-

lights, such as equipment and Ronald McDonald House services upgrades. He discussed the selection of Miss Jenny Biggs, former CWH patient, as Alabama's representative for the Children's Miracle Network Champion Program. Photos depicting Miss Biggs' involvement were shown. He introduced Miss Biggs, her mother Ms. Berry McKelvain, and Dr. Anthony Martino, Chair of the Department of Neurosurgery, for remarks on the treatment Miss Biggs received and the rewarding experiences gained through the Champion Program. On behalf of Children's & Women's Hospital, Mr. Bailey accepted an excellence award presented by Miss Biggs and Ms. McKelvain, who thanked him for his support and leadership.

Dr. Furr presented **ITEM 3** as follows. On motion by Mr. Peek, seconded by Mr. Shumock, the resolution was approved unanimously:

**RESOLUTION
USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR DECEMBER 2012 AND JANUARY 2013**

WHEREAS, the Medical Staff appointments and reappointments for December 2012 and January 2013 for the University of South Alabama Hospitals are recommended for Board approval by the Medical Executive Committees and the Executive Committee of the University of South Alabama Hospitals,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama approves the appointments and reappointments as submitted.

Dr. Furr moved approval of **ITEM 6** as follows (for copies of policies and other authorized documents, refer to **APPENDIX A**). Mr. Shumock seconded and the resolution was approved unanimously:

**RESOLUTION
DECLARATION OF INTENT
THE UNIVERSITY OF SOUTH ALABAMA MITCHELL CANCER INSTITUTE
AND THE UNIVERSITY OF ALABAMA AT BIRMINGHAM
COMPREHENSIVE CANCER CENTER**

WHEREAS, the University of South Alabama and The Board of Trustees of the University of Alabama, on behalf of its operating division, the University of Alabama at Birmingham Comprehensive Cancer Center mutually desire to enter into a Declaration of Intent to investigate the feasibility of developing a cancer research consortium partnership ("Consortium Partnership")ⁱⁱⁱ between their operational divisions known as the University of South Alabama Mitchell Cancer Institute ("USAMCI") and the University of Alabama at Birmingham Comprehensive Cancer Center ("UABCCC") aimed at future designation by the U.S. National Cancer Institute ("NCI") as an NCI Comprehensive Cancer Center Consortium Partnership, and

WHEREAS, such Consortium Partnership will have tangible and intangible benefits of high value for both universities, and for the citizens of the State of Alabama and beyond, and

WHEREAS, administrative officials of UAB have endorsed a Declaration of Intent that sets forth the goals of the Consortium Partnership, and

WHEREAS, the Board of Trustees of the University of South Alabama wishes to endorse said Declaration of Intent as well,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama hereby approves and adopts the Declaration of Intent between the University of South Alabama and The Board of Trustees of the University of Alabama, on behalf of its operating division the University of Alabama at Birmingham, as attached hereto.

¹ The term “partnership” is used herein in the context of the latest United States National Cancer Institute (“NCI”) publication (dated September 25, 2012, pp. 4-5) entitled Policies and Guidelines Relating to the P30 Cancer Center Support Grant, and is not intended to create, nor shall it be construed as creating, a separate legal partnership entity between or among USAMCI and UABCCC or recognized or held out as a separate legal partnership entity for Alabama state law purposes or federal taxation law purposes.

Chairman Yance called for consideration of academic and student affairs items. Ms. Miree, Chair of the Academic and Student Affairs Committee, called upon Dr. Johnson to present **ITEM 7**, a report on the activities of the Division of Academic Affairs. Dr. Johnson gave an update on efforts to increase enrollment. He discussed “USA Day” and scholarship program promotions. He stated the initiatives are proving fruitful and optimism is high for a record 2013 fall enrollment. He reported on candidate interviews for the Honors Program.

Concerning the process for reaffirmation of the University’s accreditation, Dr. Johnson shared that a positive review by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) visiting team in April is necessary for continued federal financial aid funding. He said the University has satisfied most SACS standards, with 19 to be addressed on April 3, 4 and 5. An important focus of the visit will be USA’s Quality Enhancement Plan (QEP) titled *Team USA*, which concentrates on collaborative learning to improve student learning outcomes. He introduced Dr. Ron Styron, QEP director, who discussed facilitation of the QEP, which involves students working collectively on practical exercises to gain critical thinking skills. Dr. Susan Gordon-Hickey, Assistant Professor of Speech Pathology and Audiology, and Miss Kelsy Williams, USA student, gave positive feedback on the team-based approach in the classroom. President Smith thanked Dr. Johnson for his role in the SACS reaffirmation process.

Ms. Miree called upon Dr. Mitchell for presentation of **ITEM 8**, a report on the activities of the Division of Student Affairs. Dr. Mitchell provided an update on the new 350-bed residence hall that is under construction and scheduled to open for the 2013 fall semester. Photos were shown on the progress thus far. Dr. Mitchell expressed enthusiasm for the changing face of residence life on campus. He discussed a partnership with Kappa Sigma to construct a small facility on the north side of Gamma 9 near the traffic circle, to be owned and managed by the University, to be used for chapter meetings. He added that updates to the interior of Epsilon are scheduled for completion by fall. President Smith remarked on the good condition of the Beta and Gamma dorms, and observed the potential of the Kappa Sigma partnership in increasing residents on campus.

Chairman Yance called for consideration of budget and finance items. Mr. Corcoran, Budget and Finance Committee Chair, asked Mr. Wayne Davis to address **ITEM 9** reports titled *Monthly*

Fund Financial Reports for October, November and December 2012; Quarterly GASB Financial Statements, Three Months ended December 2012; and Summary Comparison of Fund Financial Reports to GASB Financial Statements, December 31, 2012 and 2011. There was no discussion.

Mr. Davis addressed **ITEM 10** as follows, noting that operation of the Springhill Avenue facility no longer serves the best interest of the University, and citing increased maintenance issues. He outlined a plan to replace the facility with a professional office building for the departments of Family Practice and Pediatrics. He stated demolition would be less costly than continued operation, and discussed the relocation of the current occupants, the largest being the Veterans Affairs Hospital, the lease of which expires in 2015. He said authorization for the construction of a new building would be sought at a future Board meeting. On motion by Mr. Corcoran, seconded by Ms. Miree, the resolution was approved unanimously:

**RESOLUTION
ARCHITECT FOR PROFESSIONAL OFFICE BUILDING
AT USA SPRING HILL AVENUE CAMPUS SITE**

WHEREAS, the University of South Alabama acquired the Spring Hill Avenue Campus from Providence Hospital in 1987, and

WHEREAS, these facilities were built in various stages dating back to the middle of the last century, and

WHEREAS, the property has served the University well in housing various clinics, administrative offices and the Colleges of Nursing and Allied Health Professions for many years, and

WHEREAS, these facilities are aging, and maintenance issues persist, and of the over 500,000 square feet of space at this site, only about half is currently occupied, and the expense to update the buildings would be significant, and

WHEREAS, the University of South Alabama College of Medicine's and Health Services Foundation's outpatient clinics for pediatrics and family practice are currently housed at this location, and the University has determined that it would be financially more advantageous to construct a new professional office building for clinics of the College of Medicine and the Health Services Foundation than update the facilities at the USA Spring Hill Avenue Campus, and

WHEREAS, President Gordon Moulton authorized a request for qualifications from numerous architectural firms for the purpose of selecting one to work with University personnel to plan this project, and

WHEREAS, the firm of Williams Blackstock Architects was selected and has now completed the programming and planning of this proposed facility, and

WHEREAS, the University now recommends building a new professional office building at that site and demolishing the former nursing students' residence hall and other structures, as appropriate,

THEREFORE, BE IT RESOLVED that the President of the University of South Alabama is authorized to engage the firm of Williams Blackstock Architects for the purpose of designing a new professional office building, and

BE IT FURTHER RESOLVED, that authorization is hereby given to demolish the former nursing students' residence hall at the Spring Hill Avenue Campus and other buildings as needed and deemed appropriate by the President of the University.

Mr. Davis presented **ITEM 10.A** as follows, noting the Administration would make a recommendation at the June Board meeting. On motion by Mr. Corcoran, seconded by Mr. Peek, the resolution was approved unanimously:

**RESOLUTION
PROPOSED FINANCING PLAN FOR CAPITAL IMPROVEMENTS**

WHEREAS, it is necessary, desirable and in the interest of the University of South Alabama (herein called the "University") that the University design, acquire, construct, install, furnish and equip various capital improvements on the property of the University including, without limitation, a physicians professional office building and various other capital improvements, together having an estimated cost not to exceed \$40,000,000 (herein collectively called the "Improvements"), and

WHEREAS, it is expected that the University will issue one or more series of revenue obligations (herein collectively called the "Obligations") pursuant to a plan of financing for the purpose of providing funds to pay the costs of the Improvements, and it is expected that the aggregate principal amount of the Obligations will not exceed \$40,000,000, and

WHEREAS, it is anticipated that all or a portion of the Obligations to be issued by the University shall be sold to one or more financial institutions pursuant to a competitive bidding process, and

WHEREAS, the University expects to incur certain costs to be paid out of general funds of the University in connection with the design, acquisition, construction, installation, furnishing and equipping of the Improvements prior to the issuance of the Obligations, and the University intends to allocate a portion of the proceeds of the Obligations to reimburse the University for certain of the costs incurred in connection with said design, acquisition, construction, installation, furnishing and equipping of the Improvements paid prior to the issuance of the Obligations,

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the University, that (i) the University hereby declares that it intends to allocate a portion of the proceeds of the Obligations to reimburse the University for expenditures incurred after the date that is no more than sixty (60) days prior to the date of the adoption of this Resolution, but prior to the issuance of the Obligations, in connection with the design, acquisition, construction, installation, furnishing and equipping of the Improvements; and (ii) this Resolution is being adopted pursuant to the requirements of the Internal Revenue Code of 1986, as amended, and Treasury Regulations Section 1.150-2(e) promulgated thereunder,

BE IT FURTHER RESOLVED that the President of the University and the Vice President for Financial Affairs are hereby authorized and directed to explore the feasibility of selling all or a portion of the Obligations to one or more financial institutions through a competitive process and will bring to the Board of Trustees, for its approval, the University's selection of same.

Chairman Yance called for consideration of audit items. With respect to the dual role served by the Budget and Finance Committee as Audit Committee of the Board, Mr. Corcoran, Committee Chair, called upon Mr. Simmons to address the **ITEM 11** report titled *KPMG Report on USA Intercollegiate Athletics, Year Ended September 30, 2012*. Mr. Simmons stated KPMG rendered a clean, unqualified opinion. Mr. Corcoran encouraged Board members to view the related outline included in the printed materials.

As Chair of the Development, Endowment and Investments Committee, Chairman Yance called upon Messrs. Albano and Pitman to report on endowment and investment performance, **ITEM 12**. Mr. Albano reported that the return outperformed the relative index by 1.59 percent. The return from October 1, 2012, through January 31, 2013, was 5.99 percent versus a relative index of 4.4 percent. Mr. Pitman discussed the factors of the endowment's outperformance, and Mr. Albano reviewed asset allocation for the 2013 fiscal year, pointing out that the allocations were within the guidelines outlined by the University's investment policy. He discussed performance since inception, noting a performance of 4.5 percent versus an index of 3.75 percent, an outperformance of .75 percent.

Chairman Yance called upon Ms. Tucker to present **ITEM 12.A**, as follows. Ms. Tucker stated SACS prefers for relationships between the University and its related entities to be formalized. On motion by Mr. Corcoran, seconded by Ms. Maye, the resolution was approved unanimously.

**RESOLUTION
AFFILIATION AGREEMENT
BETWEEN THE UNIVERSITY OF SOUTH ALABAMA
AND THE UNIVERSITY OF SOUTH ALABAMA COLLEGE OF MEDICINE -
MEDICAL ALUMNI ASSOCIATION, INC.**

WHEREAS, the University of South Alabama College of Medicine - Medical Alumni Association, Inc. ("Corporation") was established as a non-profit, educational and charitable organization under Section 501(c)(3) of the Internal Revenue Code of 1986 for the purposes of serving the University of South Alabama ("University") through the promotion of medical education, academic and scientific research and educational projects and activities of the University of South Alabama College of Medicine, and

WHEREAS, University and Corporation have a history of interaction and cooperation that has served the interests of University, and

WHEREAS, University and Corporation anticipate that University will provide Association with specified services and facilities with which to carry out its responsibilities in exchange for the development, financial, and other service, support, and assistance Corporation shall provide University, and

WHEREAS, the Board of Directors of Corporation have approved the Affiliation Agreement as it defines the arrangements concerning services, facilities, premises, and activities between University and Corporation, and

WHEREAS, the Board of Trustees of the University of South Alabama wishes to define the aforementioned arrangements with Corporation as well,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama hereby approves and adopts the Affiliation Agreement between University of South Alabama and the University of South Alabama College of Medicine - Medical Alumni Association, Inc., as attached hereto.

Chairman Yance called upon Dr. Busta to discuss **ITEM 13**, a report on the activities of the Division of Development and Alumni Relations. Dr. Busta discussed the 50th Anniversary Campaign, noting 46,540 gifts committed towards the goal of 50,000, and the signing of 6,477 new National Alumni Association members, meeting the goal of 50,000 new members. He said

the JagLine phone solicitation program is a success, noting more than 27,000 actual phone conversations with students and alumni, during which the operators provide University news and information. This effort improves constituency engagement. Other initiatives include a radiothon, Jaguar Athletic Fund renewals, and MCI special events. Dr. Busta reported that USA's Annual Fund drive has received recognition from the Council for Advancement and Support of Education, Southeast Division, for excellence.

Chairman Yance called upon Dr. Busta to address **ITEM 13.A** as follows. He shared background on a \$250,000 gift by Dr. and Mrs. Stokes, made in December to fund creation of an environmental resiliency center, and discussed how the idea took root, and the involvement of Ms. Chronister during the proposal process. Ms. Chronister detailed printed material describing the project. She introduced project collaborators Drs. Andrzej Wierzbicki, Dean of the College of Arts and Sciences, and Sean Powers, Director of the Dauphin Island Sea Lab. Discussion took place about how the project would address stresses on the ecosystem caused by regional growth, and the identification of methods to mitigate environmental damage, such as the detoxification of pesticides and, in terms of the BP oil spill, the development of technologies for dispersants. Ms. Chronister conveyed appreciation to the Stokeses for their generosity, and Chairman Yance, President Moulton, and Acting President Smith joined Dr. and Mrs. Stokes for the reading of the resolution by Dr. Busta. On motion by Mr. Peek, seconded by Ms. Maye, the resolution was approved unanimously. President Moulton said thanking donors for their philanthropic gestures ranks among the highest rewards of his career. He added that, through their gifts over the years, the Stokeses have made a positive impact for the citizens of the Gulf Coast region. Dr. Stokes addressed Board members and guests, expressing his thoughts on the devastation caused by the BP oil spill, which inspired his and Mrs. Stokes' gift:

**RESOLUTION
COMMENDATION OF DR. AND MRS. STEVEN H. STOKES
FOR VISIONARY LEADERSHIP**

WHEREAS, Dr. and Mrs. Steven H. Stokes have served the University of South Alabama with exemplary zeal for more than three decades, distinguishing themselves among its most loyal and generous alumni, and

WHEREAS, Dr. Stokes has advocated for and guided the advancement of the University as a member and as Chair *Pro Tempore* of the Board of Trustees during a tenure that has spanned appointments by two governors and coincided with a period of unparalleled expansion, and

WHEREAS, Dr. and Mrs. Stokes have promoted the progress of the University of South Alabama with generous gifts to establish the *Angelia and Steven H. Stokes Center for Creative Writing* and to support Moulton Tower and Alumni Plaza, the Mitchell Cancer Institute and the College of Medicine, creating a nearly \$2.7 million impact through their gifts and matching funds, and

WHEREAS, the exemplary devotion of Dr. and Mrs. Stokes to the advancement of their alma mater has inspired the USA National Alumni Association to recognize Dr. Stokes with a Distinguished Alumni Award, and the Board of Trustees to commend his service as chair by conferring the honorary title of *Chair Pro Tempore Emeritus*, and to name a state-of-the-art student residence the *Angelia and Steven H. Stokes Residence Hall* in honor of their lifelong records of service, and

WHEREAS, Dr. and Mrs. Stokes continue to encourage the highest aspirations of the University of South Alabama by providing visionary leadership and a gift of \$250,000 to enable the formation of a Center for Environmental Resiliency, and

WHEREAS, the Center for Environmental Resiliency will be a unique resource on the Gulf Coast, that will provide a broad interdisciplinary approach to develop solutions for pressing environmental concerns and to promote resilient and sustainable coastal communities and ecosystems, and

WHEREAS, the Center for Environmental Resiliency will provide a platform that will enhance the University's international visibility, promote scholarly achievement and the renown of USA's academic programs, and attract extramural funding, and

WHEREAS, the Center for Environmental Resiliency will be a source of knowledge to guide responsible policy-making and business development that will accrue toward a prosperous and healthy future for all residents of the Gulf Coast region,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees gratefully recognizes the dedicated generosity and visionary guidance of Dr. and Mrs. Steven H. Stokes, and

BE IT FURTHER RESOLVED that the Board of Trustees extends its warmest thanks with those of the President, faculty, staff, and students for the leadership and generosity of Dr. and Mrs. Stokes in supporting the establishment of a resource that promises to elevate the University of South Alabama and the entire Gulf Coast region.

Chairman Yance called upon Dr. Johnson for presentation of **ITEM 14** as follows. Dr. Johnson said Dr. Stearns has been "the face" of USA, noting that he exemplifies the value of a positive attitude. He read the resolution, and President Moulton talked about improvements in enrollment and academic programs as a result of Dr. Stearns' hard work. On motion by Ms. Miree, seconded by Ms. Maye, the resolution was approved unanimously. Mrs. Stearns talked about relocating to Mobile years earlier for Dr. Stearns to begin his career at the University of South Alabama, and Dr. Stearns noted the privilege it has been to work at USA and see it prosper. He thanked everyone for the opportunity to be a part of the University of South Alabama family:

**RESOLUTION
COMMENDATION OF DR. J. DAVID STEARNS**

WHEREAS, the University of South Alabama seeks to honor exceptional administrators and faculty who have devoted a substantial part of their careers to serving and teaching others, and who have distinguished themselves throughout their professional careers, and

WHEREAS, Dr. J. David Stearns has devoted himself to more than three decades of outstanding service to the University of South Alabama through the Division of Enrollment Services, and

WHEREAS, Dr. Stearns joined the USA family in 1979 as Director of Admissions and Records, later serving the University as Associate Dean of Students, Dean of Enrollment Services, and Assistant Vice President for Enrollment Services, and

WHEREAS, Dr. Stearns also served as Associate Vice President for Enrollment Services from 1997 until his retirement in February 2013, and

WHEREAS, during Dr. Stearns' tenure, enrollment at the University has doubled, from 7,400 in 1979 to some 15,000 in the fall of 2012, and

WHEREAS, Dr. Stearns played a key role in the establishment of USA programs including the Honors Program, the Medical School Early Acceptance Program, the Accelerated College Enrollment Program, the First Year Experience Program, the Doctor of Pharmacy Program with Auburn University, and the Recruitment and Retention Program, and

WHEREAS, Dr. Stearns has been a tireless advocate for USA's students and has championed the current scholarship program, which is among the most substantial in the state, and

WHEREAS, Dr. Stearns and his wife, Lee, have gone beyond the scope of the job by coordinating the Miss USA pageant, being enthusiastic fans and financial contributors to USA athletics, and entertaining USA alumni and constituents in their home, among many other contributions, and

WHEREAS, the University has named the Admissions Office lobby in Dr. Stearns' honor, a recognition made possible through a gift from philanthropists Bert and Fanny Meisler, for whom the student services building is named, and

WHEREAS, Dr. Stearns, a recipient of the USA National Alumni Association Distinguished Service Award, represents dreams realized, challenges overcome, doors opened, opportunities provided, and unconditional support readily offered, and

WHEREAS, Dr. Stearns has been the "face" of the University of South Alabama for more than 30 years, proving himself to be a valued advisor, mentor and friend to many generations of students and colleagues at USA,

THEREFORE, BE IT RESOLVED that the Board of Trustees expresses its sincere appreciation to Dr. J. David Stearns and his wife, Lee, for their many outstanding contributions to the University of South Alabama and offers its best wishes upon Dr. Stearns' retirement and future endeavors.

Chairman Yance asked President and Mrs. Moulton to join him for the reading of **ITEM 15** as follows, noting his service as a Board member was possible because of his admiration for the Moultons. On motion by Mr. Corcoran, seconded by Ms. Mitchell, the resolution was approved unanimously. Board members and guests expressed appreciation to the Moultons with a standing ovation. President Moulton talked about retirement, his career, and his recovery, and he thanked Dr. Smith for serving as Acting President. He expressed appreciation for the positive support of everyone in the room. Mrs. Moulton shared heartfelt remarks, and concluded with a poem recitation. Chairman Yance discussed elements relative to the presidential transition, including determination of a salary for the acting president's position, and he called for a motion to proceed, citing employment of the Presidential Search Guidelines. On motion by Mr. Shumock, seconded by Ms. Mitchell, the motion was approved unanimously. Chairman Yance stated the process to find the next President of the University of South Alabama would require dedication and hard work:

**RESOLUTION
PRESIDENTIAL TRANSITION**

WHEREAS, Gordon Moulton has given more than 46 years of unwavering service to the University of South Alabama, joining USA in its infancy as one of the institution's early faculty members in business and computing, and

WHEREAS, in addition to his career as an educator that began at USA in 1966, Gordon Moulton has served in numerous leadership roles at the University, including director of the computer center, founding dean of the School of Computing, vice president for services and planning, and, for the past 15 years, as USA's second president, and

WHEREAS, long before being named president, Gordon Moulton was a vital force in the growth and progress of the University as a senior member of USA's central leadership team and a vital asset to the University's first president, and

WHEREAS, President Moulton, as USA's chief executive officer, has provided exceptional leadership to the University, raising it to unprecedented levels of accomplishment in all of its diverse missions – teaching, research, service, and health care – touching the lives of countless people served by the institution, and

WHEREAS, President Moulton is one of Alabama's leading champions of higher education, whose advocacy for advanced learning has improved the lives of all citizens, and

WHEREAS, President Moulton believes it is now timely to transition the leadership of the University of South Alabama to a new president, and

WHEREAS, President Moulton has expressed his desire to retire from the University of South Alabama effective July 1, 2013, and

WHEREAS, the Board of Trustees desires that President Moulton's current leave be extended until his retirement date, during which time President Moulton has committed to continue to be a resource to the University, and

WHEREAS, the Chair Pro Tempore of the Board has requested and received a commitment from Dr. John W. Smith, vice president for student affairs and special assistant to the president, to continue as acting president until such time that USA's third president is selected and begins service, and

WHEREAS, the Board desires to take all actions necessary to commence with a national search to select a president to sustain the remarkable progress and momentum attained under President Moulton,

NOW, THEREFORE, BE IT RESOLVED that it is with consummate respect and appreciation that the Board does hereby accept President Moulton's retirement effective July 1, 2013, and

BE IT FURTHER RESOLVED that, consistent with the terms detailed above, the Board does hereby extend President Moulton's leave, continue the appointment of Dr. John W. Smith as acting president, and authorize commencement of the search process for a University president, and

BE IT FURTHER RESOLVED that this Board and the entire University of South Alabama family will seek appropriate opportunities to honor and celebrate the many contributions of President Moulton and his wife, Geri, including a special tribute at USA's 50th Anniversary celebration on May 3, 2013, a fitting time to acknowledge a lifetime of good works that have played such a significant role in the growth and progress of the University of South Alabama, and

BE IT FINALLY RESOLVED that the Board of Trustees does hereby extend its heartfelt gratitude to President Moulton and Geri for their many years of service that have helped the University of South Alabama over the past five decades to make a transformational positive impact on the quality of life of countless people across the Gulf Coast region, the nation, and the world.

There being no further business, the meeting was adjourned at 12:36 p.m.

Attest to:

Respectfully Submitted:

Bettye R. Maye, Secretary

James A. Yance, Chair *Pro Tempore*

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES/
PRESIDENTIAL SEARCH COMMITTEE MEETING**

**April 3, 2013
3:45 p.m.**

A combined meeting of the University of South Alabama Board of Trustees and the Presidential Search Committee was duly convened by Mr. Jim Yance, Chair *pro tempore* of the Board of Trustees, on Wednesday, April 3, 2013, at 3:45 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

BOARD OF TRUSTEES:

Present: Trustees Tom Corcoran, Steve Furr*, Cecil Gardner, Bettye Maye, Christie Miree, Arlene Mitchell*, Bryant Mixon, John Peek, Jimmy Shumock, Ken Simon* and Jim Yance*.

Absent: Trustees Robert Bentley, Tommy Bice, Scott Charlton, Sam Jones and Steve Stokes.

PRESIDENTIAL SEARCH COMMITTEE*:

Present: Drs. Joe Busta, Phil Carr (Faculty Senate), Allan Tucker and Alvin Williams; Messrs. Parker Chastain (SGA), Stan Hammack and David Trent (Airbus Mobile); and Mss. Beth Anderson and Holle Briskman.

Absent: Mr. Nino Mole (AASA).

OTHERS: Acting President Dr. John Smith; Drs. Ron Franks, Doug Marshall and Bob Shearer; Mr. Wayne Davis; and Mss. Riley Davis (SGA Pres.-Elect) and Jean Tucker.

PRESS: Ms. Ellen Mitchell (Press-Register/al.com).

Chairman Yance called the meeting of the Board of Trustees to order, and he asked Dr. Smith, Acting President, to make opening remarks. President Smith thanked Board members for taking time to meet with representatives of the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC). He said the SACSCOC visit was positive. Chairman Yance called upon Mr. Davis for presentation of **ITEM 1** as follows, which amends a resolution adopted by the Board on March 8. Mr. Davis detailed the reasons for revision. On motion by Mr. Corcoran, Chair of the Budget and Finance Committee, seconded by Mr. Shumock, the resolution was approved unanimously:

**RESOLUTION
FINANCING OF CAPITAL IMPROVEMENTS**

WHEREAS, it is necessary, desirable and in the interest of the University of South Alabama (herein called the "University") that the University acquire certain real property and design, acquire, construct, install, furnish and equip various capital improvements on the property of the University including, without limitation, a physician's professional office building, improvements to the USA Children's and Women's Hospital of the

University, and various other capital improvements within the health care enterprise of the University, together having an estimated cost not to exceed \$50,000,000 (herein collectively called the "Improvements"), and

WHEREAS, it is expected that the University will issue one or more series of revenue obligations (herein collectively called the "Obligations") pursuant to a plan of financing for the purpose of providing funds to pay the costs of the Improvements, and it is expected that the aggregate principal amount of the Obligations will not exceed \$50,000,000, and

WHEREAS, it is anticipated that all or a portion of the Obligations to be issued by the University shall be sold to one or more financial institutions pursuant to a competitive bidding process, and

WHEREAS, the University expects to incur certain costs to be paid out of the general and plant funds of the University in connection with the design, acquisition, construction, installation, furnishing and equipping of the Improvements prior to the issuance of the Obligations, and the University intends to allocate a portion of the proceeds of the Obligations to reimburse the University for certain of the costs incurred in connection with said design, acquisition, construction, installation, furnishing and equipping of the Improvements paid prior to the issuance of the Obligations,

NOW, THEREFORE, BE IT RESOLVED, by the Board of Trustees of the University, that (i) the University hereby declares that it intends to allocate a portion of the proceeds of the Obligations to reimburse the University for expenditures incurred after the date that is no more than sixty (60) days prior to the date of the adoption of this Resolution, but prior to the issuance of the Obligations, in connection with the design, acquisition, construction, installation, furnishing and equipping of the Improvements; and (ii) this Resolution is being adopted pursuant to the requirements of the Internal Revenue Code of 1986, as amended (herein called the "Code"), and Treasury Regulations Section 1.150-2(e) promulgated thereunder, and

BE IT FURTHER RESOLVED, that the Board of Trustees hereby authorizes and designates the President of the University and the Vice President for Financial Affairs to declare official intent on behalf of the University from and after the date hereof for purposes of and pursuant to Treasury Regulations Section 1.150-2 promulgated under the Code; provided, that nothing herein shall permit the issuance of any bonds or other debt obligations of the University without the authorization and approval of the Board of Trustees of the University, and

BE IT FURTHER RESOLVED, that the President of the University and the Vice President for Financial Affairs are hereby authorized and directed to explore the feasibility of selling all or a portion of the Obligations to one or more financial institutions through a competitive process, and to bring to the Board of Trustees, for its approval, the University's selection of same.

Drs. Smith and Franks, and Mr. Davis left the meeting, and Chairman Yance addressed **ITEM 4**, the delegation of Presidential Search Committee duties of the Secretary of the Board of Trustees. He called for comments from Ms. Maye, who, due to the travel and time required to fulfill the role of Committee Secretary, recommended the Board's authorization of Dr. Bob Shearer to act on her behalf. On motion by Judge Simon, seconded by Ms. Maye, the Board granted unanimous approval.

With regard to **ITEM 2**, discussion of the search process, Chairman Yance indicated that the Presidential Search Guidelines had been provided. He asked that Board members pay particular attention to the code of ethics, and called for questions.

Chairman Yance called for consideration of **ITEM 3** as follows. There being no questions, and on motion by Mr. Peek, seconded by Mr. Corcoran, the charge to the Presidential Search Committee was approved unanimously:

CHARGE TO THE PRESIDENTIAL SEARCH COMMITTEE

The University of South Alabama Board of Trustees hereby charges the Presidential Search Committee to carry out the actions described in Section II.B. of the Presidential Search Guidelines, working in concert with the selected professional national search firm to seek applications from highly qualified individuals with a sincere interest in the University of South Alabama and the position of President, and, in doing so:

- thoroughly review each candidate's credentials;
- select and interview semifinalists; and
- select a slate of three to five candidates to recommend to the Board as finalists.

The committee will be guided in this process by the terms of the Presidential Search Guidelines, first adopted August, 2000, and amended August, 2001.

Chairman Yance called upon Dr. Furr, Chair of the Presidential Search Committee (PSC), to conduct the proceedings. Dr. Furr convened the PSC meeting, and Ms. Tucker gave background on the creation and revision of USA's Presidential Search Guidelines, and the requirement for a national professional search firm. Dr. Furr discussed the structure of the Committee, and credited Chairman Yance for his time and effort since initiation of the search process, and Dr. Shearer for agreeing to facilitate. Dr. Shearer discussed search firms previously engaged by the University for administrative searches. He identified eight firms that had submitted proposals, and gave an overview of each firm's size and relevant experience, including representation of institutions with medical schools and hospitals. Following discussion, Dr. Carr offered a motion that the Committee recommend the firm of R. William Funk and Associates for consideration by the Board of Trustees. Ms. Mitchell seconded and the motion was approved unanimously.

Brief discussion took place about a salary for the president, search fees and the potential for negotiation. Dr. Shearer recommended that consideration of a tentative search schedule, **ITEM 7**, be deferred for discussion with the search consultant at the next PSC meeting. Dr. Furr noted that a Web page had been created to keep the University community and public informed on the search process and the activities of the Committee. The Web address was provided. Chairman Yance thanked Drs. Carr and Marshall for meeting him to discuss the faculty's perspective. Dr. Furr stated that search costs would be paid with contingency funds. Chairman Yance thanked Mr. David Trent, Airbus Mobile, for agreeing to serve as a PSC member representing the community.

There being no further business, and on motion by Ms. Mitchell, seconded by Judge Simon, the Presidential Search Committee voted unanimously to adjourn the meeting.

Chairman Yance called for a motion to reconvene the Board meeting. On motion by Ms. Mitchell, seconded by Ms. Miree, the Trustees voted unanimously to reconvene the Board meeting. Chairman Yance thanked Dr. Furr for his service as Committee Chair.

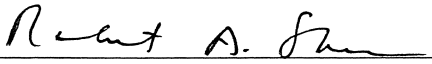
As to the appointment of a search firm, **ITEM 8**, Dr. Furr offered a motion to accept the PSC's recommendation and hire the firm of R. William Funk and Associates. Judge Simon seconded and the motion was approved unanimously. The idea of a contingency plan was addressed briefly. Having discussed potential costs with Dr. Shearer, Chairman Yance expressed confidence that the overall cost of the search would be reasonable.

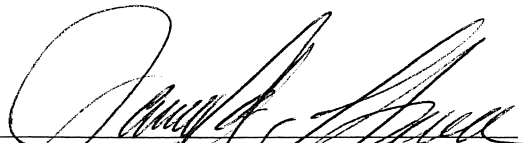
Chairman Yance called upon Dr. Shearer to present **ITEM 9**, consideration of a preliminary search budget. Dr. Shearer shared expectations on expenses additional to the search firm's fee, such as those pertaining to travel, administrative costs and background checks. He recommended a search budget of \$175,000. Chairman Yance called for questions, and Mr. Gardner moved to accept the recommendation as submitted. Ms. Maye seconded and the budget was authorized unanimously. Ms. Tucker recommended that the matter of the president's salary be discussed with the search consultant at the PSC next meeting.

There being no further business, the meeting was adjourned at 4:55 p.m.

Attest to:

Respectfully Submitted:


Robert A. Shearer, J.D.,
on behalf of:


James A. Yance, Chair *pro tempore*

Bettye R. Maye, Secretary


Steven P. Furr, M.D.,
Chair, Presidential Search Committee

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES MEETING**

EXECUTIVE COMMITTEE

**May 9, 2013
2:00 p.m.**

A meeting of the Executive Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Jim Yance, Chair *Pro Tempore*, on Thursday, May 9, 2013, at 2:00 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Steve Furr, Cecil Gardner, Sam Jones, Bettye Maye (phone), John Peek (phone) and Jim Yance.

Members Absent: Trustee Steve Stokes.

Other Trustee: Trustee Jimmy Shumock.

Administration and Others: Acting President Dr. John Smith and President Gordon Moulton; Drs. Joe Busta, Julie Estis/Kelly Woodford (Faculty Senate), Ron Franks, and David Johnson; Messrs. Wayne Davis and Stan Hammack; Mss. Riley Davis (SGA) and Jean Tucker.

Press: Mr. Gabriel Tynes (Lagniappe) and Ms. Sally Ericson (Press-Register/al.com).

Upon the call to order, Chairman Yance recognized Trustees Maye and Peek, who participated by phone. He called upon President Smith, who recognized new leaders representing the Student Government Association and the Faculty Senate, as well as media guests. He presented the following resolution to request proposals for the sale of the Knollwood Hospital complex on Girby Road, and gave a brief history of its operation and occupants. He said the sale would be in the University's best interest, and that, in anticipation of a final recommendation at the June 7 Board meeting, proceeding quickly with an advertisement and bid negotiations would be advantageous. He called for comments from Mr. Davis and Ms. Tucker. Mr. Davis stated the building lease to the Infirmary Health System expires in 92 years. He said, should the University regain ownership, costs for upkeep would continue to accrue. Ms. Tucker explained provisions to which the University is subject, including the execution of a *Declaration of Best Interest* and utilization of a real estate broker if necessary. Brief discussion took place about compensation of a broker, the lease and potential buyers. President Smith advised that USA acquired the property in 1990. On motion by Mr. Gardner, seconded by Mayor Jones, the resolution was approved unanimously:

**RESOLUTION
PUBLIC ANNOUNCEMENT FOR REQUESTS FOR PROPOSALS
FOR THE SALE OF USA KNOLLWOOD HOSPITALS,
MEDICAL OFFICE BUILDINGS ONE, TWO, THREE, AND FOUR,
WITH FURNISHINGS AND EQUIPMENT AND ADJACENT ACREAGE**

WHEREAS, the University of South Alabama (USA) owns two hospital buildings, previously known as USA Knollwood Hospitals, as well as interest in four professional office buildings on the Knollwood campus known as Medical Office Buildings One, Two, Three, and Four, and certain attendant furnishings and equipment, (Knollwood Campus) and approximately seventeen acres adjacent to the Hospitals (collectively, the Parcel), all of which have been utilized by USA, either directly or through lease, to provide not only health care services and related resources to the people of Mobile and surrounding communities but, also, a site for education and research activities of USA's Colleges of Medicine, Nursing, and Allied Health Professions; and

WHEREAS, in 2005 the University of South Alabama determined that leasing its assets on Knollwood Campus as described above, with the exception of the additional acreage, was in the best interest of the University in that it would allow USA to continue to enhance its valued missions of health care education, research, and service on the Knollwood Campus; and

WHEREAS, effective December 16, 2005, and commencing April 1, 2006, Infirmary Health Hospitals, Inc. (IHH) leased all of the above-described Knollwood Campus assets owned by USA, renaming it Infirmary West, for a period of 50 years, with the option to renew for another term of 49 years, during which time it would work to enhance the clinical services currently offered and increase the number of community based primary care physicians and medical specialists on the medical staff to serve the community need; and

WHEREAS, because USA could adequately continue its mission without owning the above-described property, it has considered the sale of its interest in same; and

WHEREAS, IHH, while continuing to lease the property from USA, totally ceased the hospital operations of Infirmary West in October 2012, indicating that the Affordable Care Act was a significant contributing factor; and

WHEREAS, due to the unique nature of the property as described in the Declaration of Best Interest attached hereto, including the cessation of hospital operations, the uncertainty of continuation of the lease by IHH, the costly nature of the property whether operating as a hospital or not, and the distance of this property from the current center of operation of the USA Health System and Colleges of Medicine, Nursing, and Allied Health Professions, USA believes it to be in the best interest of the university and the State of Alabama to proceed with negotiations after publicly announcing requests for proposals for the sale of USA's interests in the Parcel;

BE IT THEREFORE RESOLVED, that the University of South Alabama Board of Trustees, having considered the above and determined that the sale of USA's interest in the USA Knollwood Hospitals (Infirmary West), Medical Office Buildings One, Two, Three, and Four, as well as equipment and furniture located in the hospital buildings, and the adjacent approximately seventeen acres through negotiation after publicly announcing requests for proposals for the sale is in the best interest of the University of South Alabama and the State of Alabama, hereby ratifies the attached Declaration and authorizes the President of

Executive Committee
May 9, 2013
Page 3

the University to proceed with negotiations after publicly announcing requests for proposals and present the results of same to the Board of Trustees at its next meeting on June 7, 2013.

There being no further business, the meeting was adjourned at 2:10 p.m.

Attest to:

Respectfully Submitted:

Bettye R. Maye, Secretary

James A. Yance, Chair *Pro Tempore*

RESOLUTION

**BOARD MEETING SCHEDULE
2013-2014**

WHEREAS, Article II, Section 1, of the Bylaws provides that the Board shall schedule annually, in advance, regular meetings of the Board to be held during the ensuing year, and may designate one of such meetings as the annual meeting of the Board,

THEREFORE, BE IT RESOLVED that the regular meetings of the University of South Alabama Board of Trustees shall be held on the following dates:

Friday, September 13, 2013

Friday, December 6, 2013

Friday, March 7, 2014

Friday, June 6, 2014

FURTHER, BE IT RESOLVED that the date of June 6, 2014, be designated as the annual meeting of the University of South Alabama Board of Trustees for 2013-2014.

RESOLUTION

**USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR MARCH AND APRIL 2013**

WHEREAS, the Medical Staff appointments and reappointments for March and April 2013 for the University of South Alabama Hospitals are recommended for Board approval by the Medical Executive Committees and the Executive Committee of the University of South Alabama Hospitals,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama approves the appointments and reappointments as submitted.

MAY 09 2013

UNIVERSITY OF SOUTH ALABAMA

STANLEY K. HAMMACK
VICE PRESIDENT
HEALTH SYSTEM



UNIVERSITY OF SOUTH ALABAMA

TELEPHONE: (251) 471-7118
2451 FILLINGIM STREET, SUITE 2110
MOBILE, ALABAMA 36617-2293
FAX: (251) 471-7751

MEMORANDUM

TO: President John W. Smith

FROM: Stan Hammack

DATE: May 8, 2013

Attached for review and approval by the Health Affairs Committee and the Board of Trustees are:

Resolution – University of South Alabama Hospitals Medical Staff Appointments and Reappointments for March and April 2013

- Credentials Report – March and April 2013

Resolution – University of South Alabama Hospitals Medical Staff Bylaws and Rules and Regulations Revisions of April 24, 2013

- Summary of Revisions/Additions

SKH:eb

Attachments

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
March and April 2013

The following is a listing of recommendations for approval of new appointments, reappointments and other status changes of physicians and allied staff professionals. These have been reviewed and are recommended by the Medical Executive committee of the respective hospitals.

NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Allen, John M., Pharm D	N/A	N/A	N/A	New Appt.	Allied	Surgery	N/A	N/A	N/A
Andrews, Leslie L., CRNA	Reappt.	Allied	Anesthesiology	Reappt.	Allied	Anesthesiology	Reappt.	Allied	Anesthesiology
Asher, William M., MD	Reappt.	Consulting	Radiology	Reappt.	Consulting	Radiology	N/A	N/A	N/A
Balog, Crisostomo R., MD	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.
Barber, Matthew D., MD	Reappt.	Courtesy	Orthopaedics	Reappt.	Courtesy	Orthopaedics	N/A	N/A	N/A
Barrett, Barry, MD	New Appt.	Ref and Follow	Family Med.	New Appt.	Ref and Follow	Family Med.	N/A	N/A	N/A
Bodie, Frankie L., MD	Reappt.	Active	OB/GYN	Reappt.	Active	OB/GYN	Reappt.	Active	OB/GYN
Bradham, Kari A., DO	Reappt.	Active	Pediatrics	N/A	N/A	N/A	Reappt.	Active	Pediatrics
Buckley, Stacie L., CMD	N/A	N/A	N/A	New Appt.	Allied	Radiology	New Appt.	Allied	Radiology
Burekhardt, Barbara A., MD	Reappt.	Consulting	Internal Med.	Reappt.	Active	Internal Med.	Reappt.	Consult/Active	Internal Med.
Calderon, Eduardo, MD	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.
Chen, Tao, MD	New Appt.	Active	Anesthesiology	New Appt.	Active	Anesthesiology	N/A	N/A	N/A
Cohen-Colson, Mary E., MD	New Appt.	Active	Psychiatry	New Appt.	Active	Psychiatry	N/A	N/A	N/A
Conn, Phillip Brian, Neurophy. Tech	Reappt.	Allied	Neurosurgery	Reappt.	Allied	Neurosurgery	N/A	N/A	N/A
Cordina, Steve M., MD	Reappt.	Active	Neurology	Reappt.	Active	Neurology	Reappt.	Active	Neurology
Correro, Phillip E., Tech	Reappt.	Allied	Neurosurgery	Reappt.	Allied	Neurosurgery	N/A	N/A	N/A
Crawford, Casie, CRNP	New Appt.	Allied	Pediatrics	N/A	N/A	N/A	New Appt.	Allied	Pediatrics
Crook, Errol D., MD	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.
Custodio, Haidee, MD	Reappt.	Active	Pediatrics	N/A	N/A	N/A	Reappt.	Active	Pediatrics
Dean-Colomb, Windy M., MD	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.
Eckstein, Christopher P., MD	Reappt.	Active	Neurology	Reappt.	Active	Neurology	Reappt.	Active	Neurology
Estis, Julie M., Ph.D.	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery
Evans, David L., Ph.D.	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery
Eves, Matthew D., MD	N/A	N/A	N/A	Reappt.	Active	Internal Med.	N/A	N/A	N/A
Gallaspay, III, Glenn T., MD	Reappt.	Courtesy	OB/GYN	N/A	N/A	N/A	N/A	N/A	N/A
Gavrilita, Cristina E., MD	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics
Gilmore, Shannon M., MD	Reappt.	Courtesy	OB/GYN	N/A	N/A	N/A	N/A	N/A	N/A
Green, Tami L., CRNP	New Appt.	Allied	Pediatrics	N/A	N/A	N/A	New Appt.	Allied	Pediatrics
Gulati, Salil, MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	Reappt.	Active	Surgery
Hall, Marth J. CMD	N/A	N/A	N/A	New Appt.	Allied	Radiology	New Appt.	Allied	Radiology
Helvacioğlu, Ahmet, MD	Reappt.	Ref and Follow	OB/GYN	N/A	N/A	N/A	N/A	N/A	N/A

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
March and April 2013

The following is a listing of recommendations for approval of new appointments, reappointments and other status changes of physicians and allied staff professionals. These have been reviewed and are recommended by the Medical Executive committee of the respective hospitals.

NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Hooks III, Samuel B., MD	Reappt.	Consulting	Internal Med.	Reappt.	Consulting	Internal Med.	N/A	N/A	N/A
Hopper, Hal, RTT	N/A	N/A	N/A	New Appt.	Allied	Radiology	New Appt.	Allied	Radiology
Houston, Eileen D., CRNP	Reappt.	Allied	Pediatrics	N/A	N/A	N/A	Reappt.	Allied	Pediatrics
Hoven, Angelia, CMD	N/A	N/A	N/A	New Appt.	Allied	Radiology	New Appt.	Allied	Radiology
Howard IV, Clinton W., MD	Reappt.	Courtesy	Orthopaedics	Reappt.	Courtesy	Orthopaedics	N/A	N/A	N/A
Howell, Druhan L., MD	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.
Howell, Druhan L., MD	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics
Hundley, Terry J., MD	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.	Reappt.	Active	Internal Med.
Hupp, Carolyn J., CRNP	N/A	N/A	N/A	Reappt.	Allied	Internal Med.	Reappt.	Allied	Internal Med.
Ives, John M., MD	Reappt.	Courtesy	OB/GYN	N/A	N/A	N/A	N/A	N/A	N/A
Jones, Kelly M., DMD	Reappt.	Allied	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Labbe-Coldsmith, Elise E., Ph.D.	Reappt.	Allied	Psychiatry	Reappt.	Allied	Psychiatry	N/A	N/A	N/A
Lacour, Fritz A., MD	N/A	N/A	N/A	Reappt.	Ref and Follow	Neurology	N/A	N/A	N/A
Lairmore, David A., MD, DDS	Reappt.	Active	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Lambrecht, Lauren E., MD	Reappt.	Courtesy	OB/GYN	N/A	N/A	N/A	N/A	N/A	N/A
Lenz, Cara B., MD	Reappt.	Courtesy	OB/GYN	N/A	N/A	N/A	N/A	N/A	N/A
Maggio, Anthony R., MD	N/A	N/A	N/A	Reappt.	Active	Emergency Med.	Reappt.	Active	Emergency Med.
Maltese, Carl, MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	N/A	N/A	N/A
Martinez, Jose E., MD	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics
McAndrew, John C., III, MD	Reappt.	Courtesy	Orthopaedics	Reappt.	Courtesy	Orthopaedics	N/A	N/A	N/A
McGraw, Sonja L., RTT	N/A	N/A	N/A	New Appt.	Allied	Radiology	New Appt.	Allied	Radiology
McNair, William S., MD	N/A	N/A	N/A	Reappt.	Active	Emergency Med.	Reappt.	Active	Emergency Med.
McQuiston, Samuel A., MD	Reappt.	Active	Radiology	Reappt.	Active	Radiology	Reappt.	Active	Radiology
Messer, Cynthia F., CRNM	Reappt.	Allied	OB/GYN	N/A	N/A	N/A	Reappt.	Allied	OB/GYN
Mehta, Mary B., MD	Reappt.	Courtesy	Pediatrics	Reappt.	Courtesy	Pediatrics	N/A	N/A	N/A
Meyer, Frederick N., MD	Reappt.	Active	Orthopaedics	Reappt.	Active	Orthopaedics	Reappt.	Active	Orthopaedics
Moroni, Wendy, CRNP	N/A	N/A	N/A	New Appt.	Allied	Internal Med.	N/A	N/A	N/A
Ottis, Richard L., MD	Reappt.	Courtesy	OB/GYN	Reappt.	Courtesy	OB/GYN	N/A	N/A	N/A
Perry, Mark D., MD	Reappt.	Active	Orthopaedics	Reappt.	Active	Orthopaedics	Reappt.	Active	Orthopaedics
Petersen, Bendt P., MD	Reappt.	Courtesy	Orthopaedics	Reappt.	Courtesy	Orthopaedics	N/A	N/A	N/A
Reddy, Shyla, MD	Reappt.	Active	Family Med.	Reappt.	Active	Family Med.	Reappt.	Active	Family Med.
Reid, Myra M., Patient Care Tech	Reappt.	Allied	Internal Med.	Reappt.	Allied	Internal Med.	N/A	N/A	N/A
Ringold, Forrest G., MD	Reappt.	Courtesy	Surgery	Reappt.	Courtesy	Surgery	N/A	N/A	N/A

March and April 2013

5

3

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
March and April 2013

The following is a listing of recommendations for approval of new appointments, reappointments and other status changes of physicians and allied staff professionals. These have been reviewed and are recommended by the Medical Executive committee of the respective hospitals.

[illegible]

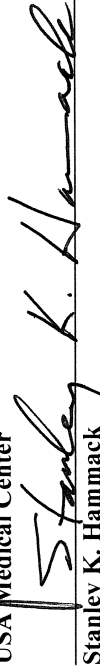
UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEES APPROVAL

March and April 2013

LEGEND:

New Appt. Reappt.	New application for medical/allied staff privileges recommended for approval. Reappointment application for medical/ allied staff privileges recommended for approval.
No Privs. Change in Status	No privileges requested Added privileges Change Department
Retired Resigned	Locums Contract Expiration, Moved, Retired, and Resigned

RECOMMENDED BY:

	Ehab A. Molokhia, M.D., Chair of Medical Executive Committee or Chair Elect USA Children's & Women's Hospital
	Anthony M. Martino, M.D., Chair of Medical Executive Committee or Chair Elect USA Medical Center
	Stanley K. Hammack Vice President, USA Health Systems

RESOLUTION

**USA HOSPITALS MEDICAL STAFF BYLAWS, AND RULES AND REGULATIONS
REVISIONS OF APRIL 24, 2013**

WHEREAS, revisions to USA Hospitals Medical Staff Bylaws and Rules and Regulations, approved at the April 24, 2013 Medical Staff meeting and attached hereto, are recommended for approval by the Medical Staffs and the Executive Committee of the University of South Alabama Hospitals,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama approves the revisions as submitted.

**Proposed Changes to USA Hospitals Medical Staff Bylaws and Rules and Regulations
Revision/Additions Descriptions
Approved at the USA Hospitals General Medical Staff Meeting on April 24, 2013**

Medical Staff Bylaws

- 1) **ARTICLE XII - APPOINTMENTS**
Section 12.02 Submission of Application
Added the requirement for an Alabama license
- 2) **ARTICLE XV - CORRECTIVE ACTION**
Section 15.03 Automatic Suspension or Limitation
Revised to state immediate termination if Alabama license not renewed

Medical Staff Rules and Regulations

- 1) **3.4 SURGICAL CARE**
3.4.4 Therapeutic abortions
Added requirements for gestational age
- 2) **3.5 ADMISSION**
3.5.1 Admissions
Revised the age for pediatric services

UNIVERSITY OF SOUTH ALABAMA HOSPITALS
MEDICAL STAFF MEETING MINUTES
April 24, 2013

The quarterly meeting of the Medical Staff of the University of South Alabama Hospitals was held at the Faculty Clubhouse on Wednesday, April 24, 2013. Ms. Beth Anderson, Administrator of USA Medical Center, called the meeting to order at 6:50 p.m. A roster of attendees is available in the Medical Staff Credentials Office.

Ms. Anderson introduced Anthony Martino, M.D., Chair of the Medical Executive Committee for USA Medical Center. Dr. Martino presented the Medical Staff Bylaws and Rules and Regulations revisions for discussion. (Revisions made to Bylaws – Article XII and Article XV: Rules and Regulations 3.4 and 3.5.) With no other discussion, a motion was made by Dr. John Russell and seconded by Dr. David Gremse to accept the Bylaws and Rules and Regulations revisions as presented.

Ms. Anderson reported on the recent Joint Commission visit. There were findings with citations in the clinical areas and the facilities. A complete list of the findings is available for review. The follow-up visit is anticipated prior to May 13, 2013. Ms. Anderson also reported on the opening of the new Outpatient Pre and Post Op area on the first floor of USA Medical Center.

Ms. Anderson introduced Owen Bailey, USACW Administrator. Mr. Bailey reported on the progress of the expansion project. Local and state inspections will begin in May, with hopes of Certificate of Occupancy being awarded in June, and move in dates being established for the end of July or August. Information was given on the planning of a few big events in the community; such as Preview Night for Physicians, Employees and Volunteers and Preview of the Towers. Mr. Bailey unveiled the new USA Children's and Women's Hospital logo. Mr. Bailey reported on the new Hospital Outreach Program. Coordinator Ally deVeer will visit practices in Mobile County, Baldwin County, and Jackson County, Mississippi to discuss patients' issues with goals of establishing and strengthening relationships.

Dr. Ronald Franks, Vice-President of Health Sciences, congratulated Ms. Beth Anderson on the favorable Joint Commission review, especially since it was six months in advance. He also expressed congratulations on the new Outpatient Pre and Post Op area. Dr. Franks congratulated Mr. Owen Bailey on the upcoming grand opening of the new expansion of USA Children's and Women's Hospital. Dr. Franks reported that the recent Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) visit resulted in accreditation being extended for the full eight years. Plans are progressing on the new physician office building, which will be located in close proximity to USA Children's and Women's Hospital and the Mitchell Cancer Institute. The building will house offices for Family Medicine, OB/GYN, Pediatrics and possibly other services.

Dr. Franks reported on the Presidential Candidate Search Committee and the efforts of recruiting candidates. He stated that 60% of the University's operation is related to Healthcare. He asked the Medical Staff to encourage anyone with a medical background who might be interested to apply.

Dr. Franks mentioned a series of retreats scheduled for the clinical department chairs. One of the retreats will help with valued based reimbursement to demonstrate how to get the maximum level of reimbursement possible. Another retreat will be with University of Alabama and Mitchell Cancer Institute to discuss ways that the two entities might benefit from each other and discuss opportunities to work together.

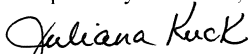
Dr. Franks spoke of University of South Alabama's 50th Anniversary Celebration and Tribute to President Moulton on May 3rd. An invitation was given for all to attend.

Dr. Franks shared information pertaining to the Medicaid presentation given by Stan Hammack, Vice President of USA Health System. His work has been instrumental in changes related to Medicaid. Dr. William Richards, Chairman of the Department of Surgery, asked about RCO (Regional Care Organizations). The RCO is promoted on the state level. It was explained that each region will have a governing board that will make decisions for hospitals related to which physician practices will take risks. Hospitals in our region will likely be the ones to set up the infrastructure, as we already have experience in risk taking. Becky Tate, Health Services Foundation CEO, stated that the patient care networks that already exist will be instrumental of managed care. Ms. Tate stated that the goal is to coordinate care through communication with the various primary care physicians and specialists.

Ms. Beth Anderson expounded on Dr. Franks comments concerning the Presidential Candidate Search Committee. Dr. Allan Tucker, Mr. Stan Hammack, and she are all serving on this committee and will be glad to speak with anyone who might be interested. Ms. Anderson stated that the USA Health Systems has a new Chief Information Officer, Mark Lauteren. Mr. Lauteren joins us with 25 years plus experience.

With no further business, the meeting was adjourned at 7:20 p.m. by Ms. Beth Anderson.

Respectfully submitted,



Juliana Kuck
Medical Credentialing Specialist

RESOLUTION

BASE SALARY ADJUSTMENT – USA HEALTH SYSTEM

WHEREAS, the University of South Alabama Health System Division, consisting of USA Medical Center, USA Children’s and Women’s Hospital, USA Mitchell Cancer Institute and affiliated USA Health Services Foundation, has created positive momentum in achieving its missions through careful management and the united efforts of its employees, and

WHEREAS, the USA Health System Division is recognized for the high quality of care it achieves, as well as the highly specialized services it provides, and

WHEREAS, it is acknowledged that providing high quality healthcare and specialty patient care services requires a workforce of committed professionals dedicated not only to their professions but to the mission of the USA Health System Division, and

WHEREAS, in order to retain and recruit the staff necessary to continue to meet the high standards required, the USA Health System Division believes it is in the best interest of the University to give a three and one-half percent increase to the base salary of its non-contract staff and administrative Health System Division personnel, excluding PRN classifications and contract employees (physicians, medical residents and fellows),

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama hereby approves a three and one-half percent increase to the base salary of non-contract staff and administrative Health System division personnel as defined by USA Human Resources policies, effective June 2, 2013.

RESOLUTION

TENURE AND PROMOTION

WHEREAS, in accordance with University policy, faculty applications for tenure and promotion have been reviewed by the respective faculty peers, Departmental Chair, College Dean, and by the Senior Vice President for Academic Affairs or the Vice President for Medical Affairs, and the President, and of those faculty considered, the following individuals are hereby recommended for tenure and/or promotion,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees approves and grants tenure and/or promotion to those individuals whose names are listed below to be effective August 15, 2013.

COLLEGE OF ALLIED HEALTH PROFESSIONS:

Tenure:

Robin J. Mockett
Susan G. Hickey

Promotion to Professor:

Jean M. Irion

Promotion to Associate Professor:

Robin J. Mockett
Susan G. Hickey
John R. Jefferson

COLLEGE OF ARTS AND SCIENCES:

Tenure:

Valerie L. Bryan
Ruth H. Carmichael
Romulus Godang
Richard L. Hillyer
Reginald F. Moody
Elizabeth A. Richards
Justin M. St. Clair
Michele M. Strong
Steven K. Trout
Rebecca R. Williams

Promotion to Associate Professor:

Valerie L. Bryan
Ruth H. Carmichael
Romulus Godang
Richard L. Hillyer
Reginald F. Moody
Elizabeth A. Richards
Justin M. St. Clair
Michele M. Strong
Rebecca R. Williams

Promotion to Senior Instructor:

Samuel T. Stutsman

Promotion to Professor

Kelly M. Major
Kevin M. Meeker
Bin Wang

MITCHELL COLLEGE OF BUSINESS:

Tenure:

William E. Gillis
Robert A. Shearer

Promotion to Associate Professor:

William E. Gillis

COLLEGE OF EDUCATION:

Tenure:

Paige A. Vitulli

Promotion to Associate Professor:

Paige A. Vitulli

Promotion to Senior Instructor:

Jayne E. Kennedy

Promotion to Professor:

Andrea M. Kent

COLLEGE OF ENGINEERING:

Promotion to Professor:

Kuang-Ting Hsiao

COLLEGE OF MEDICINE:

Tenure:

Karen A. Fagan

Promotion to Adjunct Associate Professor:

David Williamson

Promotion to Professor:

Karen A. Fagan

Promotion to Associate Professor:

Robert L. Duffy
Andrea G. Kahn
Reynaldo L. Rodriguez
Masahiko Oka
Paul J. Brett
Rodney P. Rocconi

COLLEGE OF NURSING:

Tenure:

Heather R. Hall

Promotion to Senior Instructor:

Mary W. Meyer

Promotion to Professor:

Heather R. Hall
Anita H. King

SCHOOL OF COMPUTING:

Promotion to Senior Instructor:

Melissa E. Smith

UNIVERSITY LIBRARY:

Tenure:

Paula L. Webb
Ellen K. Wilson

Promotion to Associate Librarian:

Muriel D. Nero
Paula L. Webb
Ellen K. Wilson

RESOLUTION

**TUITION, HOUSING AND FEE SCHEDULES
2013-2014**

WHEREAS, the University of South Alabama is committed to maintaining high-quality educational and student services programs, and

WHEREAS, the Alabama Legislature has approved a 2013-2014 education budget that only increases USA's state funding by \$1.4 million, or 1.4 percent, from last year in the face of increased Teachers' Retirement and PEEHIP costs of \$4.1 million, and

WHEREAS, USA has faced accumulated reductions in state appropriations of \$225.8 million since 2007-2008, and

WHEREAS, the University responded to the recession and the reductions in state appropriations by implementing numerous cost-cutting measures that remain in place, and

WHEREAS, after extensive analysis of the financial needs of the University in 2013-2014 and beyond, the University Administration and Budget Council have determined that increases in tuition and fees, housing, and meals are necessary to maintain the standard of quality that USA students and their families desire and expect, and

WHEREAS, with the proposed tuition, housing, and meals rates for 2013-2014, as set forth in the attached schedules, such costs at the University would continue to be among the lowest in effect at peer public doctoral-level research institutions in the state of Alabama,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama approves the tuition, housing, meals, and required student fees for the 2013-2014 academic year as set forth in the attached schedules.

University of South Alabama

Tuition & Fees, 2013-2014

4.5% Increase

Student Classification	Current	Proposed	Change
	<u>2012-2013</u>	<u>2013-2014</u>	
Undergraduate In-State	\$265	\$277	\$12
Graduate In-State	\$358	\$374	\$16

Non-resident rate is twice the resident rate.

Student Classification	Current full academic year tuition plus fees	Proposed full academic year tuition & fees	Change in full academic year tuition
	<u>2012-2013</u>	<u>2013-2014</u>	
Undergraduate In-State	\$7,950	\$8,310	\$360
Graduate In-State	\$8,592	\$8,976	\$384

Note: Based on 30 undergraduate and 24 graduate hours over two semesters per academic year.

Non-resident rate is twice the resident rate.

College of Medicine	\$25,471	\$26,617	\$1,146
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Web Course per Hour Tuition

4.5% Increase

Undergraduate	\$349	\$365	\$16
Graduate	\$425	\$444	\$19

2013-2014 Cost of Attendance

Full Time Undergraduate Resident (30 hours/year)
for a typical first-time Freshman Arts & Sciences Major

University of South Alabama @ 4.5%	
EXPENSE	2013-2014 COST
Tuition & Fees	\$8,310
Room*	\$5,200
Board (food)**	\$3,190
Books	\$1,100
Parking Permit	Included in Tuition & Fees
TOTAL	\$17,800

*Room: Stokes Hall-Suite Style w/ private bedroom & semi-private bath

**Board: New all access plan - unlimited meals per week plus \$300 Bonus Bucks

Auburn University @ 4.5% Increase	
EXPENSE	2013-2014 COST
Tuition & Fees	\$9,852
Room*	\$6,912
Board**	\$3,612
Books	\$1,100
Parking Permit	\$30
TOTAL	\$21,506

*Room: The Village - 2 bedroom with bath

**Board: 15 meals per week

University of Alabama @ 4.33% Increase	
EXPENSE	2013-2014 COST
Tuition & Fees	\$9,598
Room*	\$8,667
Board**	\$3,531
Books	\$1,100
Parking Permit	\$260
TOTAL	\$23,156

*Room: Lakeside East (2 private bedroom unit), living room & kitchen

**Board: Bama Silver - 10 meals per week + \$600 in Dining Dollars

University of Alabama at Birmingham @ 6% Increase	
EXPENSE	2013-2014 COST
Tuition & Fees	\$8,904
Room*	\$4,720
Board**	\$4,167
Books	\$1,100
Parking Permit	\$100
TOTAL	\$18,991

*Room: Blazer Hall - 2 bedroom with 2 bath suite

**Board: 15 meals per week plus \$450 Dining Dollars

Troy University @ 6.4% Increase	
EXPENSE	2013-2014 COST
Tuition & Fees	\$9,076
Room*	\$3,770
Board**	\$3,106
Books	\$1,100
Parking Permit	\$50
TOTAL	\$17,102

*Room: Shackelford Hall - 1 bedroom with 1 bath

**Board: 14 meals per week plus \$350 Flex Dollars

Jacksonville State University @ 10.6% Increase	
EXPENSE	2013-2014 COST
Tuition & Fees	\$8,790
Room*	\$3,770
Board**	\$2,750
Books	\$1,100
Parking Permit	\$25
TOTAL	\$16,435

*Room: Sparkman Hall - 1 bedroom with 1 bath connected to another room

**Board: 14 meals per week plus \$125 Flex Dollars

Tuition & Fees Comparison

University of South Alabama		
EXPENSE	2013-2014 COST	Increase
Tuition & Fees	\$8,310	4.50%
Auburn University		
EXPENSE	2013-2014 COST	Increase
Tuition & Fees	\$9,852	4.50%
University of Alabama		
EXPENSE	2013-2014 COST	Increase
Tuition & Fees	\$9,598	4.33%
University of Alabama at Birmingham		
EXPENSE	2013-2014 COST	Increase
Tuition & Fees	\$8,904	6.00%
Troy University		
EXPENSE	2013-2014 COST	Increase
Tuition & Fees	\$9,076	6.40%
Jacksonville State University		
EXPENSE	2013-2014 COST	Increase
Tuition & Fees	\$8,790	10.60%

UNIVERSITY OF SOUTH ALABAMA

MAY 22 2013

DEAN OF STUDENTS



UNIVERSITY OF SOUTH ALABAMA
TELEPHONE: (251) 460-6172
ACADEMIC SUPPORT CENTER, ROOM 1345
111 JAGUAR DRIVE
MOBILE, ALABAMA 36688-0002
FAX: (251) 460-6157

Date: May 21, 2013

To: Dr. John Smith, Acting President

From: Dr. Michael Mitchell
Assistant Vice President for Student Affairs and
Dean of Students

Re: Proposed Housing Rates for 2013-2014

Dr. Chris Vinet has approved an average increase of 4.50% for student housing room rates for 2013-2014. This increase is needed to fund the debt service for residence hall renovations that are being completed this summer, as well as increased operating costs. Even with this increase, our rates remain comparable to or well below other universities in the state (see attached). Dr. Vinet has recommended that room rates not be increased for summer sessions.

I have discussed this proposal with Dr. Vinet and recommend it to you for approval. Please let me know if I can provide you with additional information.

CC: Wayne Davis

attachments

APPROVED
John W. Smith
5/22/13



2013 - 2014 Proposed Semester Room Rates					
			2012-2013 Current Rate	2013-2014 Proposed Rate	
	Residence Hall				Difference
BETA	Two Bedroom Apartment for Four (4)		\$1,760	\$1,835	\$75
	Two Bedroom Apartment for Two (2)		\$2,520	\$2,600	\$80
	Efficiency Apartment for Two (2)		\$1,950	\$2,030	\$80
	Private Apartment		\$2,520	\$2,600	\$80
GAMMA	Large Private Suite		\$2,375	\$2,470	\$95
	Private Suite		\$2,375	\$2,470	\$95
	Two Bedroom Apartment for Two (2)		\$2,520	\$2,600	\$80
	Efficiency Apartment for Two (2)		\$1,950	\$2,030	\$80
	Private Apartment		\$2,520	\$2,600	\$80
DELTA	Two (2) Person Suite (D2-5)		\$1,760	\$1,835	\$75
	Single Suite (D2-5)		\$2,100	\$2,195	\$95
	Two (2) Person Efficiency Suite (D6)		\$1,950	\$2,030	\$80
	Private Efficiency Suite (D6)		\$2,375	\$2,470	\$95
	Four (4) Person Suite (D2)		\$1,760	\$1,835	\$75
EPSILON 1	Two (2) Person Suite		\$1,760	\$2,030	\$270
EPSILON 2	Two (2) Person Suite		\$1,760	\$1,835	\$75
NEW RESHALL	Two (2) Person Suite		NA	\$2,300	-
STOKES	Private Suite		\$2,520	\$2,600	\$80

Housing Comparison Semester Rates

USA (2012-2013)

Double occupancy suite	\$1,760
Private suite	\$1,950-\$2,520
Double occupancy suite with kitchenette	\$1,950
Private suite with kitchenette	\$2,375
Double occupancy apartment	\$2,520
Private apartment	\$2,520

USA (2013-2014 *Proposed average increase – 4.5%*)

Double occupancy suite	\$1,835 - \$2,300
Private suite	\$2,030 - \$2,600
Double occupancy suite with kitchenette	\$2,030
Private suite with kitchenette	\$2,470
Double occupancy apartment	\$2,600
Private apartment	\$2,600

University of Alabama (2013-2014 *Pending Board Approval*)

Double occupancy room (community bath)	\$2,900
Private room (community bath)	\$3,425
Private apt	\$5,425
Private suite	\$5,175

Auburn University (2013-2014)

Double occupancy (community bath)	\$2,500
Private room (community bath)	\$3,150
Private bedroom suite (2bed/1 bath)	\$3,500

Troy University (2012-2013)

Double occupancy suite	\$1,755
Private suite	\$1,920
Double occupancy apartment	\$2,655

University of Alabama at Birmingham (2012-2013)

Double occupancy suite	\$2,700
Private apartment	\$2,790 - \$3,595

MAY 23 2013

UNIVERSITY OF SOUTH ALABAMA

DEAN OF STUDENTS



UNIVERSITY OF SOUTH ALABAMA
TELEPHONE: (251) 460-6172
ACADEMIC SUPPORT CENTER, ROOM 1345
111 JAGUAR DRIVE
MOBILE, ALABAMA 36688-0002
FAX: (251) 460-6157

Date: May 21, 2013

To: Dr. John Smith, Acting President

From: Dr. Michael Mitchell
Assistant Vice President for Student Affairs and
Dean of Students

A handwritten signature in cursive script, likely belonging to Dr. Michael Mitchell.

Re: Proposed Meal Plan Rates for 2013-2014

Mr. Craig Stephan has proposed an average increase of 4% for student meal plan rates for 2013-2014. This increase is needed to cover increased operating costs. The proposed plans for 2013-2014 move all of our underclass plans to unlimited use. Upperclass students will maintain the option to select a smaller plan. Our cost per meal on the unlimited plans will remain less than \$4.00 per meal and cost per meal on smaller plans remain less than \$6.50 per meal (see attached). Mr. Stephan has recommended that meal plan rates not be increased for summer sessions.

I have discussed this proposal with Mr. Stephan and recommend it to you for approval. Please let me know if I can provide you with additional information.

CC: Wayne Davis

Attachment

APPROVED
Cammie Smith
5/22/13



I N D E X
JANUARY 31, 2013

	<u>PAGE</u>
FINANCIAL HIGHLIGHTS.....	1
BALANCE SHEET	2
STATEMENT OF CHANGES IN FUND BALANCES.....	3
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES.....	4
NOTES TO FINANCIAL REPORTS	5
SUPPLEMENTAL SCHEDULES:	
Summary Schedule of Auxiliary Enterprises; Statement of Revenues, Expenditures and Other Changes.....	10
Bookstore.....	11
Food Service.....	12
Housing.....	13

Financial Report Highlights January 31, 2013

Introduction

This Financial Report presents the financial position and financial activity of the University of South Alabama utilizing the fund basis of accounting. The report presents the assets, liabilities and fund balances of each fund including the current funds (unrestricted and restricted), loan funds, endowment funds, and plant funds (renewals and replacements, retirement of indebtedness and investment in plant). The financial reporting requirements of the Governmental Accounting Standard Board, by which the University reports its quarterly financial statements, are not utilized in this monthly financial report.

Financial Highlights

Financial report highlights at, and for the four months ended, January 31, 2013 and 2012 are as follows (in thousands):

	At and for the four months ended	
	1-31-13	1-31-12
<i>Total assets</i>		
Current	\$ 126,840	\$ 184,966
Loan	5,545	5,024
Endowment	144,972	131,549
Plant	710,502	687,430
<i>Fund Balances(deficit)</i>		
Current	\$ (867)	\$ 827
Loan	910	493
Endowment	112,605	102,815
Plant	343,845	318,017
<i>Other balance sheet highlights</i>		
Cash and investments	\$ 290,755	\$ 281,887
Receivables	79,495	112,104
Bonds payable	347,203	355,222

	For the four months ended	
	1-31-13	1-31-12
<i>Selected operating highlights (current funds)</i>		
Tuition and fees	\$ 49,282	\$ 45,825
State appropriations	33,765	35,130
Hospital revenues	110,969	118,371
Gifts, grants and contracts	37,894	40,973
Instruction and academic support	49,282	45,383
Research and public service	28,232	30,264
Hospital expenses	113,255	122,180
Net current fund decrease	(7,037)	(4,876)

Financial Analysis

This report should be read in conjunction with the University's monthly financial reports and with the understanding of the cyclical nature of the University's operations. Certain revenues (tuition and fees, auxiliary enterprises, etc.) are received at specific times in the University's fiscal year while certain other revenue streams (hospital, state appropriations) are received throughout the year. Additionally, certain revenue and expense items fluctuate with changes in enrollment while others do not. As a result of these items, significant fluctuations of cash and investments along with other balance sheet items are normal.

Economic Outlook

While enrollment and tuition have increased in recent years, the University has continues to experience a decline in state appropriations. Additionally, the University is subject to the uncertainties of the general economic conditions in the United States and the State of Alabama. Administration is not aware of any other conditions that are expected to have a significant impact on the University's financial position in 2013 or beyond.

UNIVERSITY OF SOUTH ALABAMA
BALANCE SHEET
JANUARY 2013 AND 2012

ASSETS		2013	2012	LIABILITIES AND FUND BALANCES		2013	2012
CURRENT FUNDS:				CURRENT FUNDS:			
UNRESTRICTED:				UNRESTRICTED:			
CASH AND CASH EQUIVALENTS	\$	135,198.84	133,953.84	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$	51,682,984.76	46,566,450.91
INVESTMENTS		2,956,516.61	43,422,081.48	DEFERRED REVENUES		64,720,072.44	65,058,197.75
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$56,490,551.17 FOR 2013 AND \$54,605,768.94 FOR 2012)				DUE TO OTHER FUNDS		5,596,389.61	69,349,718.86
DEPOSITS		79,494,525.26	112,103,502.32	DEPOSITS HELD IN CUSTODY		1,917,316.55	515,460.29
INVENTORIES AT COST		35,000.00	35,000.00	OTHER DEPOSITS		517,664.85	1,083,790.59
PREPAID EXPENSES		5,401,578.55	3,592,024.38	FUND BALANCES:			
		34,360,757.27	21,238,657.64	ALLOCATED FOR:			
				HOSPITALS		(40,756,715.69)	(42,891,217.22)
				AUXILIARY ENTERPRISES		3,055,173.86	2,485,248.82
				ENCUMBRANCES		5,895,890.51	4,994,227.85
				SELF-SUPPORTING ACTIVITIES		43,583,617.49	45,586,555.47
				UNALLOCATED		(13,818,817.85)	(12,323,203.56)
				TOTAL FUND BALANCES		(2,040,851.68)	(2,148,388.74)
				TOTAL UNRESTRICTED		122,393,576.53	180,525,229.66
TOTAL UNRESTRICTED		122,393,576.53	180,525,229.66				
RESTRICTED FUNDS:				RESTRICTED FUNDS:			
CASH AND CASH EQUIVALENTS		575,053.18	0.00	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		37,919.28	327,169.41
INVESTMENTS		8,647.20	3,999.33	DEFERRED REVENUES		3,234,788.63	799,154.13
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		3,863,155.87	4,436,675.40	DUE TO OTHER FUNDS		0.00	338,873.96
				FUND BALANCES		1,174,148.34	2,375,477.23
TOTAL RESTRICTED		4,446,856.25	4,440,674.73	TOTAL RESTRICTED		4,446,856.25	4,440,674.73
TOTAL CURRENT FUNDS		126,840,432.78	184,965,904.39	TOTAL CURRENT FUNDS		126,840,432.78	184,965,904.39
LOAN FUNDS:				LOAN FUNDS:			
CASH AND CASH EQUIVALENTS		818,467.31	1,047,386.15	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		6,000.00	0.00
NOTES RECEIVABLE (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$722,025.21 FOR 2011 AND \$446,174.34 FOR 2012)				REFUNDABLE GOVERNMENT ADVANCES		4,628,943.38	4,530,636.86
				FUND BALANCES:			
TOTAL LOAN FUNDS		4,726,468.69	3,976,347.77	UNIVERSITY FUNDS, UNRESTRICTED		909,992.62	493,097.06
				TOTAL FUND BALANCES		909,992.62	493,097.06
				TOTAL LOAN FUNDS		5,544,936.00	5,023,733.92
ENDOWMENT FUNDS:				ENDOWMENT FUNDS:			
CASH AND CASH EQUIVALENTS		40,123,555.72	41,259,700.85	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		25,109,000.00	21,860,600.00
INVESTMENTS		93,840,701.51	79,006,163.12	BONDS PAYABLE		7,257,918.00	6,874,198.00
ACCOUNTS RECEIVABLE		4,237,008.07	4,554,832.11	FUND BALANCES:			
REAL ESTATE HELD FOR RESALE		3,162,768.00	3,162,768.00	RESTRICTED NONEXPENDABLE		33,825,008.46	31,254,927.31
PREPAID-LIFE ESTATE		3,607,658.00	3,565,916.00	UNRESTRICTED EXPENDABLE		78,779,764.84	71,559,674.77
				TOTAL FUND BALANCES		112,604,773.30	102,814,602.08
TOTAL ENDOWMENT FUNDS		144,971,691.30	131,549,400.08	TOTAL ENDOWMENT FUNDS		144,971,691.30	131,549,400.08
PLANT FUNDS:				PLANT FUNDS:			
CASH AND CASH EQUIVALENTS		135,237,991.52	63,128,918.90	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		11,296,158.57	6,754,758.74
INVESTMENTS		13,886,134.21	50,721,538.65	NOTES PAYABLE		958,034.31	0.00
ACCOUNTS RECEIVABLE		2,440,198.51	2,604,853.24	DEFERRED REVENUES		7,173,662.28	7,410,604.58
DUE FROM OTHER FUNDS		5,596,389.61	69,688,592.82	OTHER DEPOSITS		25,791.63	25,791.63
PREPAID EXPENSES		5,430,193.11	4,567,121.92	BONDS PAYABLE		347,202,988.29	355,221,926.43
CAPITAL LEASE RECEIVABLE		0.00	638,335.25				
INVESTMENT IN PLANT:				FUND BALANCES:			
LAND		22,242,549.92	22,056,047.66	RENEWALS AND REPLACEMENTS		26,412,304.80	59,635,033.02
LAND IMPROVEMENTS		14,212,371.86	11,202,470.54	RETIREMENT OF INDEBTEDNESS		4,938,748.66	5,176,828.69
BUILDINGS, ACCUM. DEPREC AND IMPROVEMENTS		314,421,092.03	301,244,950.80	INVESTMENT IN PLANT		312,494,178.20	253,205,492.61
OTHER EQUIPMENT, BOOKS AND FILMS		53,175,868.65	57,211,742.43	TOTAL FUND BALANCES		343,845,231.66	318,017,354.32
CONSTRUCTION IN PROGRESS		143,859,079.32	104,165,863.59	TOTAL PLANT FUNDS		710,501,866.74	687,430,435.80
TOTAL PLANT FUNDS		710,501,866.74	687,430,435.80	TOTAL LIABILITIES AND FUND BALANCES		987,858,926.82	1,008,969,474.19
TOTAL ASSETS	\$	987,858,926.82	1,008,969,474.19				

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE FOUR MONTHS ENDED JANUARY 31, 2013

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT FUNDS	RENEWALS AND REPLACEMENTS	PLANT FUNDS RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
	UNRESTRICTED	RESTRICTED					
REVENUES AND OTHER ADDITIONS:							
EDUCATIONAL AND GENERAL REVENUES	107,268,540.86						
HOSPITALS REVENUES	113,787,527.86						
AUXILIARY ENTERPRISES REVENUES	6,660,447.81						
GRANTS AND CONTRACTS:							
FEDERAL		18,062,628.59					
STATE AND LOCAL		1,546,773.25					
PRIVATE		1,524,773.13					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE							
INVESTMENT INCOME,GAINS/LOSS					30,485.00		
INSURANCE PROCEEDS			1,238.26	994,288.07	45,875.97	15,853.04	
INTEREST ON LOANS RECEIVABLE							
GIFTS AND BEQUESTS			34,795.45	1,365,374.14		10,763.69	
EXPENDED FOR PLANT FACILITIES (INCLUDING \$2,857,580.88 CURRENT FUNDS EXPENDITURES)					458,676.69		25,061,148.32
RETIREMENT OF INDEBTEDNESS							5,675,000.00
PROCEEDS FROM SALE OF CAPITAL ASSETS							(161,767.76)
OTHER SOURCES		1,759,608.74		1,825.00	805,497.61		30,574,380.56
TOTAL REVENUES AND OTHER ADDITIONS	227,716,516.53	22,893,783.71	36,033.71	2,361,487.21	1,340,535.27	26,616.73	
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	102,928,169.38	21,321,746.26					
HOSPITALS EXPENDITURES	111,172,189.02	(462.00)					
AUXILIARY ENTERPRISES EXPENDITURES	4,993,026.93						
INDIRECT COSTS RECOVERED		1,445,155.97					
REFUNDED TO GRANTORS		16,220.86					
RETIREMENT OF INDEBTEDNESS						5,675,000.00	
ADMINISTRATIVE AND COLLECTION COSTS			84.94				
EXPENDED FOR PLANT FACILITIES (INCLUDING \$676,686.94 FOR NON-CAPITALIZED EXPENDITURES)					22,880,234.38		30,557.81
INTEREST ON INDEBTEDNESS						2,792,665.96	10,348,954.28
DEPRECIATION EXPENSES OF PLANT FACILITIES							
DISPOSAL OF PLANT							
OTHER DEDUCTIONS			1,800.00	106,073.69		28,997.00	
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	219,093,385.33	22,782,661.09	1,884.94	106,073.69	22,880,234.38	8,496,662.96	10,379,512.09
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(8,855,256.56)				40,360.00	8,844,523.81	(29,627.25)
NON-MANDATORY:							
FUNDED DEPRECIATION	(1,699,998.84)				1,699,998.84		
MOBILE RACING COMMISSION	(14,818.19)				14,818.19		
PLANT ADDITIONS AND REPLACEMENTS	(3,940,000.00)				3,940,000.00		
ENDOWMENT FUND	(1,002,532.36)				(14,818.19)		
OTHER TRANSFERS	13,610.31	262,792.18		754,558.37	2,084,457.00	(363,395.82)	(297,686.18)
TOTAL TRANSFERS	(15,498,995.64)	(534,850.14)		(902,135.17)	7,764,815.84	8,481,127.99	(327,313.43)
NET INCREASE (DECREASE) FOR THE PERIOD	(6,875,854.44)	(272,057.96)	0.00	(147,576.80)	7,764,815.84	11,081.76	19,867,555.04
FUND BALANCES AT OCTOBER 1, 2012	4,835,012.76	(160,935.34)	34,148.77	2,107,836.72	(13,774,883.27)	4,927,666.90	292,626,623.16
FUND BALANCES AT JANUARY 31, 2013	(2,040,851.68)	1,335,083.68	875,843.85	110,496,936.58	40,187,188.07	4,938,748.66	312,494,176.20
	\$	\$	\$	\$	\$	\$	\$

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$1,699,998.84 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FOUR MONTHS ENDED JANUARY 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	FOR THE FOUR MONTHS ENDED JANUARY 31, 2013			JANUARY 31, 2012
	UNRESTRICTED	RESTRICTED	TOTAL	
REVENUES:				
TUITION AND FEES	\$ 49,281,763.69	\$	\$ 49,281,763.69	\$ 45,824,783.40
STATE APPROPRIATIONS	30,946,944.00		30,946,944.00	32,192,297.36
MOBILE RACING COMMISSION	14,818.19		14,818.19	9,471.62
FEDERAL GRANTS AND CONTRACTS	1,191,816.48	16,868,649.94	18,060,466.42	20,148,567.96
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$7,831.94)	104,725.84	1,317,438.58	1,422,164.42	1,103,544.25
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$195,507.55)	17,105,146.99	1,306,000.50	18,411,147.49	19,720,108.39
INVESTMENT INCOME	393,223.56		393,223.56	150,017.16
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	1,104,632.86		1,104,632.86	851,134.42
HOSPITALS - SALES AND SERVICES	110,969,459.86		110,969,459.86 *	118,371,003.82
- STATE APPROPRIATIONS	2,818,068.00		2,818,068.00	2,937,928.00
AUXILIARY ENTERPRISES - SALES AND SERVICES	6,660,447.81		6,660,447.81	6,661,645.78
OTHER SOURCES	7,125,469.25	1,829,195.24	8,954,664.49	9,424,441.71
TOTAL CURRENT REVENUES	227,716,516.53	21,321,284.26	249,037,800.79	257,395,943.57
EXPENDITURES AND TRANSFERS:				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	39,652,124.45	2,709,989.47	42,362,123.92	38,815,838.13
RESEARCH	3,199,787.70	3,125,677.33	6,325,465.03	6,672,518.53
PUBLIC SERVICE	20,503,843.99	1,402,535.67	21,906,379.66	23,591,910.53
ACADEMIC SUPPORT	6,329,989.48		6,329,989.48	6,566,984.24
STUDENT SERVICES	11,091,755.42	295,577.53	11,387,332.95	10,150,698.39
INSTITUTIONAL SUPPORT	9,615,852.02	764,988.95	10,380,850.97	9,729,258.34
OPERATION AND MAINTENANCE OF PLANT	7,162,582.93	2,408,726.70	9,571,309.63	12,751,946.10
SCHOLARSHIPS	4,772,233.39	10,614,230.61	15,386,464.00	13,840,216.75
EDUCATIONAL AND GENERAL	102,928,169.38	21,321,746.26	124,249,915.64	121,919,371.01
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	5,179,874.68		5,179,874.68	4,479,512.68
TOTAL EDUCATIONAL AND GENERAL	108,108,044.06	21,321,746.26	129,429,790.32	126,398,883.69
HOSPITALS (INCLUDING DEBT SERVICE OF \$2,083,275.36)	113,255,464.38	(462.00)	113,255,002.38	122,179,759.83
AUXILIARY ENTERPRISES:				
EXPENDITURES	4,993,026.93		4,993,026.93	4,920,399.14
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	1,592,106.52		1,592,106.52	1,469,646.52
NON-MANDATORY TRANSFERS FOR:				
RENEWALS AND REPLACEMENTS	0.00		0.00	120,000.00
TOTAL AUXILIARIES	6,585,133.45	0.00	6,585,133.45	6,510,045.66
TOTAL EXPENDITURES AND TRANSFERS	227,948,641.89	21,321,284.26	249,269,926.15	255,088,689.18
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):				
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES		127,343.48	127,343.48	903,420.79
REFUNDED TO GRANTORS		(16,220.86)	(16,220.86)	(241,263.80)
FUNDED DEPRECIATION	(1,599,998.84)		(1,599,998.84) *	(3,835,173.76)
MOBILE RACING COMMISSION	(14,818.19)		(14,818.19)	(9,471.62)
PLANT ADDITIONS AND REPLACEMENTS	(3,940,000.00)		(3,940,000.00)	(3,937,000.00)
ENDOWMENT FUND	(1,002,532.36)		(1,002,532.36)	(391,768.36)
OTHER TRANSFERS	13,610.31	262,792.18	(249,181.87)	328,297.74
TOTAL TRANSFERS	(6,643,739.08)	(534,850.44)	(7,178,589.52)	(7,182,959.07)
NET INCREASE/(DECREASE) IN FUND BALANCES	(6,875,864.44)	(160,935.34)	(7,036,799.78)	(4,875,704.62)

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$1,599,998.84 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTS

The accompanying financial reports are the responsibility of management of the University of South Alabama. Management is responsible for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets and for devising a system of internal control that will, among other things, help assure the production of proper financial statements. The transactions which should be reflected in the accounts and in the financial reports are matters within the direct knowledge and control of management.

BASIS OF PRESENTATION

The financial reports of the University of South Alabama (the University) are prepared on the accrual basis. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and, (3) transfers of a nonmandatory nature in all other cases.

FUND ACCOUNTING

In order to observe limitations and restrictions placed on the use of resources available to the University, the accounts of the University are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds which may be used for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, funds restricted by outside sources are so indicated and are distinguished from funds designated for specific purposes by authority of the Board of Trustees.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

CURRENT FUNDS

Current fund balances are separated into those which are unrestricted and those which are restricted by donors and grantors. Restricted funds may only be expended for the purpose indicated by the donor or grantor, whereas unrestricted funds are under the control of the University to use in achieving its educational purposes.

PLANT FUNDS

Plant funds include the transactions related to investment in institutional properties and related indebtedness.

Plant assets consisting of land, buildings, equipment and library books are stated at cost or, if contributed, at fair market value at the time of receipt. Investment in plant is reduced for disposals of plant assets.

Some equipment purchases are made from current funds and are presented under the appropriate functional classification of expenditures, while other additions are funded by transfers from unrestricted current funds to the plant funds. All such expenditures in excess of \$5,000 having a life of two years or more are capitalized as investment in plant.

INVESTMENT IN POOLED FUNDS

Investments are stated at cost, except those received by gift which are stated at fair market value at date of receipt. Endowment investments of the University are maintained and administered in a common pool. Separate accounts are maintained for each fund, as applicable. Depositories and other financial institutions that held investments for the University have pledged securities of various governmental agencies to secure funds held on deposit.

UNRESTRICTED GIFTS

Except for pledged operating and capital gifts, unrestricted gifts are recognized as revenue when received. Certain operating and capital pledges are recorded as a receivable, along with the corresponding revenue, when such pledges are made.

GRANTS AND CONTRACTS

The University has been awarded grants and contracts for current funds operations for which the funds have not been received nor have expenditures been made for the purpose specified in the grant or contract. These awards have not been reflected in the financial reports, but represent commitments of sponsors to provide funds for specific research and training projects.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

SCHOLARSHIPS AND FELLOWSHIPS

The University receives funds which are restricted by donors and grantors for assistance to qualified students. When these funds are granted to students, the University records the expenditure for scholarships and fellowships along with the corresponding revenue.

INCOME TAXES

The Internal Revenue Service has determined that the University is a tax-exempt organization; accordingly, no provision for income taxes has been made in the accompanying financial statements.

DEFERRED REVENUES AND EXPENDITURES

Dormitory rentals, student tuition and other fees, together with related expenditures, are deferred and amortized over the applicable academic semester.

EMPLOYEE BENEFITS

Employees of the University are covered by two pension plans, a defined contribution pension plan and a pension plan administered by the Teachers' Retirement System of the State of Alabama (the Retirement Plan).

The defined contribution pension plan covers certain academic and administrative employees and contributions under this plan are funded as accrued.

Permanent employees of the University participate in the Teachers' Retirement System of Alabama. The Retirement Plan is fully funded by the State and by contributions from participating employees. The University contributes 12.07% of each employee's gross earnings to the Retirement Plan and is reflected in current funds expenditures. All covered employees must contribute 5% of their gross earnings to the Retirement Plan. Benefits fully vest after 10 years of full-time, permanent employment.

LIABILITY INSURANCE

The University and certain of its affiliates participate in professional and general liability trust funds. These trust funds are irrevocable and use contributions by the University and its affiliates, together with earnings thereon, to pay liabilities arising from the performance of its employees. Contributions to the trusts are recorded as expenditures upon payment and are determined by independent actuaries. If the trust funds are ever terminated, appropriate provision for payment of reported claims will be made and any remaining balance will be distributed to the University and its affiliates in proportion to contributions made.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

BONDS PAYABLE

Bonds payable consist of the following:

- University Tuition Revenue Refunding and Capital Improvements Bonds, Series 1996, 3.80% to 5.00%, payable through November 2015 (refunded in January 2007)
- University Tuition Revenue Bonds, Series 1999, 3.70% to 5.25%, payable through November 2018.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, 2.00% to 5.00%, payable through March 2024.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, 5.00% payable through June 2037.
- University Facilities Revenue Capital Improvement Bonds, Series 2008, 3.00% to 5.00%, payable through August 2038.
- University Facilities Revenue Capital Improvement Bond, Series 2010, 3.81% payable through August 2030.
- University Facilities Revenue Capital Improvement Bond, Series 2012A, 2.92% payable through August 2032.
- University Facilities Revenue Capital Improvement Bond, Series 2012B, 2.14% payable through February 2018.

LITIGATION

Various other claims have been filed against the University alleging discriminatory employment practices and other matters. University administration and legal counsel are of the opinion that the resolution of these matters will not have a material effect on the financial position or results of operations of the University.

MEDICAID DISPROPORTIONATE SHARE PAYMENTS

Hospitals revenues include funds received from the Alabama Medicaid Agency for services provided to a disproportionately high number of low income patients.

SUPPLEMENTAL SCHEDULES

SUMMARY SCHEDULE OF AUXILIARY ENTERPRISES
REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FOUR MONTHS ENDED JANUARY 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	REVENUES	EXPENDITURES	TRANSFERS	EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)	
				01/31/13	01/31/12
BOOKSTORE	\$ 3,120,971.01	\$ 2,981,541.10	\$ (78,844.00)	\$ 60,585.91	\$ 171,742.10
BROOKLEY CENTER	0.00	0.00	0.00	0.00	(24,532.00)
FOOD SERVICES-CAMPUS	316,477.33	91,037.97	(225,342.52)	96.84	(87,716.43)
HOUSING	3,222,999.47	1,919,388.86	(1,287,920.00)	15,690.61	92,106.45
TOTAL	\$ 6,660,447.81	\$ 4,991,967.93	\$ (1,592,106.52)	\$ 76,373.36	\$ 151,600.12

BOOKSTORE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FOUR MONTHS ENDED JANUARY 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	01/31/13	01/31/12
REVENUES:		
SALES	\$ 3,049,237.40	\$ 3,137,485.67
LESS: DEPARTMENTAL DISCOUNTS	1,264.10	2,048.58
COST OF GOODS SOLD	2,255,210.70	2,297,443.45
GROSS PROFIT	792,762.60	837,993.64
CASH OVER/(SHORT)	(11.68)	(1,265.71)
GRADUATION (NET)	27,927.00	21,370.15
TEXTBOOK RENTAL INCOME	19,408.68	0.00
OTHER	24,409.61	17,756.42
NET REVENUES:	864,496.21	875,854.50
EXPENDITURES:		
SALARIES	305,179.10	271,547.62
EMPLOYEE BENEFITS	95,371.48	87,422.92
SUPPLIES	10,433.44	8,506.01
TRAVEL	5,061.89	2,932.32
EQUIPMENT	4,122.30	7,712.28
EQUIPMENT MAINTENANCE AND REPAIR	36,309.38	30,929.72
BUILDING & EQUIPMENT RENTAL	12,536.76	11,036.51
ADVERTISING	19,985.48	13,585.02
UTILITIES	25,000.00	25,000.00
TELEPHONE	2,376.42	11,740.64
INSURANCE AND BONDS	2,196.00	1,801.00
CONTRACT SERVICES	63,546.73	49,402.33
OBSOLETE INVENTORY	1,476.63	0.00
GENERAL EXPENSES	10,026.30	10,609.03
CHARGE CARD AND FACULTY		
STAFF DISCOUNTS	37,261.07	14,958.68
INSTITUTIONAL COST ALLOCATION	94,183.32	78,084.32
TOTAL EXPENDITURES	725,066.30	625,268.40
TRANSFERS AMONG FUNDS- ADDITIONS/(DEDUCTIONS):		
MANDATORY:		
PRINCIPAL AND INTEREST	(78,844.00)	(78,844.00)
NON-MANDATORY:		
OTHER TRANSFERS	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00
TOTAL TRANSFERS	(78,844.00)	(78,844.00)
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	\$ 60,585.91	\$ 171,742.10

FOOD SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FOUR MONTHS ENDED JANUARY 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	01/31/13	01/31/12
REVENUES:		
COMMISSION INCOME	\$ 316,477.33	\$ 341,276.51
TOTAL REVENUES	<u>316,477.33</u>	<u>341,276.51</u>
EXPENDITURES:		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	0.00	84.53
EQUIPMENT MAINTENANCE AND REPAIR	26,959.75	9,747.29
UTILITIES	41,666.68	41,666.68
TELEPHONE	0.00	332.38
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	11,507.00	9,767.00
INSURANCE AND BONDS	0.00	9,537.00
EQUIPMENT	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	0.00	755.00
INDIRECT COST	8,333.32	8,333.32
GENERAL EXPENSE	<u>2,571.22</u>	<u>3,427.22</u>
TOTAL EXPENDITURES	<u>91,037.97</u>	<u>83,650.42</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):		
NON-MANDATORY:	(225,342.52)	(225,342.52)
OTHER TRANSFERS	0.00	(120,000.00)
TOTAL TRANSFERS	<u>(225,342.52)</u>	<u>(345,342.52)</u>
EXCESS REVENUES OVER		
EXPENDITURES AND MANDATORY		
TRANSFERS (DEFICIT)	<u>\$ 96.84</u>	<u>\$ (87,716.43)</u>

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE FOUR MONTHS ENDED JANUARY 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	CAMPS AND CONFERENCES	STOKES HALL	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING
REVENUES:							
RENTAL INCOME	\$ 0.00	\$ 0.00	\$ 49,025.00	\$ 0.00	\$ 653,845.53	\$ 15,542.58	\$ 152,774.57
BAD DEBT RECOVERY	675.00	0.00	0.00	0.00	0.00	258.10	0.00
OTHER	32,925.00	0.00	0.00	0.00	5,619.14	525.00	26,509.00
TOTAL REVENUES	33,600.00	0.00	49,025.00	0.00	659,464.67	16,325.68	179,283.57
EXPENDITURES:							
SALARIES	140,503.50	966.43	0.00	311.75	55,648.58	0.00	36,118.00
EMPLOYEE BENEFITS	41,675.65	0.00	0.00	0.00	3,311.32	0.00	0.00
CONTRACT LABOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICES	29.50	0.00	33,473.00	0.00	16,777.00	0.00	0.00
TRAVEL	943.71	0.00	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	0.00	7,522.96	0.00	0.00	0.00	0.00	0.00
SUPPLIES	4,360.24	715.52	0.00	0.00	270.28	0.00	665.74
CABLE	63,596.50	0.00	0.00	0.00	0.00	0.00	0.00
TELEPHONE	167.63	0.00	0.00	0.00	121.39	0.00	92.58
UTILITIES	0.00	0.00	0.00	0.00	0.00	0.00	442.73
INSURANCE AND BONDS	732.00	0.00	0.00	0.00	0.00	0.00	0.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	0.00	2,392.00	0.00	0.00	654.00	0.00	0.00
EQUIPMENT RENTAL	421.49	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GROUPS MAINTENANCE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	24,696.31	18,951.05	0.00	0.00	39,920.05	425.39	17,389.10
ADMINISTRATIVE OVERHEAD	169,296.52	0.00	0.00	0.00	93,517.52	0.00	31,360.00
ADMINISTRATIVE EXPENSES	(412,823.05)	(30,547.96)	14,187.87	0.00	67,835.77	0.00	35,913.06
TOTAL EXPENDITURES	33,600.00	0.00	47,660.87	311.75	278,055.91	425.39	121,981.21
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(641,872.00)	0.00	(153,520.00)
TOTAL MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	(641,872.00)	0.00	(153,520.00)
NON-MANDATORY:							
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	(641,872.00)	0.00	(153,520.00)
EXCESS REVENUES OVER EXPENDITURES	\$ (0.00)	\$ 0.00	\$ 1,364.13	\$ (311.75)	\$ (260,463.24)	\$ 15,900.29	\$ (96,217.64)
AND TRANSFERS (DEFICIT)							

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE FOUR MONTHS ENDED JANUARY 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	GAMMA DORMS	BETA DORMS	DELTA DORMS	EPSILON DORMS	NEW RESIDENCE HALL 2013	TOTAL HOUSING 01/31/13	TOTAL HOUSING 01/31/12
REVENUES:							
RENTAL INCOME	\$ 485,245.02	\$ 308,586.37	\$ 1,038,888.51	\$ 428,969.02	\$ 0.00	\$ 3,132,876.60	\$ 3,025,555.37
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	0.00	933.10	650.00
OTHER	3,836.75	3,049.25	8,625.88	8,099.75	0.00	89,189.77	118,817.37
TOTAL REVENUES	489,081.77	311,635.62	1,047,514.39	437,068.77	0.00	3,222,999.47	3,145,022.74
EXPENDITURES:							
SALARIES	64,882.84	34,752.40	120,041.62	53,693.78	0.00	506,918.90	399,926.49
EMPLOYEE BENEFITS	7,742.63	5,566.19	21,931.54	3,146.52	0.00	83,373.85	54,296.81
CONTRACT LABOR	0.00	0.00	551.93	0.00	0.00	551.93	7,409.71
CONTRACT SERVICES	1,590.00	150.00	3,199.25	3,244.08	0.00	58,462.83	34,855.82
TRAVEL	0.00	0.00	0.00	0.00	0.00	943.71	910.80
RECEPTIONS	0.00	0.00	0.00	0.00	0.00	7,522.96	1,924.65
SUPPLIES	143.25	0.00	1,967.13	1,135.92	0.00	9,258.08	27,680.93
CABLE	0.00	0.00	0.00	0.00	0.00	63,596.50	68,591.32
TELEPHONE	55.76	79.10	210.88	175.61	0.00	902.95	1,016.40
UTILITIES	0.00	0.00	0.00	0.00	0.00	442.73	329.88
INSURANCE AND BONDS	0.00	0.00	0.00	0.00	0.00	732.00	51,837.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT RENTAL	0.00	0.00	0.00	0.00	0.00	3,046.00	7,833.71
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	383.29	0.00	0.00	804.78	415.10
GROUPS MAINTENANCE	0.00	0.00	0.00	0.00	0.00	0.00	549.00
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	34,920.35	25,706.75	85,637.20	35,124.40	0.00	282,770.60	452,645.11
ADMINISTRATIVE OVERHEAD	178,648.00	84,366.00	257,067.00	85,806.00	0.00	900,061.04	777,233.56
ADMINISTRATIVE EXPENSES	73,156.21	41,233.50	158,283.45	52,761.15	0.00	0.00	0.00
TOTAL EXPENDITURES	361,139.04	191,853.94	649,273.29	235,087.46	0.00	1,919,388.86	1,887,456.29
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(76,576.00)	(22,880.00)	(220,474.00)	(124,296.00)	(48,302.00)	(1,287,920.00)	(1,165,460.00)
TOTAL MANDATORY TRANSFERS	(76,576.00)	(22,880.00)	(220,474.00)	(124,296.00)	(48,302.00)	(1,287,920.00)	(1,165,460.00)
NON-MANDATORY:							
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	(76,576.00)	(22,880.00)	(220,474.00)	(124,296.00)	(48,302.00)	(1,287,920.00)	(1,165,460.00)
EXCESS REVENUES OVER EXPENDITURES	\$ 51,366.73	\$ 96,901.68	\$ 177,767.10	\$ 77,685.31	\$ (48,302.00)	\$ 15,690.61	\$ 92,106.45
AND TRANSFERS (DEFICIT)							

INDEX **FEBRUARY 28, 2013**

	<u>PAGE</u>
FINANCIAL HIGHLIGHTS.....	1
BALANCE SHEET	2
STATEMENT OF CHANGES IN FUND BALANCES.....	3
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES.....	4
NOTES TO FINANCIAL REPORTS	5
SUPPLEMENTAL SCHEDULES:	
Summary Schedule of Auxiliary Enterprises; Statement of Revenues, Expenditures and Other Changes.....	10
Bookstore.....	11
Food Service.....	12
Housing.....	13

Financial Report Highlights February 28, 2013

Introduction

This Financial Report presents the financial position and financial activity of the University of South Alabama utilizing the fund basis of accounting. The report presents the assets, liabilities and fund balances of each fund including the current funds (unrestricted and restricted), loan funds, endowment funds, and plant funds (renewals and replacements, retirement of indebtedness and investment in plant). The financial reporting requirements of the Governmental Accounting Standard Board, by which the University reports its quarterly financial statements, are not utilized in this monthly financial report.

Financial Highlights

Financial report highlights at, and for the five months ended, February 28, 2013 and February 29, 2012 are as follows (in thousands):

	At and for the five months ended	
	2-28-13	2-29-12
<i>Total assets</i>		
Current	\$ 123,418	\$ 178,532
Loan	5,628	5,031
Endowment	148,351	134,897
Plant	711,908	688,702
<i>Fund Balances</i>		
Current	\$ 1,559	\$ 2,273
Loan	993	498
Endowment	115,984	106,162
Plant	345,059	318,989
<i>Other balance sheet highlights</i>		
Cash and investments	\$ 281,224	\$ 271,736
Net receivables	75,728	108,926
Bonds payable	347,203	361,298

	For the five months ended	
	2-28-13	2-29-12
<i>Selected operating highlights (current funds)</i>		
Tuition and fees	\$ 59,226	\$ 54,915
State appropriations	42,251	44,038
Hospital revenues	135,293	145,319
Gifts, grants and contracts	45,394	49,592
Instruction and academic support	60,633	58,140
Research and public service	33,140	35,077
Hospital expenses	136,853	149,784
Net current fund Increase/(decrease)	\$ (4,611)	\$ (3,430)

Financial Analysis

This report should be read in conjunction with the University's monthly financial reports and with the understanding of the cyclical nature of the University's operations. Certain revenues (tuition and fees, auxiliary enterprises, etc.) are received at specific times in the University's fiscal year while certain other revenue streams (hospital, state appropriations) are received throughout the year. Additionally, certain revenue and expense items fluctuate with changes in enrollment while others do not. As a result of these items, significant fluctuations of cash and investments along with other balance sheet items are normal.

Economic Outlook

While enrollment and tuition have increased in recent years, the University has continues to experience a decline in state appropriations. Additionally, the University is subject to the uncertainties of the general economic conditions in the United States and the State of Alabama. Administration is not aware of any other conditions that are expected to have a significant impact on the University's financial position in 2013 or beyond.

UNIVERSITY OF SOUTH ALABAMA
BALANCE SHEET
FEBRUARY 2013 AND 2012

ASSETS		LIABILITIES AND FUND BALANCES	
	2013	2012	
CURRENT FUNDS:			
UNRESTRICTED:			
CASH AND CASH EQUIVALENTS	\$ 135,538.11	\$ 134,293.31	
INVESTMENTS	2,965,754.10	38,279,002.01	
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$51,800,401.49 FOR 2013 AND \$54,717,041.19 FOR 2012)			
DEPOSITS	75,728,108.73	108,926,361.36	
INVENTORIES AT COST	35,000.00	35,000.00	
PREPAID EXPENSES	5,872,918.16	5,199,017.36	
	33,668,644.98	21,063,506.60	
TOTAL UNRESTRICTED	118,405,964.08	173,637,180.64	
RESTRICTED FUNDS:			
CASH AND CASH EQUIVALENTS	1,356,341.05	0.00	
INVESTMENTS	8,647.20	3,999.33	
UNBILLED COSTS AND ACCOUNTS RECEIVABLE	3,646,874.35	4,890,774.85	
TOTAL RESTRICTED	5,011,862.60	4,894,774.18	
TOTAL CURRENT FUNDS	123,417,826.68	178,531,954.82	
LOAN FUNDS:			
CASH AND CASH EQUIVALENTS	982,146.70	1,119,925.15	
NOTES RECEIVABLE (LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$722,025.21 FOR 2013 AND \$446,174.34 FOR 2012)	4,645,449.98	3,910,849.84	
TOTAL LOAN FUNDS	5,627,596.68	5,030,774.99	
ENDOWMENT FUNDS:			
CASH AND CASH EQUIVALENTS	40,379,320.22	41,615,446.93	
INVESTMENTS	96,964,159.38	81,997,619.64	
ACCOUNTS RECEIVABLE	4,237,008.07	4,554,832.11	
REAL ESTATE HELD FOR RESALE	3,162,768.00	3,162,768.00	
PREPAID-LIFE ESTATE	3,607,658.00	3,565,916.00	
TOTAL ENDOWMENT FUNDS	148,350,913.67	134,896,582.68	
PLANT FUNDS:			
CASH AND CASH EQUIVALENTS	122,385,194.50	51,676,366.31	
INVESTMENTS	12,883,898.31	53,746,530.43	
ACCOUNTS RECEIVABLE	2,137,855.51	2,804,853.24	
DUE FROM OTHER FUNDS	18,908,021.81	74,822,641.14	
PREPAID EXPENSES	5,283,351.54	4,567,121.92	
CAPITAL LEASE RECEIVABLE	80,747.18	595,443.86	
INVESTMENT IN PLANT:			
LAND	22,242,549.92	22,056,047.66	
LAND IMPROVEMENTS	13,923,248.75	11,074,932.61	
BUILDINGS, ACCUM DEPREC AND IMPROVEMENTS	312,284,587.43	300,158,147.70	
OTHER EQUIPMENT, BOOKS AND FILMS	53,582,152.97	56,012,409.25	
CONSTRUCTION IN PROGRESS	148,196,307.07	111,187,855.56	
TOTAL PLANT FUNDS	711,907,914.99	688,702,349.68	
TOTAL ASSETS	\$ 989,304,252.02	\$ 1,007,161,662.17	
CURRENT FUNDS:			
UNRESTRICTED:			
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 43,631,819.53	\$ 45,322,008.84	
DEFERRED REVENUES	54,446,911.97	53,815,103.15	
DUE TO OTHER FUNDS	18,908,021.81	73,669,850.01	
DEPOSITS HELD IN CUSTODY	463,225.06	630,426.69	
OTHER DEPOSITS	729,489.46	796,999.71	
FUND BALANCES:			
ALLOCATED FOR:			
HOSPITALS	(40,068,572.08)	(44,020,389.61)	
AUXILIARY ENTERPRISES	3,012,699.98	2,483,803.33	
ENCUMBRANCES	5,300,896.61	4,817,014.51	
SELF-SUPPORTING ACTIVITIES	48,079,643.98	49,262,973.87	
UNALLOCATED	(16,096,172.24)	(13,140,609.86)	
TOTAL FUND BALANCES	226,496.25	(597,207.76)	
TOTAL UNRESTRICTED	118,405,964.08	173,637,180.64	
RESTRICTED FUNDS:			
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	113,483.72	23,577.64	
DEFERRED REVENUES	3,565,740.66	848,647.10	
DUE TO OTHER FUNDS	0.00	1,152,791.13	
FUND BALANCES	1,332,638.22	2,869,758.31	
TOTAL RESTRICTED	5,011,862.60	4,894,774.18	
TOTAL CURRENT FUNDS	123,417,826.68	178,531,954.82	
LOAN FUNDS:			
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	6,000.00	1,882.48	
REFUNDABLE GOVERNMENT ADVANCES	4,628,943.38	4,530,636.86	
FUND BALANCES:			
UNIVERSITY FUNDS, UNRESTRICTED	992,653.30	498,255.65	
TOTAL LOAN FUNDS	5,627,596.68	5,030,774.99	
ENDOWMENT FUNDS:			
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	25,109,000.00	21,860,600.00	
BONDS PAYABLE	7,257,918.00	6,874,198.00	
FUND BALANCES:			
RESTRICTED NONEXPENDABLE	33,825,008.46	31,254,927.31	
UNRESTRICTED EXPENDABLE	82,158,987.21	74,906,857.37	
TOTAL FUND BALANCES	115,983,995.67	106,151,784.68	
TOTAL ENDOWMENT FUNDS	148,350,913.67	134,896,582.68	
PLANT FUNDS:			
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	11,513,564.25	982,271.60	
NOTES PAYABLE	935,561.32	0.00	
DEFERRED REVENUES	7,171,258.33	7,407,435.73	
OTHER DEPOSITS	25,791.63	25,791.63	
BONDS PAYABLE	347,202,988.29	361,298,225.16	
FUND BALANCES:			
RENEWALS AND REPLACEMENTS	23,139,624.57	54,027,676.90	
RETIREMENT OF INDEBTEDNESS	7,125,030.99	7,187,580.23	
INVESTMENT IN PLANT	314,794,095.61	257,773,368.43	
TOTAL FUND BALANCES	345,058,751.17	318,988,625.56	
TOTAL PLANT FUNDS	711,907,914.99	688,702,349.68	
TOTAL LIABILITIES AND FUND BALANCES	\$ 989,304,252.02	\$ 1,007,161,662.17	

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE FIVE MONTHS ENDED FEBRUARY 28, 2013

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT FUNDS	RENEWALS AND REPLACEMENTS	PLANT FUNDS RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
	UNRESTRICTED	RESTRICTED					
REVENUES AND OTHER ADDITIONS:							
EDUCATIONAL AND GENERAL REVENUES	132,164,254.07						
HOSPITALS REVENUES	138,816,085.52						
AUXILIARY ENTERPRISES REVENUES	7,808,840.59						
GRANTS AND CONTRACTS:							
FEDERAL		20,701,220.24					
STATE AND LOCAL		1,880,964.12					
PRIVATE		1,973,164.58					
GOVERNMENT APPROPRIATIONS:							
FEDERAL							
STATE					83,507.00		
INVESTMENT INCOME, GAINS/LOSS			1,404.32	4,144,280.13	102,874.90	19,754.63	
INSURANCE PROCEEDS							
INTEREST ON LOANS RECEIVABLE							
GIFTS AND BEQUESTS			44,440.07	1,395,617.57	183,380.20	13,811.28	
EXPENDED FOR PLANT FACILITIES (INCLUDING \$4,012,063.23 CURRENT FUNDS EXPENDITURES)							29,966,273.25
RETIREMENT OF INDEBTEDNESS							5,675,000.00
PROCEEDS FROM SALE OF CAPITAL ASSETS							(202,209.70)
OTHER SOURCES							35,439,063.55
TOTAL REVENUES AND OTHER ADDITIONS	278,789,180.18	1,758,763.74	45,844.39	5,541,722.70	929,436.94	33,565.91	
		26,314,112.68			1,299,199.04		
EXPENDITURES AND OTHER DEDUCTIONS:							
EDUCATIONAL AND GENERAL EXPENDITURES	124,438,710.20	24,516,900.52					
HOSPITALS EXPENDITURES	134,249,910.23	(462.00)					
AUXILIARY ENTERPRISES EXPENDITURES	5,784,807.96						
INDIRECT COSTS RECOVERED		1,829,700.44					
REFUNDED TO GRANTORS		16,220.86					
RETIREMENT OF INDEBTEDNESS						5,675,000.00	
ADMINISTRATIVE AND COLLECTION COSTS			234.94				
EXPENDED FOR PLANT FACILITIES (INCLUDING \$862,070.36 FOR NON-CAPITALIZED EXPENDITURES)					26,816,280.38		32,475.81
INTEREST ON INDEBTEDNESS							12,936,192.85
DEPRECIATION EXPENSES OF PLANT FACILITIES							
DISPOSAL OF PLANT							
OTHER DEDUCTIONS			(71,200.00)	106,073.69		28,997.00	
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	264,473,428.39	26,362,359.82	(70,965.06)	106,073.69	26,816,280.38	8,496,662.96	
							12,968,668.66
TRANSFERS AMONG FUNDS-ADDITIONS(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST		(11,069,070.70)			50,450.00	11,048,247.95	(29,627.26)
NON-MANDATORY:							
FUNDED DEPRECIATION		(2,124,998.84)					
MOBILE RACING COMMISSION		(17,555.48)			2,124,998.84		
PLANT ADDITIONS AND REPLACEMENTS		(3,950,000.00)			17,555.48		
ENDOWMENT FUND		(1,264,553.95)			3,950,000.00		
OTHER TRANSFERS		(498,089.33)			(17,555.48)		
TOTAL TRANSFERS		(18,924,268.30)			2,344,059.00	(387,786.81)	(273,295.19)
		45,801.68	0.00	51,410.08	8,469,517.84	10,560,461.14	(302,922.44)
NET INCREASE (DECREASE) FOR THE PERIOD		(4,608,516.51)	116,809.45	5,487,059.09	(17,047,563.50)	2,197,364.09	22,167,472.45
FUND BALANCES AT OCTOBER 1, 2012			875,843.85	110,496,936.58	40,187,188.07	4,927,666.90	292,626,623.16
FUND BALANCES AT FEBRUARY 28, 2013	\$ 226,496.25	\$ 1,332,638.22	\$ 992,653.30	\$ 115,983,995.67	\$ 23,139,624.57	\$ 7,125,030.99	\$ 314,794,095.61

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$2,124,998.84 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FIVE MONTHS ENDED FEBRUARY 28, 2013
WITH COMPARATIVE FIGURES FOR 2012

	FOR THE FIVE MONTHS ENDED FEBRUARY 28, 2013			FEBRUARY 29, 2012	
	UNRESTRICTED	RESTRICTED	TOTAL		
REVENUES:					
TUITION AND FEES	\$ 59,225,973.92	\$	\$ 59,225,973.92	\$	54,914,863.59
STATE APPROPRIATIONS	38,728,685.00		38,728,685.00		40,365,371.70
MOBILE RACING COMMISSION	17,555.48		17,555.48		20,359.90
FEDERAL GRANTS AND CONTRACTS	1,499,836.29	19,198,408.70	20,698,244.99		24,168,985.60
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$72,522.74)					
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$257,341.41)	135,049.09	1,639,908.65	1,774,957.74		1,367,902.29
INVESTMENT INCOME	21,237,768.15	1,683,518.93	22,921,287.08		24,055,134.53
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	382,054.47		382,054.47		146,498.12
HOSPITALS - SALES AND SERVICES	1,642,154.10		1,642,154.10		1,429,275.17
- STATE APPROPRIATIONS	135,293,500.52		135,293,500.52 *		145,318,852.22
AUXILIARY ENTERPRISES - SALES AND SERVICES	3,522,585.00		3,522,585.00		3,672,410.00
OTHER SOURCES	7,808,840.59		7,808,840.59		7,689,308.06
TOTAL CURRENT REVENUES	9,295,177.57	1,994,602.24	11,289,779.81		11,767,906.54
	278,789,180.18	24,516,438.52	303,305,618.70		314,916,867.72
EXPENDITURES AND TRANSFERS:					
EDUCATIONAL AND GENERAL:					
INSTRUCTION	49,031,068.19	3,339,571.32	52,370,639.51		49,894,753.49
RESEARCH	3,963,624.24	3,978,115.90	7,941,740.14		8,338,928.17
PUBLIC SERVICE	23,742,375.57	1,756,014.94	25,498,390.51		26,738,552.79
ACADEMIC SUPPORT	8,262,526.92		8,262,526.92		8,144,953.77
STUDENT SERVICES	13,236,072.66	386,497.44	13,602,570.10		12,348,252.35
INSTITUTIONAL SUPPORT	11,950,642.59	811,239.48	12,761,882.07		12,194,430.00
OPERATION AND MAINTENANCE OF PLANT	9,643,393.56	3,429,098.99	13,072,492.55		16,150,415.95
SCHOLARSHIPS	4,609,006.47	10,836,362.45	15,445,368.92		14,629,006.45
EDUCATIONAL AND GENERAL	124,438,710.20	24,516,900.52	148,955,610.72		148,539,292.97
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	6,474,843.35		6,474,843.35		5,699,308.02
TOTAL EDUCATIONAL AND GENERAL	130,913,553.55	24,516,900.52	155,430,454.07		154,238,600.99
HOSPITALS (INCLUDING DEBT SERVICE OF \$2,604,094.20)	136,854,004.43	(462.00)	136,853,542.43		149,784,260.57
AUXILIARY ENTERPRISES:					
EXPENDITURES	5,784,807.96		5,784,807.96		5,582,095.28
MANDATORY TRANSFERS FOR:					
PRINCIPAL AND INTEREST	1,990,133.15		1,990,133.15		1,837,058.15
NON-MANDATORY TRANSFERS FOR:					
RENEWALS AND REPLACEMENTS	0.00		0.00		120,000.00
TOTAL AUXILIARIES	7,774,941.11	0.00	7,774,941.11		7,539,153.43
TOTAL EXPENDITURES AND TRANSFERS	275,542,499.09	24,516,438.52	300,058,937.61		311,562,014.99
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):					
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES		(32,026.28)	(32,026.28)		485,659.25
REFUNDED TO GRANTORS		(16,220.86)	(16,220.86)		(166,250.18)
FUNDED DEPRECIATION					(4,793,967.20)
MOBILE RACING COMMISSION	(2,124,998.84)		(2,124,998.84)	*	(20,359.90)
PLANT ADDITIONS AND REPLACEMENTS	(17,555.48)		(17,555.48)		(3,947,000.00)
ENDOWMENT FUND	(3,950,000.00)		(3,950,000.00)		(643,785.95)
OTHER TRANSFERS	(1,264,553.95)		(1,264,553.95)		2,300,612.69
TOTAL TRANSFERS	(488,089.33)		(488,089.33)		(6,785,095.29)
NET INCREASE/(DECREASE) IN FUND BALANCES	\$ (4,608,516.51)	\$ (2,445.46)	\$ (4,610,961.97)	\$	(3,430,242.56)

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$2,124,998.84 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTS

The accompanying financial reports are the responsibility of management of the University of South Alabama. Management is responsible for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets and for devising a system of internal control that will, among other things, help assure the production of proper financial statements. The transactions which should be reflected in the accounts and in the financial reports are matters within the direct knowledge and control of management.

BASIS OF PRESENTATION

The financial reports of the University of South Alabama (the University) are prepared on the accrual basis. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and, (3) transfers of a nonmandatory nature in all other cases.

FUND ACCOUNTING

In order to observe limitations and restrictions placed on the use of resources available to the University, the accounts of the University are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds which may be used for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, funds restricted by outside sources are so indicated and are distinguished from funds designated for specific purposes by authority of the Board of Trustees.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

CURRENT FUNDS

Current fund balances are separated into those which are unrestricted and those which are restricted by donors and grantors. Restricted funds may only be expended for the purpose indicated by the donor or grantor, whereas unrestricted funds are under the control of the University to use in achieving its educational purposes.

PLANT FUNDS

Plant funds include the transactions related to investment in institutional properties and related indebtedness.

Plant assets consisting of land, buildings, equipment and library books are stated at cost or, if contributed, at fair market value at the time of receipt. Investment in plant is reduced for disposals of plant assets.

Some equipment purchases are made from current funds and are presented under the appropriate functional classification of expenditures, while other additions are funded by transfers from unrestricted current funds to the plant funds. All such expenditures in excess of \$5,000 having a life of two years or more are capitalized as investment in plant.

INVESTMENT IN POOLED FUNDS

Investments are stated at cost, except those received by gift which are stated at fair market value at date of receipt. Endowment investments of the University are maintained and administered in a common pool. Separate accounts are maintained for each fund, as applicable. Depositories and other financial institutions that held investments for the University have pledged securities of various governmental agencies to secure funds held on deposit.

UNRESTRICTED GIFTS

Except for pledged operating and capital gifts, unrestricted gifts are recognized as revenue when received. Certain operating and capital pledges are recorded as a receivable, along with the corresponding revenue, when such pledges are made.

GRANTS AND CONTRACTS

The University has been awarded grants and contracts for current funds operations for which the funds have not been received nor have expenditures been made for the purpose specified in the grant or contract. These awards have not been reflected in the financial reports, but represent commitments of sponsors to provide funds for specific research and training projects.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

SCHOLARSHIPS AND FELLOWSHIPS

The University receives funds which are restricted by donors and grantors for assistance to qualified students. When these funds are granted to students, the University records the expenditure for scholarships and fellowships along with the corresponding revenue.

INCOME TAXES

The Internal Revenue Service has determined that the University is a tax-exempt organization; accordingly, no provision for income taxes has been made in the accompanying financial statements.

DEFERRED REVENUES AND EXPENDITURES

Dormitory rentals, student tuition and other fees, together with related expenditures, are deferred and amortized over the applicable academic semester.

EMPLOYEE BENEFITS

Employees of the University are covered by two pension plans, a defined contribution pension plan and a pension plan administered by the Teachers' Retirement System of the State of Alabama (the Retirement Plan).

The defined contribution pension plan covers certain academic and administrative employees and contributions under this plan are funded as accrued.

Permanent employees of the University participate in the Teachers' Retirement System of Alabama. The Retirement Plan is fully funded by the State and by contributions from participating employees. The University contributes 12.07% of each employee's gross earnings to the Retirement Plan and is reflected in current funds expenditures. All covered employees must contribute 5% of their gross earnings to the Retirement Plan. Benefits fully vest after 10 years of full-time, permanent employment.

LIABILITY INSURANCE

The University and certain of its affiliates participate in professional and general liability trust funds. These trust funds are irrevocable and use contributions by the University and its affiliates, together with earnings thereon, to pay liabilities arising from the performance of its employees. Contributions to the trusts are recorded as expenditures upon payment and are determined by independent actuaries. If the trust funds are ever terminated, appropriate provision for payment of reported claims will be made and any remaining balance will be distributed to the University and its affiliates in proportion to contributions made.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

BONDS PAYABLE

Bonds payable consist of the following:

- University Tuition Revenue Refunding and Capital Improvements Bonds, Series 1996, 3.80% to 5.00%, payable through November 2015 (refunded in January 2007)
- University Tuition Revenue Bonds, Series 1999, 3.70% to 5.25%, payable through November 2018.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, 2.00% to 5.00%, payable through March 2024.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, 5.00% payable through June 2037.
- University Facilities Revenue Capital Improvement Bonds, Series 2008, 3.00% to 5.00%, payable through August 2038.
- University Facilities Revenue Capital Improvement Bond, Series 2010, 3.81% payable through August 2030.
- University Facilities Revenue Capital Improvement Bond, Series 2012A, 2.92% payable through August 2032.
- University Facilities Revenue Capital Improvement Bond, Series 2012B, 2.14% payable through February 2018.

LITIGATION

Various other claims have been filed against the University alleging discriminatory employment practices and other matters. University administration and legal counsel are of the opinion that the resolution of these matters will not have a material effect on the financial position or results of operations of the University.

MEDICAID DISPROPORTIONATE SHARE PAYMENTS

Hospitals revenues include funds received from the Alabama Medicaid Agency for services provided to a disproportionately high number of low income patients.

SUPPLEMENTAL SCHEDULES

SUMMARY SCHEDULE OF AUXILIARY ENTERPRISES
REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FIVE MONTHS ENDED FEBRUARY 28, 2013
WITH COMPARATIVE FIGURES FOR 2012

	REVENUES	EXPENDITURES	TRANSFERS	EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)	
				02/28/13	02/29/12
BOOKSTORE	\$ 3,339,887.88	\$ 3,305,025.93	\$ (98,555.00)	\$ (63,693.05)	\$ 16,423.71
FOOD SERVICES-CAMPUS	424,772.38	133,634.06	(281,678.15)	9,460.17	(108,549.19)
HOUSING	4,044,180.33	2,346,147.97	(1,609,900.00)	88,132.36	242,280.11
TOTAL	<u>\$ 7,808,840.59</u>	<u>\$ 5,784,807.96</u>	<u>\$ (1,990,133.15)</u>	<u>\$ 33,899.48</u>	<u>\$ 150,154.63</u>

BOOKSTORE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FIVE MONTHS ENDED FEBRUARY 28, 2013
WITH COMPARATIVE FIGURES FOR 2012

	<u>02/28/13</u>	<u>02/29/12</u>
REVENUES:		
SALES	\$ 3,265,468.83	\$ 3,328,586.09
LESS: DEPARTMENTAL DISCOUNTS	1,816.52	2,171.01
COST OF GOODS SOLD	<u>2,435,494.38</u>	<u>2,474,601.23</u>
GROSS PROFIT	828,157.93	851,813.85
CASH OVER/(SHORT)	(14.92)	(1,409.61)
GRADUATION (NET)	27,927.00	21,370.15
TEXTBOOK RENTAL INCOME	20,224.59	0.00
OTHER	<u>26,282.38</u>	<u>18,695.15</u>
NET REVENUES:	<u>902,576.98</u>	<u>890,469.54</u>
EXPENDITURES:		
SALARIES	364,169.92	331,694.55
EMPLOYEE BENEFITS	114,824.71	105,901.70
SUPPLIES	10,686.34	9,172.05
TRAVEL	5,061.89	5,931.94
EQUIPMENT	4,687.51	8,491.24
EQUIPMENT MAINTENANCE AND REPAIR	36,460.45	31,197.89
BUILDING & EQUIPMENT RENTAL	13,712.13	12,680.52
ADVERTISING	22,468.69	14,608.93
UTILITIES	31,250.00	31,250.00
TELEPHONE	3,140.53	12,336.28
INSURANCE AND BONDS	3,912.00	3,997.00
CONTRACT SERVICES	76,492.05	79,302.29
OBSOLETE INVENTORY	1,595.30	271.28
GENERAL EXPENSES	11,611.87	15,116.78
CHARGE CARD AND FACULTY		
STAFF DISCOUNTS	49,912.49	15,932.98
INSTITUTIONAL COST ALLOCATION	<u>117,729.15</u>	<u>97,605.40</u>
TOTAL EXPENDITURES	<u>867,715.03</u>	<u>775,490.83</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):		
MANDATORY:		
PRINCIPAL AND INTEREST	(98,555.00)	(98,555.00)
NON-MANDATORY:		
OTHER TRANSFERS	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00
TOTAL TRANSFERS	<u>(98,555.00)</u>	<u>(98,555.00)</u>
EXCESS REVENUES OVER EXPENDITURES		
AND MANDATORY TRANSFERS	<u>\$ (63,693.05)</u>	<u>\$ 16,423.71</u>

FOOD SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FOUR MONTHS ENDED FEBRUARY 28, 2013
WITH COMPARATIVE FIGURES FOR 2012

	02/28/13	02/29/12
REVENUES:		
COMMISSION INCOME	\$ 424,772.38	\$ 408,090.57
TOTAL REVENUES	<u>424,772.38</u>	<u>408,090.57</u>
EXPENDITURES:		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	0.00	78.24
EQUIPMENT MAINTENANCE AND REPAIR	29,484.68	20,839.60
UTILITIES	52,083.35	52,083.35
TELEPHONE	57.52	336.32
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	14,500.25	12,778.25
INSURANCE AND BONDS	23,703.00	9,537.00
EQUIPMENT	0.00	1,159.98
BUILDING MAINTENANCE AND REPAIR	0.00	2,905.00
INDIRECT COST	10,416.65	10,416.65
GENERAL EXPENSE	3,388.61	4,827.22
TOTAL EXPENDITURES	<u>133,634.06</u>	<u>114,961.61</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):	(281,678.15)	(281,678.15)
NON-MANDATORY:		
OTHER TRANSFERS	0.00	(120,000.00)
TOTAL TRANSFERS	<u>(281,678.15)</u>	<u>(401,678.15)</u>
EXCESS REVENUES OVER		
EXPENDITURES AND MANDATORY		
TRANSFERS (DEFICIT)	<u>\$ 9,460.17</u>	<u>\$ (108,549.19)</u>

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE FIVE MONTHS ENDED FEBRUARY 28, 2013
WITH COMPARATIVE FIGURES FOR 2012

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	CAMPS AND CONFERENCES	STOKES HALL	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING
REVENUES:							
RENTAL INCOME	\$ 0.00	\$ 0.00	\$ 122,625.00	\$ 0.00	\$ 808,114.40	\$ 19,147.58	\$ 188,143.28
BAD DEBT RECOVERY	685.00	0.00	0.00	0.00	0.00	279.52	0.00
OTHER	33,150.00	0.00	0.00	0.00	5,536.89	650.00	73,538.00
TOTAL REVENUES	33,835.00	0.00	122,625.00	0.00	813,651.29	20,077.10	261,681.28
EXPENDITURES:							
SALARIES	169,581.52	1,642.86	0.00	311.75	60,813.46	0.00	36,118.00
EMPLOYEE BENEFITS	50,235.08	0.00	0.00	0.00	4,182.96	0.00	0.00
CONTRACT LABOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICES	29.50	0.00	33,473.00	0.00	16,777.00	0.00	0.00
TRAVEL	2,518.71	0.00	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	0.00	8,122.97	0.00	0.00	0.00	0.00	0.00
SUPPLIES	4,945.58	923.49	0.00	0.00	643.83	0.00	665.74
CABLE	80,005.73	0.00	0.00	0.00	0.00	0.00	0.00
TELEPHONE	206.07	0.00	0.00	0.00	160.35	0.00	132.74
UTILITIES	0.00	0.00	0.00	0.00	0.00	0.00	479.03
INSURANCE AND BONDS	732.00	0.00	0.00	0.00	8,633.00	2,359.00	5,846.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	922.47	2,392.00	0.00	0.00	654.00	0.00	1,860.00
EQUIPMENT RENTAL	513.09	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GROUND MAINTENANCE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	31,899.76	21,938.33	0.00	0.00	45,360.05	496.96	19,889.10
ADMINISTRATIVE OVERHEAD	211,620.65	0.00	0.00	0.00	116,896.90	0.00	39,200.00
ADMINISTRATIVE EXPENSES	(519,375.16)	(35,019.65)	17,740.63	0.00	84,822.41	0.00	44,905.99
TOTAL EXPENDITURES	33,835.00	0.00	51,213.63	311.75	338,943.96	2,855.96	149,096.60
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(802,340.00)	0.00	(191,900.00)
TOTAL MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	(802,340.00)	0.00	(191,900.00)
NON-MANDATORY:							
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	(802,340.00)	0.00	(191,900.00)
EXCESS REVENUES OVER EXPENDITURES							
AND TRANSFERS (DEFICIT)	\$ 0.00	\$ 0.00	\$ 71,411.37	\$ (311.75)	\$ (327,632.67)	\$ 17,221.14	\$ (79,315.32)

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE FIVE MONTHS ENDED FEBRUARY 28, 2013
WITH COMPARATIVE FIGURES FOR 2012

	GAMMA DORMS	BETA DORMS	DELTA DORMS	EPSILON DORMS	NEW RESIDENCE HALL 2013	TOTAL HOUSING 02/28/13	TOTAL HOUSING 02/29/12
REVENUES:							
RENTAL INCOME	\$ 603,407.79	\$ 376,371.85	\$ 1,274,398.66	\$ 512,160.73	\$ 0.00	\$ 3,904,369.29	\$ 3,779,450.34
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	0.00	964.52	2,090.00
OTHER	5,274.00	2,949.25	9,558.38	8,190.00	0.00	138,846.52	132,435.37
TOTAL REVENUES	608,681.79	379,321.10	1,283,957.04	520,350.73	0.00	4,044,180.33	3,913,975.71
EXPENDITURES:							
SALARIES	71,684.30	37,965.36	128,832.83	57,812.65	0.00	564,762.73	453,597.48
EMPLOYEE BENEFITS	9,365.00	6,513.61	26,377.59	3,553.05	0.00	100,227.29	66,725.45
CONTRACT LABOR	0.00	0.00	551.93	0.00	0.00	551.93	7,409.71
CONTRACT SERVICES	1,740.00	150.00	3,858.50	3,244.08	0.00	59,272.08	35,006.57
TRAVEL	0.00	0.00	0.00	0.00	0.00	2,518.71	1,355.90
RECEPTIONS	0.00	0.00	0.00	0.00	0.00	8,122.97	2,106.24
SUPPLIES	143.25	0.00	2,128.13	1,135.92	0.00	10,585.94	29,062.81
CABLE	0.00	0.00	0.00	0.00	0.00	80,005.73	86,618.36
TELEPHONE	82.96	118.06	300.00	326.33	0.00	1,326.51	1,220.26
UTILITIES	0.00	0.00	0.00	0.00	0.00	479.03	492.74
INSURANCE AND BONDS	8,709.00	4,197.00	13,039.00	5,303.00	0.00	48,818.00	52,569.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	0.00	0.00	0.00	0.00	0.00	5,828.47	7,833.71
EQUIPMENT RENTAL	0.00	0.00	383.29	0.00	0.00	896.38	574.18
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	634.00
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	51,751.26	28,206.75	96,946.20	51,518.40	0.00	348,006.81	498,122.24
ADMINISTRATIVE OVERHEAD	223,310.00	105,457.50	321,333.75	107,257.50	0.00	1,125,076.30	971,541.95
ADMINISTRATIVE EXPENSES	81,144.23	51,558.72	197,918.94	65,972.98	0.00	(10,330.91)	0.00
TOTAL EXPENDITURES	447,930.00	234,167.00	791,670.16	296,123.91	0.00	2,346,147.97	2,214,870.60
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(95,720.00)	(28,600.00)	(263,517.00)	(155,370.00)	(72,453.00)	(1,609,900.00)	(1,456,825.00)
TOTAL MANDATORY TRANSFERS	(95,720.00)	(28,600.00)	(263,517.00)	(155,370.00)	(72,453.00)	(1,609,900.00)	(1,456,825.00)
NON-MANDATORY:							
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	(95,720.00)	(28,600.00)	(263,517.00)	(155,370.00)	(72,453.00)	(1,609,900.00)	(1,456,825.00)
EXCESS REVENUES OVER EXPENDITURES	\$ 65,031.79	\$ 116,554.10	\$ 228,769.88	\$ 68,856.82	\$ (72,453.00)	\$ 88,132.36	\$ 242,280.11
AND TRANSFERS (DEFICIT)							

INDEX **MARCH 31, 2013**

	<u>PAGE</u>
FINANCIAL HIGHLIGHTS.....	1
BALANCE SHEET.....	2
STATEMENT OF CHANGES IN FUND BALANCES.....	3
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES.....	4
NOTES TO FINANCIAL REPORTS	5
SUPPLEMENTAL SCHEDULES:	
Summary Schedule of Auxiliary Enterprises; Statement of Revenues, Expenditures and Other Changes.....	10
Bookstore.....	11
Food Service.....	12
Housing.....	13

Financial Report Highlights March 31, 2013

Introduction

This Financial Report presents the financial position and financial activity of the University of South Alabama utilizing the fund basis of accounting. The report presents the assets, liabilities and fund balances of each fund including the current funds (unrestricted and restricted), loan funds, endowment funds, and plant funds (renewals and replacements, retirement of indebtedness and investment in plant). The financial reporting requirements of the Governmental Accounting Standard Board, by which the University reports its quarterly financial statements, are not utilized in this monthly financial report.

Financial Highlights

Financial report highlights at, and for the six months ended, March 31, 2013 and 2012 are as follows (in thousands):

	At and for the six months ended	
	3-31-13	3-31-12
<i>Total assets</i>		
Current	\$ 135,418	\$ 169,548
Loan	5,637	5,044
Endowment	149,621	137,914
Plant	707,889	691,690
<i>Fund Balances</i>		
Current	\$ 7,627	\$ 2,121
Loan	1,002	513
Endowment	115,655	107,884
Plant	338,556	318,784
<i>Other balance sheet highlights</i>		
Cash and investments	\$ 259,909	\$ 264,566
Receivables	88,616	107,416
Bonds payable	346,979	355,054

	For the six months ended	
	3-31-13	3-31-12
<i>Selected operating highlights (current funds)</i>		
Tuition and fees	\$ 69,537	\$ 64,146
State appropriations	50,693	52,845
Hospital revenues	161,029	171,806
Gifts, grants and contracts	53,210	56,219
Instruction and academic support	72,559	70,281
Research and public service	39,125	40,624
Hospital expenses	163,122	177,352
Net current fund decrease	1,457	(3,581)

Financial Analysis

This report should be read in conjunction with the University's monthly financial reports and with the understanding of the cyclical nature of the University's operations. Certain revenues (tuition and fees, auxiliary enterprises, etc.) are received at specific times in the University's fiscal year while certain other revenue streams (hospital, state appropriations) are received throughout the year. Additionally, certain revenue and expense items fluctuate with changes in enrollment while others do not. As a result of these items, significant fluctuations of cash and investments along with other balance sheet items are normal.

Economic Outlook

While enrollment and tuition have increased in recent years, the University has continues to experience a decline in state appropriations. Additionally, the University is subject to the uncertainties of the general economic conditions in the United States and the State of Alabama. Administration is not aware of any other conditions that are expected to have a significant impact on the University's financial position in 2013 or beyond.

UNIVERSITY OF SOUTH ALABAMA
BALANCE SHEET
MARCH 2013 AND 2012

ASSETS		LIABILITIES AND FUND BALANCES		2013	2012
CURRENT FUNDS:		CURRENT FUNDS:			
UNRESTRICTED:		UNRESTRICTED:			
CASH AND CASH EQUIVALENTS		ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		\$	\$
INVESTMENTS		DEFERRED REVENUES		47,903,280.37	44,595,836.35
ACCOUNTS RECEIVABLE - PATIENTS (LESS ALLOWANCE		DUE TO OTHER FUNDS		40,705,076.61	40,941,569.99
FOR DOUBTFUL ACCOUNTS OF \$51,638,876.30		DEPOSITS HELD IN CUSTODY		33,973,326.49	79,026,179.88
FOR 2013 AND \$54,166,864.97 FOR 2012)		OTHER DEPOSITS		1,234,432.21	1,381,700.74
DEPOSITS		FUND BALANCES:		671,519.83	477,419.14
INVENTORIES AT COST		ALLOCATED FOR:			
PREPAID EXPENSES		HOSPITALS			
		AUXILIARY ENTERPRISES		(40,493,271.07)	(45,242,596.89)
		ENCUMBRANCES		3,069,592.09	2,614,045.92
		SELF-SUPPORTING ACTIVITIES		4,853,651.55	5,035,564.93
		UNALLOCATED		50,125,481.93	50,177,003.59
		TOTAL FUND BALANCES		(11,040,961.92)	(12,902,510.82)
		TOTAL UNRESTRICTED		6,514,492.58	(318,493.07)
				131,002,128.09	166,104,213.03
TOTAL UNRESTRICTED					
		RESTRICTED FUNDS:			
RESTRICTED FUNDS:		ACCOUNTS PAYABLE AND ACCRUED LIABILITIES			
CASH AND CASH EQUIVALENTS		DEFERRED REVENUES		46,979.56	30,692.62
INVESTMENTS		DUE TO OTHER FUNDS		3,256,222.10	597,868.81
UNBILLED COSTS AND ACCOUNTS RECEIVABLE		FUND BALANCES		0.00	375,766.30
		TOTAL RESTRICTED		1,112,300.67	2,439,745.15
TOTAL RESTRICTED		TOTAL CURRENT FUNDS		4,415,502.33	3,444,072.88
TOTAL CURRENT FUNDS				135,417,630.42	169,548,285.91
LOAN FUNDS:		LOAN FUNDS:			
CASH AND CASH EQUIVALENTS		ACCOUNTS PAYABLE AND ACCRUED LIABILITIES			
NOTES RECEIVABLE (LESS ALLOWANCE FOR		REFUNDABLE GOVERNMENT ADVANCES		6,000.00	150.00
DOUBTFUL ACCOUNTS OF \$722,025.21 FOR		FUND BALANCES:		4,628,943.38	4,530,636.86
2013 AND \$446,174.34 FOR 2012)		UNIVERSITY FUND BALANCES		1,002,450.04	513,151.18
		TOTAL LOAN FUNDS		1,002,450.04	513,151.18
TOTAL LOAN FUNDS				5,637,393.42	5,043,938.04
ENDOWMENT FUNDS:		ENDOWMENT FUNDS:			
CASH AND CASH EQUIVALENTS		ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		26,609,000.00	23,060,600.00
INVESTMENTS		BONDS PAYABLE		7,357,814.00	6,968,806.00
ACCOUNTS RECEIVABLE		FUND BALANCES:			
REAL ESTATE HELD FOR RESALE		RESTRICTED NONEXPENDABLE		33,825,008.46	31,254,927.31
PREPAID-LIFE ESTATE		UNRESTRICTED EXPENDABLE		81,825,621.76	76,629,272.16
		TOTAL FUND BALANCES		115,654,630.22	107,884,199.47
		TOTAL ENDOWMENT FUNDS		149,621,444.22	137,913,605.47
TOTAL ENDOWMENT FUNDS					
		PLANT FUNDS:			
PLANT FUNDS:		ACCOUNTS PAYABLE AND ACCRUED LIABILITIES			
CASH AND CASH EQUIVALENTS		NOTES PAYABLE		14,297,362.49	10,471,719.30
INVESTMENTS		DEFERRED REVENUES		913,042.26	0.00
ACCOUNTS RECEIVABLE		OTHER DEPOSITS		7,117,579.38	7,353,946.78
DUE FROM OTHER FUNDS		BONDS PAYABLE		25,791.63	25,791.63
PREPAID EXPENSES				346,978,780.34	355,054,349.36
CAPITAL LEASE RECEIVABLE					
INVESTMENT IN PLANT:					
LAND					
LAND IMPROVEMENTS					
BUILDINGS, ACCUM DEPREC AND IMPROVEMENTS					
OTHER EQUIPMENT, BOOKS AND FILMS					
CONSTRUCTION IN PROGRESS					
TOTAL PLANT FUNDS					
TOTAL ASSETS		TOTAL LIABILITIES AND FUND BALANCES		\$	\$
				998,565,177.55	1,004,195,655.41

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE SIX MONTHS ENDED MARCH 31, 2013

	CURRENT FUNDS		RESTRICTED	LOAN FUNDS	ENDOWMENT FUNDS	RENEWALS AND REPLACEMENTS	PLANT FUNDS RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
	UNRESTRICTED							
REVENUES AND OTHER ADDITIONS:								
EDUCATIONAL AND GENERAL REVENUES	158,164,824.25							
HOSPITALS REVENUES	165,255,963.55							
AUXILIARY ENTERPRISES REVENUES	8,935,412.68							
GRANTS AND CONTRACTS:								
FEDERAL			22,597,748.25					
STATE AND LOCAL			2,527,277.82					
PRIVATE			2,379,839.43					
GOVERNMENT APPROPRIATIONS:								
FEDERAL								
STATE						83,507.00		
INVESTMENT INCOME, GAINS/LOSS				1,657.23	3,230,306.09	104,446.90	22,796.09	
INSURANCE PROCEEDS								
INTEREST ON LOANS RECEIVABLE								
GIFTS AND BEQUESTS				53,983.90	1,774,998.18	123,696.40	17,002.44	
EXPENDED FOR PLANT FACILITIES (INCLUDING \$4,465,759.02 CURRENT FUNDS EXPENDITURES)								36,750,293.38
RETIREMENT OF INDEBTEDNESS								6,235,000.00
PROCEEDS FROM SALE OF CAPITAL ASSETS								(242,651.64)
OTHER SOURCES			1,779,626.74		1,825.00	1,096,724.71		
TOTAL REVENUES AND OTHER ADDITIONS	332,356,200.48		29,284,492.24	55,641.13	5,007,129.27	1,408,375.01	39,798.53	42,742,641.74
EXPENDITURES AND OTHER DEDUCTIONS:								
EDUCATIONAL AND GENERAL EXPENDITURES	145,515,087.98		27,269,023.78					
HOSPITALS EXPENDITURES	159,997,585.40		(462.00)					
AUXILIARY ENTERPRISES EXPENDITURES	6,601,367.31							
INDIRECT COSTS RECOVERED			2,293,726.66					
REFUNDED TO GRANTORS			16,220.86					
RETIREMENT OF INDEBTEDNESS							6,235,000.00	
ADMINISTRATIVE AND COLLECTION COSTS				234.94				
EXPENDED FOR PLANT FACILITIES (INCLUDING \$967,466.10 FOR NON-CAPITALIZED EXPENDITURES)						33,252,000.46		34,347.74
INTEREST ON INDEBTEDNESS								15,576,646.72
DEPRECIATION EXPENSES OF PLANT FACILITIES								
DISPOSAL OF PLANT								
OTHER DEDUCTIONS				(71,200.00)	211,609.90		58,620.25	
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	312,114,040.69		29,578,509.30	(70,965.06)	211,609.90	33,252,000.46	12,642,416.75	15,610,994.46
TRANSFERS AMONG FUNDS-ADDITIONS (DEDUCTIONS):								
MANDATORY:								
PRINCIPAL AND INTEREST	(12,637,283.88)							
FINANCIAL AID MATCHING	(139,632.00)		139,632.00			(536,754.96)	13,234,920.59	(60,881.75)
NON-MANDATORY:								
FUNDED DEPRECIATION	(2,549,998.84)					2,549,998.84		
MOBILE RACING COMMISSION	(23,571.98)					23,571.98		
PLANT ADDITIONS AND REPLACEMENTS	(3,959,700.00)		(37,000.00)			3,996,700.00		
ENDOWMENT FUND	(1,516,575.54)		326,564.18					
OTHER TRANSFERS	2,264,082.27		(357,962.13)		1,213,583.34	(23,571.98)		
TOTAL TRANSFERS	(18,562,679.97)		71,234.05	0.00	(851,409.07)	362,519.93	(773,076.66)	(644,154.34)
NET INCREASE (DECREASE) FOR THE PERIOD	1,679,479.82		(222,783.01)	126,606.19	5,157,693.64	(25,471,161.64)	(140,774.29)	26,426,611.19
FUND BALANCES AT OCTOBER 1, 2012	4,835,012.76		1,335,083.68	875,843.85	110,496,936.58	40,187,188.07	4,927,666.90	292,626,623.16
FUND BALANCES AT MARCH 31, 2013	6,514,492.58		1,112,300.67	1,002,450.04	115,654,630.22	14,716,026.43	4,786,892.61	319,053,234.35

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$2,549,998.84 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE SIX MONTHS ENDED MARCH 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	FOR THE SIX MONTHS ENDED MARCH 31, 2013			MARCH 31, 2012
	UNRESTRICTED	RESTRICTED	TOTAL	
REVENUES:				
TUITION AND FEES	\$ 69,536,693.64	\$	69,536,693.64	\$ 64,145,777.47
STATE APPROPRIATIONS	46,465,422.00		46,465,422.00	48,438,446.04
MOBILE RACING COMMISSION	23,571.98		23,571.98	29,193.21
FEDERAL GRANTS AND CONTRACTS	1,868,555.40		22,733,521.60	26,012,299.75
STATE GRANTS AND CONTRACTS (INCLUDING INDIRECT COST RECOVERED OF \$99,423.45)	177,582.25	2,222,321.64	2,399,903.89	1,806,414.16
PRIVATE GIFTS, GRANTS, AND CONTRACTS (INCLUDING INDIRECT COSTS RECOVERED OF \$335,747.81)	28,025,767.20	2,050,594.47	28,076,361.67	28,400,504.21
INVESTMENT INCOME	390,780.92		390,780.92	104,327.41
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	1,967,141.61		1,967,141.61	1,884,793.85
HOSPITALS - SALES AND SERVICES	161,028,861.55		161,028,861.55 *	171,806,228.06
- STATE APPROPRIATIONS	4,227,102.00		4,227,102.00	4,406,892.00
AUXILIARY ENTERPRISES - SALES AND SERVICES	8,935,412.68		8,935,412.68	8,838,058.07
OTHER SOURCES	11,719,309.25	2,120,679.47	13,839,988.72	14,372,744.79
TOTAL CURRENT REVENUES	332,356,200.48	27,268,561.78	359,624,762.26	370,245,679.02
EXPENDITURES AND TRANSFERS:				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	56,537,534.20	4,202,270.03	62,739,804.23	60,203,644.13
RESEARCH	4,757,288.01	4,866,006.62	9,623,274.63	10,121,612.45
PUBLIC SERVICE	27,293,330.21	2,208,836.02	29,502,166.23	30,502,039.55
ACADEMIC SUPPORT	9,619,591.63		9,619,591.63	10,077,103.09
STUDENT SERVICES	15,375,381.04	423,683.52	15,799,064.56	14,659,402.83
INSTITUTIONAL SUPPORT	13,784,657.08	824,220.93	14,608,878.01	14,074,050.02
OPERATION AND MAINTENANCE OF PLANT	11,300,890.35	3,872,479.79	15,173,370.14	18,023,008.10
SCHOLARSHIPS	4,646,435.46	10,871,526.87	15,517,962.33	15,161,880.79
EDUCATIONAL AND GENERAL	145,515,087.96	27,268,023.76	172,784,111.76	172,822,740.96
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	7,269,117.06		7,269,117.06	6,878,997.36
FINANCIAL AID MATCHING	139,632.00		139,632.00	0.00
TOTAL EDUCATIONAL AND GENERAL	152,923,837.04	27,268,023.76	180,192,860.82	179,701,738.32
HOSPITALS (INCLUDING DEBT SERVICE OF \$3,124,913.04)	163,122,498.44	(462.00)	163,122,036.44	177,351,899.10
AUXILIARY ENTERPRISES:				
EXPENDITURES	6,601,367.31		6,601,367.31	6,228,844.26
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	2,243,253.78		2,243,253.78	2,204,469.78
NON-MANDATORY TRANSFERS FOR:				
RENEWALS AND REPLACEMENTS	0.00		0.00	120,000.00
TOTAL AUXILIARIES	8,844,621.09	0.00	8,844,621.09	8,553,314.04
TOTAL EXPENDITURES AND TRANSFERS	324,990,956.57	27,268,561.76	352,159,518.35	365,506,951.46
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):				
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES		(277,796.20)	(277,796.20)	221,166.10
REFUNDED TO GRANTORS		(16,220.86)	(16,220.86)	(244,279.99)
FUNDED DEPRECIATION	(2,549,998.84)		(2,549,998.84)	(5,752,760.64)
MOBILE RACING COMMISSION	(23,571.98)		(23,571.98)	(29,193.21)
PLANT ADDITIONS AND REPLACEMENTS	(3,959,700.00)	(37,000.00)	(3,996,700.00)	(3,957,000.00)
ENDOWMENT FUND	(1,516,575.54)	326,564.18	(1,190,011.36)	(694,588.54)
OTHER TRANSFERS	2,264,082.27	(218,330.13)	2,045,752.14	2,236,387.69
TOTAL TRANSFERS	(5,785,764.09)	(222,783.01)	(6,008,547.10)	(8,220,268.59)
NET INCREASE/(DECREASE) IN FUND BALANCES	\$ 1,679,479.82	\$ (222,783.01)	\$ 1,456,696.81	\$ (3,581,541.03)

*HOSPITALS REVENUES AND HOSPITAL FUNDED DEPRECIATION TRANSFERS INCLUDE \$2,549,998.84 IN MEDICAID DISPROPORTIONATE SHARE PAYMENTS.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTS

The accompanying financial reports are the responsibility of management of the University of South Alabama. Management is responsible for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets and for devising a system of internal control that will, among other things, help assure the production of proper financial statements. The transactions which should be reflected in the accounts and in the financial reports are matters within the direct knowledge and control of management.

BASIS OF PRESENTATION

The financial reports of the University of South Alabama (the University) are prepared on the accrual basis. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and, (3) transfers of a nonmandatory nature in all other cases.

FUND ACCOUNTING

In order to observe limitations and restrictions placed on the use of resources available to the University, the accounts of the University are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds which may be used for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, funds restricted by outside sources are so indicated and are distinguished from funds designated for specific purposes by authority of the Board of Trustees.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

CURRENT FUNDS

Current fund balances are separated into those which are unrestricted and those which are restricted by donors and grantors. Restricted funds may only be expended for the purpose indicated by the donor or grantor, whereas unrestricted funds are under the control of the University to use in achieving its educational purposes.

PLANT FUNDS

Plant funds include the transactions related to investment in institutional properties and related indebtedness.

Plant assets consisting of land, buildings, equipment and library books are stated at cost or, if contributed, at fair market value at the time of receipt. Investment in plant is reduced for disposals of plant assets.

Some equipment purchases are made from current funds and are presented under the appropriate functional classification of expenditures, while other additions are funded by transfers from unrestricted current funds to the plant funds. All such expenditures in excess of \$5,000 having a life of two years or more are capitalized as investment in plant.

INVESTMENT IN POOLED FUNDS

Investments are stated at cost, except those received by gift which are stated at fair market value at date of receipt. Endowment investments of the University are maintained and administered in a common pool. Separate accounts are maintained for each fund, as applicable. Depositories and other financial institutions that held investments for the University have pledged securities of various governmental agencies to secure funds held on deposit.

UNRESTRICTED GIFTS

Except for pledged operating and capital gifts, unrestricted gifts are recognized as revenue when received. Certain operating and capital pledges are recorded as a receivable, along with the corresponding revenue, when such pledges are made.

GRANTS AND CONTRACTS

The University has been awarded grants and contracts for current funds operations for which the funds have not been received nor have expenditures been made for the purpose specified in the grant or contract. These awards have not been reflected in the financial reports, but represent commitments of sponsors to provide funds for specific research and training projects.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

SCHOLARSHIPS AND FELLOWSHIPS

The University receives funds which are restricted by donors and grantors for assistance to qualified students. When these funds are granted to students, the University records the expenditure for scholarships and fellowships along with the corresponding revenue.

INCOME TAXES

The Internal Revenue Service has determined that the University is a tax-exempt organization; accordingly, no provision for income taxes has been made in the accompanying financial statements.

DEFERRED REVENUES AND EXPENDITURES

Dormitory rentals, student tuition and other fees, together with related expenditures, are deferred and amortized over the applicable academic semester.

EMPLOYEE BENEFITS

Employees of the University are covered by two pension plans, a defined contribution pension plan and a pension plan administered by the Teachers' Retirement System of the State of Alabama (the Retirement Plan).

The defined contribution pension plan covers certain academic and administrative employees and contributions under this plan are funded as accrued.

Permanent employees of the University participate in the Teachers' Retirement System of Alabama. The Retirement Plan is fully funded by the State and by contributions from participating employees. The University contributes 12.07% of each employee's gross earnings to the Retirement Plan and is reflected in current funds expenditures. All covered employees must contribute 5% of their gross earnings to the Retirement Plan. Benefits fully vest after 10 years of full-time, permanent employment.

LIABILITY INSURANCE

The University and certain of its affiliates participate in professional and general liability trust funds. These trust funds are irrevocable and use contributions by the University and its affiliates, together with earnings thereon, to pay liabilities arising from the performance of its employees. Contributions to the trusts are recorded as expenditures upon payment and are determined by independent actuaries. If the trust funds are ever terminated, appropriate provision for payment of reported claims will be made and any remaining balance will be distributed to the University and its affiliates in proportion to contributions made.

UNIVERSITY OF SOUTH ALABAMA
Notes to Financial Report

BONDS PAYABLE

Bonds payable consist of the following:

- University Tuition Revenue Refunding and Capital Improvements Bonds, Series 1996, 3.80% to 5.00%, payable through November 2015 (refunded in January 2007)
- University Tuition Revenue Bonds, Series 1999, 3.70% to 5.25%, payable through November 2018.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, 2.00% to 5.00%, payable through March 2024.
- University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, 5.00% payable through June 2037.
- University Facilities Revenue Capital Improvement Bonds, Series 2008, 3.00% to 5.00%, payable through August 2038.
- University Facilities Revenue Capital Improvement Bond, Series 2010, 3.81% payable through August 2030.
- University Facilities Revenue Capital Improvement Bond, Series 2012A, 2.92% payable through August 2032.
- University Facilities Revenue Capital Improvement Bond, Series 2012B, 2.14% payable through February 2018.

LITIGATION

Various other claims have been filed against the University alleging discriminatory employment practices and other matters. University administration and legal counsel are of the opinion that the resolution of these matters will not have a material effect on the financial position or results of operations of the University.

MEDICAID DISPROPORTIONATE SHARE PAYMENTS

Hospitals revenues include funds received from the Alabama Medicaid Agency for services provided to a disproportionately high number of low income patients.

SUPPLEMENTAL SCHEDULES

SUMMARY SCHEDULE OF AUXILIARY ENTERPRISES
REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE SIX MONTHS ENDED MARCH 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	REVENUES	EXPENDITURES	TRANSFERS	EXCESS REVENUES OVER EXPENDITURES AND OTHER CHANGES (DEFICIT)	
				03/31/13	03/31/12
BOOKSTORE	\$ 3,577,610.89	\$ 3,689,478.97	\$ (118,266.00)	\$ (230,134.08)	\$ 69,481.24
BROOKLEY CENTER	0.00	0.00	0.00	0.00	(3.15)
FOOD SERVICES-CAMPUS	530,557.80	163,800.85	(338,013.78)	28,743.17	(72,834.92)
HOUSING	4,827,243.99	2,748,087.49	(1,786,974.00)	292,182.50	283,754.05
TOTAL	\$ 8,935,412.68	\$ 6,601,367.31	\$ (2,243,253.78)	\$ 90,791.59	\$ 280,397.22

BOOKSTORE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE SIX MONTHS ENDED MARCH 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	<u>03/31/13</u>	<u>03/31/12</u>
REVENUES:		
SALES	\$ 3,440,071.81	\$ 3,540,823.30
LESS: DEPARTMENTAL DISCOUNTS	3,547.86	2,687.22
COST OF GOODS SOLD	<u>2,692,966.43</u>	<u>2,566,424.32</u>
GROSS PROFIT	743,557.52	971,711.76
CASH OVER/(SHORT)	(19.37)	(1,428.18)
GRADUATION (NET)	87,132.00	78,240.15
TEXTBOOK RENTAL INCOME	20,527.44	0.00
OTHER	29,899.01	22,392.27
NET REVENUES:	<u>881,096.60</u>	<u>1,070,916.00</u>
EXPENDITURES:		
SALARIES	430,047.75	383,642.34
EMPLOYEE BENEFITS	128,726.92	119,536.72
SUPPLIES	15,363.01	11,084.97
TRAVEL	8,160.53	8,622.39
EQUIPMENT	5,516.84	9,234.24
EQUIPMENT MAINTENANCE AND REPAIR	36,472.45	31,197.89
BUILDING & EQUIPMENT RENTAL	14,101.14	13,285.53
ADVERTISING	23,303.93	16,332.69
UTILITIES	37,500.00	37,500.00
TELEPHONE	3,573.81	12,717.64
INSURANCE AND BONDS	3,912.00	3,997.00
CONTRACT SERVICES	79,048.76	84,195.72
RENT	0.00	777.00
OBSOLETE INVENTORY	1,606.24	403.90
GENERAL EXPENSES	11,509.04	16,325.59
CHARGE CARD AND FACULTY		
STAFF DISCOUNTS	52,847.28	17,188.66
INSTITUTIONAL COST ALLOCATION	141,274.98	117,126.48
TOTAL EXPENDITURES	<u>992,964.68</u>	<u>883,168.76</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):		
MANDATORY:		
PRINCIPAL AND INTEREST	(118,266.00)	(118,266.00)
NON-MANDATORY:		
OTHER TRANSFERS	0.00	0.00
RENEWAL AND REPLACEMENT	0.00	0.00
RETIREMENT REIMBURSEMENT	0.00	0.00
TOTAL TRANSFERS	<u>(118,266.00)</u>	<u>(118,266.00)</u>
EXCESS REVENUES OVER EXPENDITURES		
AND MANDATORY TRANSFERS	<u>\$ (230,134.08)</u>	<u>\$ 69,481.24</u>

FOOD SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE SIX MONTHS ENDED MARCH 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	03/31/13	03/31/12
REVENUES:		
COMMISSION INCOME	\$ 530,557.80	\$ 524,492.36
TOTAL REVENUES	<u>530,557.80</u>	<u>524,492.36</u>
EXPENDITURES:		
SALARIES	0.00	0.00
EMPLOYEE BENEFITS	0.00	0.00
SUPPLIES	22.96	82.99
EQUIPMENT MAINTENANCE AND REPAIR	37,856.65	24,591.47
UTILITIES	62,500.02	62,500.02
TELEPHONE	21.92	331.99
MEMBERSHIPS AND DUES	0.00	0.00
CONTRACT SERVICES	19,092.42	16,553.25
INSURANCE AND BONDS	23,703.00	9,537.00
EQUIPMENT	0.00	1,159.98
BUILDING MAINTENANCE AND REPAIR	0.00	2,905.00
INDIRECT COST	12,499.98	12,499.98
GENERAL EXPENSE	<u>8,103.90</u>	<u>9,151.82</u>
TOTAL EXPENDITURES	<u>163,800.85</u>	<u>139,313.50</u>
TRANSFERS AMONG FUNDS-		
ADDITIONS/(DEDUCTIONS):	(338,013.78)	(338,013.78)
NON-MANDATORY:		
OTHER TRANSFERS	0.00	(120,000.00)
TOTAL TRANSFERS	<u>(338,013.78)</u>	<u>(458,013.78)</u>
EXCESS REVENUES OVER		
EXPENDITURES AND MANDATORY		
TRANSFERS (DEFICIT)	<u>\$ 28,743.17</u>	<u>\$ (72,834.92)</u>

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE SIX MONTHS ENDED MARCH 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	CENTRAL HOUSING	HOUSING PROGRAMMING	WASHERS AND DRYERS	CAMPS AND CONFERENCES	STOKES HALL	HILLSDALE MARRIED STUDENT	SMALL GROUP HOUSING
REVENUES:							
RENTAL INCOME	\$ 0.00	\$ 0.00	\$ 122,625.00	\$ 0.00	\$ 975,343.94	\$ 22,752.58	\$ 231,364.25
BAD DEBT RECOVERY	685.00	0.00	0.00	0.00	0.00	279.52	0.00
OTHER	33,900.00	0.00	0.00	0.00	5,179.89	750.00	76,863.03
TOTAL REVENUES	34,585.00	0.00	122,625.00	0.00	980,523.83	23,782.10	308,227.28
EXPENDITURES:							
SALARIES	199,768.36	3,210.67	0.00	311.75	65,647.09	0.00	36,183.25
EMPLOYEE BENEFITS	57,849.74	0.00	0.00	0.00	4,852.27	0.00	0.00
CONTRACT LABOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT SERVICES	129.75	0.00	64,753.00	0.00	17,019.50	0.00	1,500.00
TRAVEL	8,478.61	0.00	0.00	0.00	0.00	0.00	0.00
RECEPTIONS	0.00	9,231.78	0.00	0.00	0.00	0.00	0.00
SUPPLIES	10,456.56	1,228.41	0.00	0.00	643.83	0.00	709.54
CABLE	96,230.31	0.00	0.00	0.00	0.00	0.00	0.00
TELEPHONE	259.96	0.00	0.00	0.00	183.25	0.00	158.04
UTILITIES	0.00	0.00	0.00	0.00	0.00	0.00	515.33
INSURANCE AND BONDS	732.00	0.00	0.00	0.00	8,633.00	2,359.00	5,846.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	922.47	2,392.00	0.00	0.00	654.00	0.00	1,860.00
EQUIPMENT RENTAL	588.09	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	38,009.44	21,938.33	0.00	0.00	50,375.05	496.96	22,047.10
ADMINISTRATIVE OVERHEAD	253,944.78	0.00	0.00	0.00	140,276.28	0.00	47,040.00
ADMINISTRATIVE EXPENSES	(632,785.07)	(38,001.19)	21,465.16	0.00	102,630.30	0.00	54,333.70
TOTAL EXPENDITURES	34,585.00	0.00	86,218.16	311.75	390,914.57	2,855.96	170,192.96
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	0.00	0.00	0.00	0.00	(962,808.00)	0.00	(230,280.00)
TOTAL MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	(962,808.00)	0.00	(230,280.00)
NON-MANDATORY:							
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL TRANSFERS	0.00	0.00	0.00	0.00	(962,808.00)	0.00	(230,280.00)
EXCESS REVENUES OVER EXPENDITURES	\$ 0.00	\$ 0.00	\$ 36,406.84	\$ (311.75)	\$ (373,198.74)	\$ 20,926.14	\$ (92,245.68)
AND TRANSFERS (DEFICIT)							

HOUSING
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE SIX MONTHS ENDED MARCH 31, 2013
WITH COMPARATIVE FIGURES FOR 2012

	GAMMA DORMS	BETA DORMS	DELTA DORMS	EPSILON DORMS	NEW RESIDENCE HALL 2013	TOTAL HOUSING 03/31/13	TOTAL HOUSING 03/31/12
REVENUES:							
RENTAL INCOME	\$ 725,670.15	\$ 455,256.93	\$ 1,535,695.48	\$ 615,250.59	\$ 0.00	\$ 4,683,958.92	\$ 4,537,330.71
BAD DEBT RECOVERY	0.00	0.00	0.00	0.00	0.00	964.52	3,065.09
OTHER	4,968.00	2,616.25	9,558.38	8,485.00	0.00	142,320.55	133,142.37
TOTAL REVENUES	<u>730,638.15</u>	<u>457,873.18</u>	<u>1,545,253.86</u>	<u>623,735.59</u>	<u>0.00</u>	<u>4,827,243.99</u>	<u>4,673,538.17</u>
EXPENDITURES:							
SALARIES	78,236.42	41,276.47	143,162.94	61,140.55	0.00	628,937.50	508,886.78
EMPLOYEE BENEFITS	10,583.86	7,108.53	29,516.01	3,939.78	0.00	113,850.19	77,701.53
CONTRACT LABOR	0.00	0.00	551.93	0.00	0.00	551.93	7,409.71
CONTRACT SERVICES	2,040.00	150.00	3,858.50	3,244.08	0.00	92,694.83	68,484.57
TRAVEL	0.00	0.00	0.00	0.00	0.00	8,478.61	2,964.03
RECEPTIONS	0.00	0.00	0.00	0.00	0.00	9,231.78	5,162.64
SUPPLIES	143.25	0.00	2,128.13	1,135.92	0.00	16,445.64	36,735.52
CABLE	0.00	0.00	0.00	0.00	0.00	96,230.31	103,704.64
TELEPHONE	90.56	140.96	352.84	367.95	0.00	1,553.56	1,403.82
UTILITIES	0.00	0.00	0.00	0.00	0.00	515.33	650.22
INSURANCE AND BONDS	8,709.00	4,197.00	13,039.00	5,303.00	0.00	48,818.00	52,569.00
BAD DEBT EXPENSE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BUILDING MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EQUIPMENT	0.00	0.00	0.00	198.55	0.00	6,027.02	8,080.74
EQUIPMENT RENTAL	0.00	0.00	383.29	0.00	0.00	971.38	649.18
EQUIPMENT MAINTENANCE AND REPAIR	0.00	0.00	0.00	0.00	0.00	0.00	814.45
FOUNDATIONS MAINTENANCE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MAJOR RENOVATIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GENERAL EXPENSES	44,198.35	31,951.75	108,592.47	56,080.40	0.00	373,689.85	600,526.95
ADMINISTRATIVE OVERHEAD	267,972.00	126,549.00	385,600.50	128,709.00	0.00	1,350,091.56	1,165,850.34
ADMINISTRATIVE EXPENSES	110,679.73	62,383.12	239,470.69	79,823.56	0.00	0.00	0.00
TOTAL EXPENDITURES	<u>522,653.17</u>	<u>273,756.83</u>	<u>926,656.30</u>	<u>339,942.79</u>	<u>0.00</u>	<u>2,748,087.49</u>	<u>2,641,594.12</u>
TRANSFERS AMONG FUNDS -							
ADDITIONS/(DEDUCTIONS):							
MANDATORY:							
PRINCIPAL AND INTEREST	(114,864.00)	(34,320.00)	(185,805.00)	(186,444.00)	(72,453.00)	(1,786,974.00)	(1,748,190.00)
TOTAL MANDATORY TRANSFERS	<u>(114,864.00)</u>	<u>(34,320.00)</u>	<u>(185,805.00)</u>	<u>(186,444.00)</u>	<u>(72,453.00)</u>	<u>(1,786,974.00)</u>	<u>(1,748,190.00)</u>
NON-MANDATORY:							
RENEWALS AND REPLACEMENTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER NON-MANDATORY TRANSFERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NON-MANDATORY TRANSFERS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL TRANSFERS	<u>(114,864.00)</u>	<u>(34,320.00)</u>	<u>(185,805.00)</u>	<u>(186,444.00)</u>	<u>(72,453.00)</u>	<u>(1,786,974.00)</u>	<u>(1,748,190.00)</u>
EXCESS REVENUES OVER EXPENDITURES	\$ 93,120.98	\$ 149,796.35	\$ 432,792.56	\$ 97,348.80	\$ (72,453.00)	\$ 292,182.50	\$ 283,754.05
AND TRANSFERS (DEFICIT)							

University of South Alabama
Quarterly Financial Statements
(A Component Unit of the State of Alabama)
Six Months Ended March 31, 2013 and 2012

Unaudited

University of South Alabama
Quarterly Financial Statements
(A Component Unit of the State of Alabama)
Six Months Ended March 31, 2013 and 2012

Contents

Management's Discussion and Analysis	1
Unaudited Quarterly Financial Statements	
Statements of Net Position.....	9
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows.....	11
Notes to Financial Statements.....	13

University of South Alabama

Management's Discussion and Analysis

Introduction

The following discussion presents an overview of the financial position and financial activities of the University of South Alabama (the University). This discussion was prepared by University management and should be read in conjunction with the financial statements and notes thereto, which follow.

Financial Highlights

At March 31, 2013, the University had total assets of \$958,352,000, total liabilities of \$499,245,000 and net position of \$459,107,000. University net assets increased \$5,597,000 for the six months ended March 31, 2013 compared to an increase of \$12,444,000 for the six months ended March 31, 2012. An overview of each statement is presented below along with a financial analysis of the transactions impacting the statement.

Condensed financial statements for the University at and for the six months ended March 31, 2013 and 2012 follow (in thousands):

Condensed Statements of Net Position

	2013	2012
<i>Assets</i>		
Current	\$ 309,598	\$ 305,277
Capital and other noncurrent assets	<u>648,754</u>	<u>617,760</u>
	<u>958,352</u>	<u>923,037</u>
<i>Liabilities</i>		
Current	108,199	93,769
Noncurrent	<u>391,046</u>	<u>401,702</u>
	<u>499,245</u>	<u>495,471</u>
<i>Net Position</i>		
Net Investment in Capital Assets	232,596	213,879
Restricted, nonexpendable	35,340	32,580
Restricted, expendable	50,175	46,103
Unrestricted	<u>140,996</u>	<u>135,004</u>
	<u>\$ 459,107</u>	<u>\$ 427,566</u>

University of South Alabama

Management's Discussion and Analysis (continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2013	2012
<i>Operating revenues</i>		
Tuition and fees	\$ 55,354	\$ 50,563
Hospital revenues, net	121,547	123,910
Other	<u>62,936</u>	<u>65,951</u>
	239,837	240,424
<i>Operating expenses</i>		
Salaries and benefits	203,928	203,357
Supplies and other services	71,270	72,633
Other	<u>25,687</u>	<u>25,953</u>
	298,885	301,943
Operating loss	(61,048)	(61,519)
<i>Nonoperating revenues (expenses)</i>		
State appropriations	50,693	52,845
Other, net	<u>9,286</u>	<u>11,219</u>
Net nonoperating revenues, net	59,979	64,064
Other revenues, expenses, gains or losses	<u>6,666</u>	<u>9,899</u>
Increase in net position	5,597	12,444
<i>Net Position</i>		
Beginning of period, before cumulative		
Change in accounting principle	453,510	416,896
Cumulative effect of change	<u>-</u>	<u>(1,774)</u>
Beginning of period, as adjusted	453,510	415,122
End of period	<u>\$ 459,107</u>	<u>\$ 427,566</u>

Analysis of Financial Position and Results of Operations

Statements of Net Position

The statements of net position present the assets, liabilities and net position of the University as of the end of the current reporting period. The net position is displayed in three parts, net investment in capital assets, restricted and unrestricted. Restricted net position may either be expendable or nonexpendable and are those assets that are restricted by law or by an external donor. Unrestricted net position, while it is generally

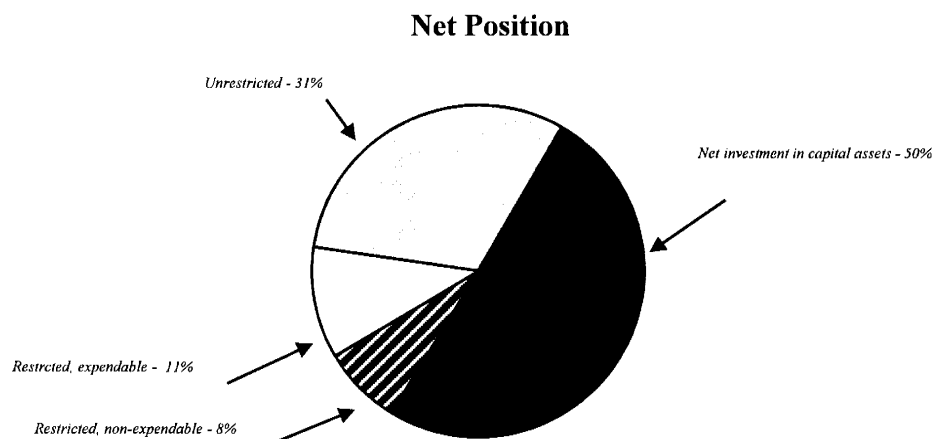
University of South Alabama

Management's Discussion and Analysis (continued)

designated for specific purposes, is available for use by the University to meet current expenses for any purposes. The statements of net position, along with all of the University's basic financial statements, are prepared under the accrual basis of accounting, whereby revenues are recognized when the service or goods is provided and expenses are recognized when others provide the service to the University, regardless of when cash is exchanged.

Assets included in the statements of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, operating investments and hospital patient accounts receivable. Current liabilities consist primarily of accounts payable and accrued liabilities.

Net position represents the residual interest in the University's assets after liabilities are deducted and are classified into one of four categories as shown on the following illustration, as of the end of the current reporting period:



Net investment in capital assets represents the University's capital assets less accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted nonexpendable net position consists primarily of the University's permanent endowment funds. The corpus of these funds may not be expended and must remain with the University in perpetuity. Only the earnings from these funds may be expended. Restricted expendable net assets are subject to externally imposed restrictions governing

University of South Alabama

Management's Discussion and Analysis (continued)

their use. The funds are restricted primarily for debt service, capital projects, student loans and scholarship purposes.

Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's unrestricted net position has been designated for various academic and research programs and initiatives as well as capital projects.

Statements of Revenues, Expenses and Changes in Net Position

Changes in total University net position as presented on the statements of net position is based on the activity presented in the statements of revenues, expenses and changes in net position. The purpose of the statements is to present the revenues recognized by the University, both operating and nonoperating, and the expenses incurred by the University, operating and nonoperating, and any other revenues, expenses, gains and losses recognized or incurred by the University.

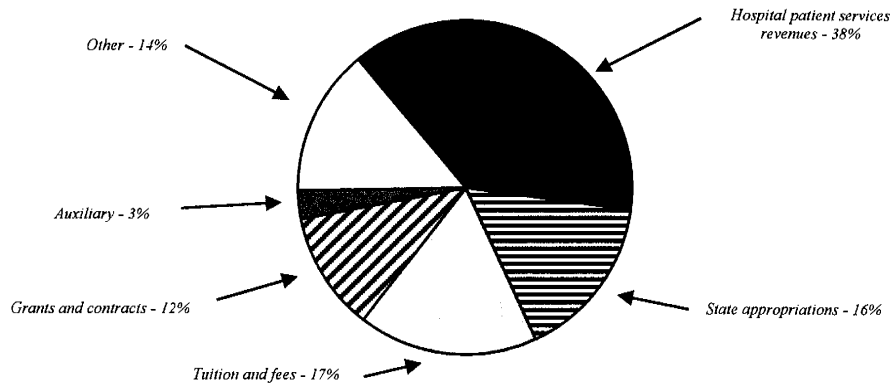
Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided. GASB Statement No. 34 requires that state appropriations be classified as nonoperating.

Approximately one-half of the operating revenues of the University are hospital patient care revenues. The remainder consists primarily of tuition and fees, grants and contracts, auxiliary enterprise and other revenues. The following illustration presents the major sources of University revenues (operating, nonoperating and other) for the current period:

University of South Alabama

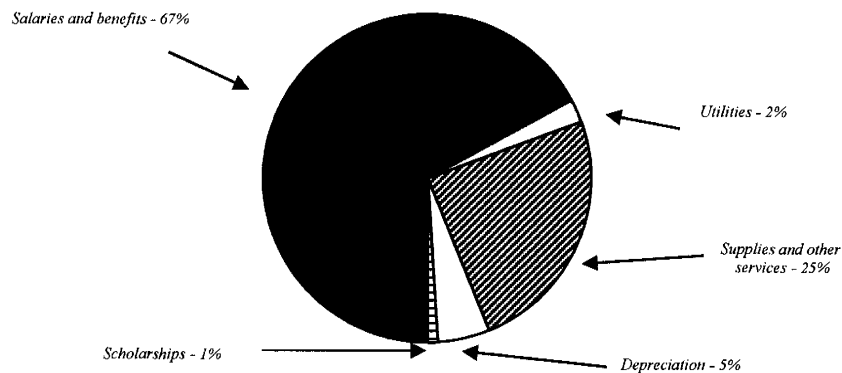
Management's Discussion and Analysis (continued)

Sources of Revenues



University expenses are presented using natural expense classifications. Salaries and benefits represent the majority of the University's operating expenses. The following illustration presents the major University operating expenses, including the Hospitals, using natural classification for the current period:

Operating Expenses by Natural Classification



Capital Assets and Debt Administration

During the current period, construction continued on the new Delta student housing facility, the expansion of Children's and Women's Hospital and a major renovation of the Student Center. Additionally, several other construction and renovation projects at the University and Hospitals remained ongoing during the current period. The construction of Shelby Hall was essentially completed in fiscal 2012. Also in fiscal 2012, the

University of South Alabama

Management's Discussion and Analysis (continued)

Renovation of the University Bookstore and the Campus Entrance Portals were placed into service.

In January 2012, the University issued the University Facilities Revenue Capital Improvement Bond, Series 2012-A, with a face value of \$25,000,000. The net proceeds of this bond will be used to fund the construction of new student housing as well as other construction and capital improvement projects at the University.

Also in January 2012, the University issued the University Facilities Revenue Capital Improvement Bond, Series 2012-B, with a face value of \$7,740,000. The net proceeds of this bond will be used to fund certain capital equipment purchases and renovations at the Hospitals and Mitchell Cancer Institute.

In March 2012, the University's bond credit rating was downgraded by Moody's Investors Services from Aa3 to A1. This represents the first change in the University's bond credit rating since it was upgraded from A1 to Aa3 in 2010. In November 2012, the Standard and Poor's Ratings Service reaffirmed the University's rating of A+.

In order to realize debt service savings currently from future debt refunding, in January 2008, the University entered into a synthetic advance refunding of the outstanding Series 2004 and 2006 bonds. This transaction was effected through the sale of two swaptions by the University to a counterparty and resulted in an up-front payment to the University totaling \$9,328,000 in exchange for selling the counterparty the option to enter into an interest rate swap with respect to the Series 2004 and 2006 bonds. A portion of this payment is considered a borrowing and is included in the long-term debt of the University. The fair value component of the refunding associated with the swaps is considered an investment derivative and, as such, the change in the fair value component is reflected as a component of investment income.

Economic Outlook

While enrollment and tuition have generally increased in recent years, state appropriations prior to 2008 were relatively flat. However, in the 2008, 2007 and 2006 fiscal years, the University experienced increases of 16%, 19% and 17%, respectively. These increases were unusually high. For the 2009 fiscal year, the University's original state appropriation decreased 12.8% or approximately \$17,882,000. Additionally, in December 2008 the Governor of Alabama announced proration of 9%, or approximately \$10,967,000; and in July 2009, the Governor announced additional proration of 2%, or

University of South Alabama

Management's Discussion and Analysis (continued)

approximately \$2,437,000. Therefore, the total decrease in the 2009 state appropriation was approximately \$31,286,000 to \$108,451,000, or 22.4% lower than in 2008.

A state appropriation in the amount of approximately \$108,133,000 was authorized for the year ended September 30, 2010. In September 2009, the Governor announced proration of 7.5%, or approximately \$8,264,000; and in September 2010, the Governor announced additional proration of 2%, or approximately \$2,162,000. Therefore, the total decrease from the original authorized 2010 state appropriation was approximately \$10,426,000 to \$97,860,000, or 9.6% lower than the original appropriation and 9.8% lower than the actual 2009 amounts received.

A state appropriation in the amount of \$99,947,000 was authorized for the year ended September 30, 2011. In February 2011, the Governor announced proration of 3%, or approximately \$2,999,000, to approximately \$96,948,000.

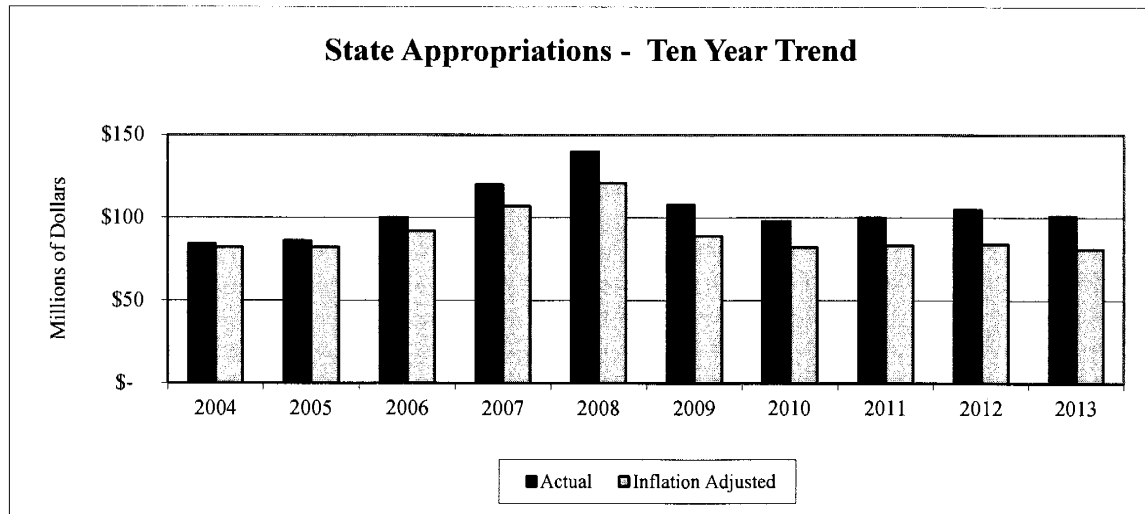
A state appropriation in the amount of approximately \$105,391,000 was authorized and received for the year ended September 30, 2012. This represented an \$8,443,000 increase from the fiscal 2011 appropriation received.

A state appropriation in the amount of approximately \$101,295,000 has been authorized and is being received for the year ending September 30, 2013. This represents a \$4,096,000 decrease from the fiscal 2012 appropriation received. While no announcement has been made, the University is aware that reductions in its 2013 appropriation are possible.

University of South Alabama

Management's Discussion and Analysis (continued)

State appropriations (actual and adjusted for inflation) for the last ten years are illustrated below:



In addition to state appropriations, the University is subject to declines in general economic conditions in the United States and, specifically, the State of Alabama. Weakening of the economy could have a potential negative impact on the University's enrollment, extramural funding, endowment performance, and health care operations.

Other than the issues presented above, University administration is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the University's financial position or results of operations during fiscal year 2013 beyond those unknown variables having a global effect on virtually all types of business operations.

University of South Alabama

Statements of Net Position

March 31, 2013 and 2012

(In thousands)

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 108,956	\$ 100,458
Investments, at fair value	101,674	89,005
Net patient service receivables	42,102	47,810
Accounts receivable, affiliates	26,312	24,185
Accounts receivable, other	12,519	30,478
Notes receivable, net	3,991	4,654
Prepaid expenses, inventories and other	14,044	8,687
Total current assets	309,598	305,277
Noncurrent assets		
Restricted cash and cash equivalents	48,505	67,369
Restricted investments	-	6,999
Investments, at fair value	773	735
Accounts receivable	4,636	5,217
Notes receivable, net	8,116	10,417
Other noncurrent assets	32,351	23,792
Capital assets (net of accumulated depreciation)	554,373	503,231
Total noncurrent assets	648,754	617,760
Total Assets	958,352	923,037
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	52,077	46,526
Deferred revenue	44,200	36,937
Deposits	2,040	1,915
Current portion of long-term debt	9,882	8,391
Total current liabilities	108,199	93,769
Noncurrent liabilities		
Long-term debt	343,541	353,632
Other long-term liabilities	47,505	48,070
Total noncurrent liabilities	391,046	401,702
Total liabilities	499,245	495,471
Net position		
Net investment in capital assets	232,596	213,879
Restricted, nonexpendable		
Scholarships	15,273	14,344
Other	20,067	18,236
Restricted, expendable		
Scholarships	9,013	9,465
Other	41,162	36,638
Unrestricted	140,996	135,004
Total net position	\$ 459,107	\$ 427,566

See accompanying notes to basic financial statements.

University of South Alabama

Statements of Revenues, Expenses and Changes in Net Position

Three Months Ended March 31, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Revenues		
Operating revenues		
Tuition and fees (net of scholarship allowances)	\$ 55,354	\$ 50,563
Patient services and other (net of contractual allowances and bad debt expense)	121,547	123,910
Federal grants and contracts	8,189	8,109
State grants and contracts	2,589	2,546
Private grants and contracts	25,634	26,308
Auxiliary enterprises (net of scholarship allowances)	8,768	8,687
Other operating revenues	17,756	20,301
Total operating revenues	<u>239,837</u>	<u>240,424</u>
Expenses		
Operating expenses		
Salaries and benefits	203,928	203,357
Supplies and other services	71,270	72,633
Scholarships and fellowships	3,084	3,232
Utilities	7,003	6,568
Depreciation and amortization	15,600	16,153
Total operating expenses	<u>300,885</u>	<u>301,943</u>
Operating loss	<u>(61,048)</u>	<u>(61,519)</u>
Nonoperating revenues (expenses)		
State appropriations	50,693	52,845
Investment income and gains (losses) on investments	3,823	7,044
Interest on indebtedness	(6,583)	(6,729)
Other nonoperating revenues	16,839	16,088
Other nonoperating expenses	(4,793)	(5,184)
Net nonoperating revenues	<u>59,979</u>	<u>64,064</u>
Income before other revenues, expenses, gains or losses	<u>(1,069)</u>	<u>2,545</u>
Capital appropriations	84	-
Capital gifts and grants	4,807	8,097
Additions to endowment	1,775	1,802
Increase in net assets	<u>5,597</u>	<u>12,444</u>
Net position		
Beginning of period, before cumulative effect of change in accounting principle	453,510	416,896
Cumulative effect of change in accounting principle	-	(1,774)
Beginning of period, as adjusted	<u>453,510</u>	<u>415,122</u>
End of period	<u>\$ 459,107</u>	<u>\$ 427,566</u>

See accompanying notes to basic financial statements.

University of South Alabama

Statement of Cash Flows

Three Months Ended March 31, 2013 and 2012

(in thousands)

	2013	2012
Cash flows from operating activities:		
Receipts related to tuition and fees	\$ 42,398	\$ 36,578
Receipts from and on behalf of patients and third-party payers	128,807	119,491
Receipts from grants and contracts	36,037	36,009
Receipts related to auxiliary enterprises	7,824	7,610
Payments to suppliers and vendors	(92,268)	(98,983)
Payments to employees and related benefits	(205,349)	(192,687)
Payments for scholarships and fellowships	(3,084)	(3,232)
Other operating receipts	32,564	37,539
Net cash used in operating activities	(53,071)	(57,675)
Cash flows from noncapital financing activities:		
State appropriations	33,810	34,947
Endowment gifts	1,775	1,802
Agency funds received	530	426
Agency funds disbursed	(822)	(296)
Student loan program receipts	55,256	50,824
Student loan program disbursements	(55,508)	(51,095)
Other nonoperating revenues	21,606	10,890
Other nonoperating expenses	(4,793)	(5,500)
Net cash provided by noncapital financing activities	51,854	41,998
Cash flows from capital and related financing activities:		
Proceeds from issuance of capital debt	-	32,740
Capital gifts and grants	5,764	8,098
Purchases of capital assets	(35,215)	(29,256)
Proceeds from sale of capital assets	3,556	3,846
Principal payments on capital debt	(6,235)	(4,785)
Interest payments on capital debt	(7,103)	(6,717)
Net cash provided by (used in) capital and related financing activities	(39,233)	3,926
Cash flows from investing activities:		
Interest and dividends on investments	1,856	4,806
Proceeds from sales of investments	11,450	15,143
Purchases of investments	(18,750)	(18,133)
Net cash provided by (used in) investing activities	(5,444)	1,816
Net decrease in cash and cash equivalents	(45,894)	(9,935)
Cash and cash equivalents (unrestricted and restricted):		
Beginning of year	203,355	177,762
End of period	\$ 157,461	\$ 167,827

University of South Alabama

Statement of Cash Flows

Three Months Ended March 31, 2013 and 2012

(in thousands)

	<u>2013</u>	<u>2012</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (61,048)	\$ (61,519)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	15,600	16,153
Changes in operating assets and liabilities, net:		
Student receivables	3,031	1,653
Net patient service receivables	(15,265)	(14,103)
Grants and contracts receivables	(79)	(623)
Other receivables	16,338	(2,195)
Prepaid expenses, inventories, and other	(1,210)	(986)
Accounts payable and accrued liabilities	(3,054)	1,222
Deferred revenue	(7,384)	2,723
Net cash used in operating activities	<u>\$ (53,071)</u>	<u>\$ (57,675)</u>

See accompanying notes to basic financial statements.

University of South Alabama
Notes to Financial Statements
March 31, 2013

1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying basic financial statements present the financial position and activities of the University of South Alabama (the University), which is a component unit of the State of Alabama.

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, at year-end, the basic financial statements include the accounts of the University, as the primary government, and the accounts of the following entities as component units. For quarterly reporting purposes, however, component units are not presented in the University's basic financial statements.

The University has adopted GASB Statement No. 39 which provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government. The statement also clarifies reporting requirements for those organizations. Based on these criteria, the University reports the University of South Alabama Foundation (USA Foundation), the University of South Alabama Health Services Foundation (USAHSF), and the USA Research and Technology Corporation (the Corporation) as discretely presented component units in its annual financial statements. For quarterly reporting purposes, discretely presented component unit financial statements are not presented.

The University is also affiliated with the South Alabama Medical Science Foundation (SAMSF). This entity is not considered a component unit of the University under the provisions of GASB Statement Nos. 14 and 39.

Professional Liability and General Liability Trust Funds

GASB Statement No. 14 requires the University, as the primary government, to include in its financial statements, as a component unit, organizations that, even though they are legally separate entities, meet certain requirements as defined by GASB Statement No. 14. The medical malpractice liability of the University is maintained and managed in a separate professional liability trust fund (the PLTF) in which the University, USAHSF, and USA HealthCare Management, LLC (the LLC) are the only participants. In accordance with the bylaws of the trust fund, the president of the University is responsible for appointing members of the trust fund policy committee. Additionally, the general liability of the University, LLC, USAHSF, SAMSF and the Corporation is maintained and managed in a general liability trust fund (the GLTF) for which the

University of South Alabama
Notes to Financial Statements
March 31, 2013

University is responsible, as defined by GASB Statement No. 14. The PLTF and GLTF are separate legal entities which are governed by the University Board of Trustees through the University president. As such, PLTF and GLTF are reported as blended component units in its annual financial statements. For quarterly reporting purposes these entities are not blended into the University's statements.

USA HealthCare Management, LLC

In June 2010, the University's Board of Trustees approved the formation of USA HealthCare Management, LLC (the LLC). The University is the sole member of the LLC, which was organized for the purpose of managing and operating on behalf of and as agent for substantially all of the health care enterprises of the University. The LLC is considered a blended component unit of the University, as defined by GASB Statement No. 14 and, as such, is reported as a blended component unit in its quarterly financial statements.

University of South Alabama Foundation

The USA Foundation is a not-for-profit corporation that was organized for the purpose of promoting education, scientific research and charitable purposes, and to assist in developing and advancing the University in furthering, improving and expanding its properties, services, facilities, and activities. Because of the significance of the relationship between the University and the USA Foundation, the USA Foundation is considered a component unit of the University. The Board of Directors of the USA Foundation is not appointed or controlled by the University. The University receives distributions from the USA Foundation primarily for scholarship, faculty and other support. The USA Foundation presents its financial statements in accordance with standards issued by the Financial Accounting Standards Board (FASB). The USA Foundation has a June 30 fiscal year end which differs from the University's September 30 fiscal year end.

University of South Alabama Health Services Foundation

The USAHSF is a not-for-profit corporation that exists to provide a group medical practice for physicians who are faculty members of the University and to further medical education and research at the University. Because of the significance of the relationship between the University and USAHSF, USAHSF is considered a component unit of the University. The USAHSF reimburses the University for salaries, certain administrative expenses, Dean's clinical assessment and other support services. The USAHSF presents its financial statements in accordance with standards issued by the FASB.

USA Research and Technology Corporation

The Corporation is a not-for-profit corporation that exists for the purpose of furthering the educational and scientific mission of the University by developing, attracting, and retaining technology and research industries in Alabama that will provide professional and career opportunities to the University's students and faculty. Because of the

University of South Alabama
Notes to Financial Statements
March 31, 2013

relationship between the University and the Corporation, the Corporation is considered a component unit of the University. The Corporation presents its financial statements in accordance with the GASB.

In September 2010, the Corporation caused the formation of NovALtech, LLC (NovALtech). NovALtech is a single-member limited liability company that exists for the purpose of engaging in scientific research and development activities and facilitating the transfer and utilization of technology, patents, processes, copyrights, formulae and other know-how. The activities of NovALtech are included in the financial statements of the Corporation.

Measurement Focus and Basis of Accounting

For financial reporting purposes, the University is considered a special purpose governmental agency engaged only in business-type activities, as defined by GASB Statement No. 34. Accordingly, the University's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The University prepares its basic financial statements in accordance with U. S. generally accepted accounting principles, as prescribed by the GASB, including all applicable effective statements of the GASB and all statements of the FASB issued through November 30, 1989 that do not conflict with GASB pronouncements. The University has elected not to apply the provisions of any pronouncements of the FASB issued after November 30, 1989.

Use of Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs could change by a material amount in the near term.

Cash and Cash Equivalents

Cash and cash equivalents are defined as petty cash, demand accounts and any short-term investments that take on the character of cash. These investments generally, but not always, have maturities of less than three months and include repurchase agreements and money market accounts.

University of South Alabama
Notes to Financial Statements
March 31, 2013

Investments and Investment Income

Investments are recorded at fair value. Investments received by gift are recorded at fair value at the date of receipt. Changes in the fair value of investments are reported in investment income.

Derivatives

In fiscal 2010, the University adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 establishes a framework for accounting and financial reporting related to derivative instruments, requiring the fair value of the derivatives to be recognized in the basic financial statements

The University has two interest rate swaptions which were entered into in January 2008. As a result of entering into the swaptions, the University received up-front payments. Swaptions are considered hybrid instruments which are required to be bifurcated into the fair value of the derivative and a piece that reflects a borrowing for financial statement purposes, which will accrete interest over time. The University determined that as of the current period, the swaptions were not hedging derivative instruments. Therefore, the swaptions are required to be recorded as investment derivatives, with the change in fair value flowing through the statements of revenues, expenses, and changes in net assets.

Accounts Receivable

Accounts receivable primarily result from net patient service revenue. Accounts receivable from affiliates primarily represent amounts due from USAHSF for salaries, and certain administrative and other support services. Accounts receivable – other includes amounts due from students, the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

The University's inventories primarily consist of bookstore inventories and medical supplies and pharmaceuticals. Bookstore inventories are valued at the lower of cost (moving average basis) or market. Medical supplies and pharmaceuticals are stated at the lower of cost (first-in, first-out basis) or market.

Capital Assets

Capital assets are recorded at cost, if purchased or at fair value at date of donation. Depreciation is provided over the useful life of each class of depreciable asset using the straight-line method. Major renewals and renovations are capitalized. Costs for repairs and maintenance are expensed when incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the gain or loss, if any, is included in nonoperating revenues (expenses) in the statements of revenues, expenses, and changes in net assets.

University of South Alabama
Notes to Financial Statements
March 31, 2013

All capital assets other than land are depreciated using the following asset lives:

Buildings, infrastructure and certain building components	40 to 100 years
Fixed equipment	10 to 20 years
Land improvements	8 to 20 years
Library materials	10 years
Other equipment	4 to 15 years

Certain buildings are componentized for depreciation purposes.

Interest costs for certain assets constructed are capitalized as a component of the cost of acquiring those assets.

Deferred Revenue

Student tuition, fees, and dormitory rentals are deferred and recognized over the applicable portion of each school term.

Operating lease rental payments related to the University's lease of USA Knollwood Hospital to the Infirmary Health System, Inc. are deferred and recognized as revenue over the term of the lease using the straight-line method.

Classifications of Net Position

The University's net position is classified as follows:

Net investment in capital assets represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets; such debt is excluded from the calculation of *net investment in capital assets*.

Restricted, nonexpendable net position consists of endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted, expendable net position includes resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, net patient service revenue, sales and services of educational activities and auxiliary enterprises. Auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff. While unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees, they are available for use at the discretion of the governing board to meet current expenses for

University of South Alabama
Notes to Financial Statements
March 31, 2013

any purpose. Substantially all unrestricted net assets are designated for academic and research programs and initiatives, and capital programs.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University addresses each situation on a case-by-case basis prior to determining the resources to be used to satisfy the obligation.

Scholarship Allowances and Student Financial Aid

Student tuition and fees, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's basic financial statements based on their classification as either an exchange or nonexchange transaction. To the extent that revenues from such programs are used to satisfy tuition and fees and certain other student charges, the University has recorded a scholarship discount and allowance.

Donor Restricted Endowments

The University is subject to the "Uniform Prudent Management of Institutional Funds Act (UPMIFA)" of the Code of Alabama. This law allows the University, unless otherwise restricted by the donor, to spend net appreciation, realized and unrealized, on the endowment. The law also allows the University to appropriate for expenditure or accumulate to an endowment fund such amount as to University determines to be prudent for the purposes for which the endowment was established. The University's endowment spending policy provides that 5% of the three-year invested net asset moving average value (inclusive of net realized and unrealized gains and losses), as measured at September 30, is available annually for spending. The University's policy is to retain the endowment net interest and dividend income and net realized and unrealized appreciation with the endowment after distributions allowed by the spending policy have been made. These amounts, unless otherwise directed by the donor, are included in restricted, expendable net assets.

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues.

Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances; sales and services of auxiliary enterprises, net of scholarship allowances; most federal, state, and local grants and contracts; and net patient service revenue.

University of South Alabama
Notes to Financial Statements
March 31, 2013

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources such as state appropriations, investment income, and gifts.

Gifts and Pledges

Pledges of financial support from organizations and individuals representing an unconditional promise to give are recognized in the basic financial statements once all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. Endowment pledges generally do not meet eligibility requirements, as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and are not recorded as assets until the related gift has been received. Unconditional promises that are expected to be collected in future years are recorded at the present value of the estimated future cash flows.

Grants and Contracts

The University has been awarded grants and contracts for which funds have not been received or expenditures made for the purpose specified in the award. These awards have not been reflected in the basic financial statements, but represent commitments of sponsors to provide funds for specific research or training projects. For grants that have allowable cost provisions, the revenue will be recognized as the related expenditures are made. For grants with work completion requirements, the revenue is recognized as the work is completed. For grants without either of the above requirements, the revenue is recognized as it is received.

Net Patient Service Revenue

Net patient service revenue is reported at estimated net realizable amounts due from patients, third-party payers and others for healthcare services rendered, including estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods, as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

Costs of Borrowing

Debt financing costs and bond premium and discounts are deferred and amortized using the straight-line method, which approximates the effective interest rate method, over the term of the related bond issue.

Compensated Absences

The University accrues annual leave for employees as incurred at rates based upon length of service and job classification.

University of South Alabama
Notes to Financial Statements
March 31, 2013

Change in Accounting Principle

The University adopted the provisions of GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. Statements 63 and 65 require that certain items previously reported as deferred inflows and outflows of resources now be reported as current period inflows and outflows. Retroactive application of the standards is required for all prior periods presented.

The University generally incurs issuance costs in connection with the issuance of its bond indebtedness. As prescribed by the prevailing accounting standards at the time of issue, these charges were deferred and amortized over the life of each bond issue. Statement 65 requires that, with the exception of bond insurance costs, these charges be treated in outflows of resources (period costs) in the year in which they are incurred.

The adoption of the provisions of statements 63 and 65 reduced the University's beginning net position at October 1, 2011 by \$1,774,000. The University's Statement of Net Position has been restated to reflect this change along with a decrease of other noncurrent assets of \$1,660,000 and prepaid expenses, inventories and other assets of \$96,000. The Statement of Revenues, Expenses and Changes in Net Position has been restated to reflect a decrease of depreciation and amortization expense of \$18,000.

Reclassifications

Certain amounts in the 2012 basic financial statements have been reclassified in order to conform to the 2013 classification.

2. Income Taxes

The University is classified as both a governmental entity under the laws of the State of Alabama and as a tax-exempt entity under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Consistent with that designation, no provision for income taxes has been made in the accompanying basic financial statements.

3. Cash

Pursuant to the Security for Alabama Funds Enhancement Act, funds on deposit may be placed in an institution designated as a qualified public depository (QPD) by the State of Alabama. QPD institutions pledge securities to a statewide collateral pool administered by the State Treasurer's office. Such financial institutions contribute to this collateral pool in amounts proportionate to the total amount of public fund deposits at their respective institutions. The securities are held at the Federal Reserve Bank and are

University of South Alabama
Notes to Financial Statements
March 31, 2013

designated for the State of Alabama. Additional collateral was not required for University funds on deposit with QPD institutions. At September 30, 2012, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$8,080,000,000.

4. Investments

The investments of the University are invested pursuant to the University of South Alabama "Nonendowment Cash Pool Investment Policy," the "Endowment Fund Investment Policy," and the "Derivatives Policy" (collectively referred to as the University Investment Policies) as adopted by the Board of Trustees. The purpose of the nonendowment cash pool investment policy is to provide guidelines by which pooled funds not otherwise needed to meet daily operational cash flows can be invested to earn a maximum return, yet still maintain sufficient liquidity to meet fluctuations in the inflows and outflows of University operational funds. Further, endowment fund investment policies exist to provide earnings to fund specific projects of the endowment fund, while preserving principal. The University Investment Policies require that management apply the "prudent person" standard in the context of managing its investment portfolio.

Certain investments, primarily related to the University's endowment assets, are pooled. The University uses this pool to manage its investments and distribute investment income to individual endowment funds.

Credit Risk and Concentration of Credit Risk

The University Investment Policies limit investment in corporate bonds to securities with a minimum "A" rating, at the time of purchase, by both Moody's and Standard and Poor's. Investments in corporate paper are limited to issuers with a minimum quality rating of P-1 by Moody's, A-1 by Standard and Poor's or F-1 by Fitch.

Additionally, the University Investment Policies require that not more than 10% of the cash, cash equivalents and investments of the University be invested in the obligations of a single private corporation and not more than 35% of the cash, cash equivalents and investments of the University be invested in the obligations of a single government agency.

Interest Rate Risk

The University's Investment Policies do not specifically address the length to maturity on investments which the University must follow; however, they do require that the maturity range of investments be consistent with the liquidity requirements of the University.

University of South Alabama
Notes to Financial Statements
March 31, 2013

5. Derivative Transactions

In January 2008, the University entered into a synthetic advance refunding of the outstanding Series 2004 and 2006 bonds with a counterparty. This transaction was effected through the sale of two swaptions by the University to the counterparty. The transactions resulted in an up-front payment to the University totaling \$9,328,000 in exchange for selling the counterparty the option to enter into an interest rate swap with respect to the Series 2004 and 2006 bonds in 2014 and 2016, respectively.

Objective of the derivative transaction

The objective of this transaction is to realize debt service savings currently from future debt refunding and create an economic benefit to the University.

Terms

A summary of the transactions is as follow:

Issue	Date of Issue	Option Expiration Date	Effective Date of Swap	Termination Date	Payment Amount
Series 2004 bonds	2-Jan-08	16-Dec-13	15-Mar-14	15-Mar-24	\$ 1,988,000
Series 2006 bonds	2-Jan-08	1-Sep-16	1-Dec-16	1-Dec-36	7,340,000

If the counterparty exercises its options in 2014 and 2016, the University would, at the counterparty's option, be forced into an underlying swap. If the option is exercised, the University would begin to make payments on the notional amount, currently \$41,245,000 and \$100,000,000 for the 2004 bonds and 2006 bonds, respectively, of the underlying swap contract. Simultaneously, the University would call outstanding 2004 and 2006 bonds and issue variable rate demand notes (VRDNs) in their place. Under the swap contract, the University would pay a fixed rate of 4.9753% on the 2004 bonds and 5.0% on the 2006 bonds to the counterparty and would receive payments based on 68% of the one-month LIBOR index. Alternatively, although it is not anticipated that this option would be to the University's advantage, the University could, at its option, cash settle the swap and retain its right to refund the 2004 and 2006 bonds.

If the interest rate environment is such that the counterparty chooses to not exercise its option, the swaption would be cancelled and the University would have no further obligation under this agreement.

Financial statement presentation

A swaption is considered a hybrid instrument and as such the payment by the counterparty to the University must be bifurcated into two components, a borrowing component and an embedded derivative component, and each component treated separately. The embedded derivative value of the swaption represents the fair value

University of South Alabama
Notes to Financial Statements
March 31, 2013

resulting from the fact that the fixed rate stated in the swaption is greater than the at-the-market rate. The initial value of the borrowing is the difference between the upfront payment and the fair value of the embedded derivative and represents the time value to the counterparty for holding the option, or the probability weighted, discounted values of a range of future possible outcomes. The value of the derivative and borrowings at the date of execution of this transaction are as follows:

	2004 Bonds	2006 Bonds
Embedded derivatives	\$ 918,000	3,343,000
Borrowings	1,070,000	3,997,000
	<u>\$ 1,988,000</u>	<u>7,340,000</u>

The values of the borrowings are included in long-term debt on the University's statements of net assets. Interest is being accreted, and added to the borrowings through the expiration date of the option.

The fair values of the embedded investment derivatives are reported as investment assets if the derivatives are assets or other noncurrent liabilities, depending of the fair values of the derivatives. The change in the fair market values of the derivatives is reported as a component of investment income in the statements of revenues, expenses and changes in net assets.

Risks associated with this transaction

Certain risks are inherent to derivative transactions.

Interest rate risk. Interest rate risk, as a result of rising short-term interest rates causing higher interest rate payments, is effectively hedged by the University's fixed rate bonds. If the counterparty exercises its options, the underlying swaps are expected to effectively hedge the potentially higher payments on VRDNs as well. The University is also subject to interest rate risk as a result of changes in long-term interest rates, which may cause the value of fixed rate bonds or interest rate derivatives to change. If long-term interest rates fall subsequent to the execution of this transaction, the value of the swaptions will change, with negative consequences for the University.

Market access risk. This transaction assumes that VRDNs will be issued as a replacement of the 2004 and 2006 bonds. If the University is unable to issue variable rate bonds after the counterparty exercises its right under the swaptions, the University would still be required to begin making periodic payments on the swaps, even though there are no related bonds. Alternatively, the University could choose to liquidate the swaps, which may create a substantial cash outlay.

Basis risk. If the counterparty exercises its option, there is a risk that the floating payments received under the swaps will not fully offset the variable rate payments due on the assumed VRDNs.

University of South Alabama
Notes to Financial Statements
March 31, 2013

Credit risk. Although the underlying swap exposes the University to credit risk should the swap be executed, the swaption itself does not expose the University to credit risk. If the option is exercised on one or both issues, the University would begin to make payments on the appropriate notional amount of the underlying swap contract. In that situation, if the fair value of the swap is positive, the University would be exposed to credit risk on the swap in the amount of its fair value. As of the current date, the swap counterparty was rated Aa3 by Moody's Investors Services and AA by Standard and Poor's Rating Services.

Termination risk. The University may be required to terminate the swaptions or swaps under certain circumstances, such as credit downgrades or other events specified in the contracts. In the event that a position needs to be terminated, the University may owe a substantial amount of money to terminate the contracts. As of the current date, no events of termination have occurred.

6. Bonds Payable

Bonds payable consisted of the following at the end of the current period:

University Tuition Revenue Bonds, Series 1999 Capital Appreciation, 4.7% to 5.25%, payable November 2011 through November 2018

University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, 2.00% to 5.00%, payable through March 2024

University Tuition Revenue Refunding and Capital Improvement bonds, Series 2006, 5.00%, payable through June 2037

University Facilities Revenue Capital Improvement Bonds, Series 2008, 3.00% to 5.00%, payable through August 2038.

University Facilities Revenue Capital Improvement Bond, Series 2010, 3.81%, payable through August 2030.

University Facilities Revenue Capital Improvement Bond, Series 2012-A, 2.92%, payable through August 2032.

University Facilities Revenue Capital Improvement bond, Series 2012-B, 2.14%, payable through February 2018.

Borrowing arising from swaption, Series 2004 Bonds

Borrowing arising from swaption, Series 2006 Bonds

Substantially all student tuition and fee revenues secure University bonds. Additionally, security for Series 2008 bonds include Children's and Women's Hospital revenues in

University of South Alabama
Notes to Financial Statements
March 31, 2013

amounts not exceeding \$10,000,000. Series 1999 Current Interest Bonds began maturing November 2002, and Series 1999 Capital Appreciation Bonds began maturing November 2011. Series 1999 Bonds are not redeemable prior to maturity. Series 2004 Bonds began maturing in March 2005 and are redeemable beginning in March 2014. Series 2006 Bonds begin maturing in December 2024 and are redeemable beginning in December 2016. Series 2008 Bonds began maturing in August 2009 and are redeemable beginning September 2018. Series 2010 bonds began maturing in August 2011 and are redeemable beginning in February 2020.

In January 2008, the University entered into a synthetic advance refunding of the outstanding Series 2004 and 2006 bonds. This transaction was effected through the sale of two swaptions by the University to a counterparty. The proceeds from each sale, totaling \$9,328,000, consist of two components, a time value and an intrinsic value. The intrinsic value of the payment is considered a borrowing and is included in long-term debt. As a result of this transaction, the counterparty has the option to force the University to enter into swap arrangements with respect to its Series 2004 and 2006 bonds at their respective redemption dates. See footnote five for a complete description of this transaction.

The University defeased certain indebtedness during 1978 and 1984 by depositing funds in escrow trust accounts sufficient to provide for the subsequent payment of principal and interest on the defeased indebtedness. Neither the assets of the escrow trust accounts nor the defeased indebtedness is included in the accompanying statements of net assets.

The University is subject to restrictive covenants related to certain note and bonds payable. As of the end of the current period, management believes the University was in compliance with such financial covenants.

7. Net Patient Service Revenue

The Hospitals have agreements with governmental and other third-party payers that provide for reimbursement at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospitals' billings at established rates for services and amounts reimbursed by third-party payers.

A summary of the basis of reimbursement with major-third party payers follows:

Medicare – Substantially all acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, the Hospitals are reimbursed for both direct and indirect medical education costs (as defined), principally based on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments.

University of South Alabama
Notes to Financial Statements
March 31, 2013

The Hospitals generally are reimbursed for certain retroactively settled items at tentative rates, with final settlement determined after submission of annual cost reports by the Hospitals and audits by the Medicare fiscal intermediary. The cost report for the USA Medical Center has been audited and settled through 2008. The Medical Center cost report has, however, been reopened related to disproportionate share issues affecting all PPS acute care hospitals nation-wide. The cost report for USA Children's and Women's Hospital has been audited and settled through 2009. Revenue from the Medicare program accounted for approximately 13% of the Hospitals' net patient service revenue for the year ended September 30, 2012.

Blue Cross – Inpatient services rendered to Blue Cross subscribers are paid at a prospectively determined per diem rate. Outpatient services are reimbursed under a cost reimbursement methodology. For outpatient services, the Hospitals are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospitals and audits thereof by Blue Cross. The Hospital's Blue Cross cost reports have been audited through 2010 and settled for all fiscal years through 2009. Revenue from the Blue Cross program accounted for approximately 17% of the Hospitals' net patient service revenue for the year ended September 30, 2012.

Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at all-inclusive prospectively determined per diem rates. Outpatient services are reimbursed based on an established fee schedule.

The Hospitals qualify as Medicaid essential providers and, therefore, also receive supplemental payments based on formulas established by the Alabama Medicaid Agency. There can be no assurance that the Hospitals will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

Revenue from the Medicaid program accounted for approximately 25% of the Hospital's net patient service revenue for the year ended September 30, 2012.

Other – The Hospitals have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The bases for payments to the Hospitals under these agreements include discounts from established charges and prospectively determined daily and case rates.

8. Hospital Lease

The University and Infirmity Health Hospitals, Inc. (the Infirmity) entered into a Lease Agreement (the Lease) in which the University agreed to lease certain land, buildings and equipment used in connection with the operation of its USA Knollwood Hospital campus to the Infirmity. The lease is effective through March 2056 with an automatic renewal,

University of South Alabama
Notes to Financial Statements
March 31, 2013

for an additional forty-nine years, through March 2105; and may be canceled by the Infirmary after the initial fifty-year term. Upon the expiration or termination of the lease, the assets, along with responsibility for the operation of such assets, will revert to the University and the University will pay the Infirmary, at fair market value, for any capital improvements to the assets. Additionally, the lease may be terminated at any time, at the option of the Infirmary, in the event that a change in any law, statute, rule, or a regulation of any governmental or other regulatory body or any third-party payment program is deemed by the Infirmary to be significant, as defined by the lease. As of March 31, 2013, this option has not been exercised by the Infirmary, nor has the University received notification that the option will be exercised.

In January 2009, the Infirmary and the University entered into a "First Amendment to Lease Agreement" (the Amendment). The Amendment deferred the original payment terms of the lease for two years such that during the period from January 2009 to December 2010, annual lease payments are reduced to \$1 annually. Beginning in January 2011, the original payment schedule resumed. The payment schedule and narrative presented below reflect these revised terms.

The total amount of lease payments due the University was based on the fair market value of the appraised assets, \$32,418,000. The allocation of the appraised fair market value was \$29,370,000 for the land and buildings and \$3,048,000 for medical equipment, office furnishings and other equipment.

Upon execution of the lease, a partial lease prepayment in the amount of \$7,418,000 was made by the Infirmary. In addition to the prepayment, required lease payments by the Infirmary to the University are as follows (payable monthly):

- Months one through thirty-three of the initial lease term - \$1,000,000 annually (\$83,333 monthly)
- Months thirty-four through fifty-seven of the initial lease term - \$1 annually
- Months fifty-eight through eighty-four of the initial lease term - \$1,000,000 annually (\$83,333 monthly)
- Years eight through twelve of the initial lease term - \$1,250,000 annually
- Years thirteen through seventeen of the initial lease term – \$1,500,000 annually
- Years eighteen through thirty-two of the initial lease term – The monthly payment will be the remaining unpaid balance of the lease payments amortized over years sixteen through thirty using an interest rate calculated from the immediately previous 15-year monthly average of the 20-year state and local tax exempt general obligation bond issues as determined by the United States Federal Reserve System. The remaining unpaid balance at the end of year fifteen, \$17,401,000, is derived by taking the initial unpaid balance of rent due after the partial lease prepayment, \$25,000,000, plus accrued interest at an annual rate of 3.75%, less monthly lease payments.
- Years thirty-three through fifty of the initial lease term – \$1 annually

University of South Alabama
Notes to Financial Statements
March 31, 2013

- Year fifty-one through ninety-nine of the extended lease term – \$1 annually

For reporting purposes, management assumed that the interest rate utilized in years sixteen through thirty would remain at 3.75%. This assumption will be reviewed, and amortization schedules adjusted, if necessary, when the actual interest rate is determined.

In order to properly report this transaction, the University has bifurcated the lease into an equipment component and a real property component, as required by FASB Statement No. 13, based on the appraised fair value of each such component. The financial considerations of the lease are then applied to, and the accounting treatment is determined for, each component based on this bifurcation.

The equipment component of the lease is considered a capital lease (sales-type lease) and as such has been recorded as a capital lease receivable, both current and noncurrent, in the accompanying basic financial statements of the University. The capital equipment lease is being amortized through fiscal 2013 at a fixed rate of 3.75%.

The component of the lease attributable to land and buildings is considered an operating lease. As such, lease revenue will be recorded as it is earned over the ninety-nine year lease term (the fifty-year initial term and the forty-nine year automatic renewal term). The expected total lease payments to be received over the next twenty-eight years are approximately \$43,788,000. These total receipts will be recognized as revenue in the amount of approximately \$485,000 annually. Payments received in excess of this amount, along with cash and other consideration already received in the amount of \$6,327,000, will be deferred and amortized over the ninety-nine year lease term.

In October 2012, the Infirmary publicly announced the closing of Mobile Infirmary West (formerly USA Knollwood Hospital), effective October 31, 2012. Currently the University has received no formal notice from the Infirmary as to its intent with respect to the lease, and as such, the ultimate impact on the financial statements of the University has not yet been determined. The Infirmary continues to meet its obligations under the lease on a current basis.

9. Employee Benefits

Retirement and Pension Plans

Employees of the University are covered by two pension plans: a cost sharing multiple-employer defined benefit pension plan administered by the Teachers' Retirement System of the State of Alabama (TRS), and a defined contribution pension plan.

Permanent employees of the University participate in TRS, a public retirement system created by an act of the State Legislature, with benefit provisions established by the Code of Alabama. Responsibility for general administration and operation of the TRS is vested

University of South Alabama
Notes to Financial Statements
March 31, 2013

in the Board of Control (currently 14 members). Benefits fully vest after 10 years of full-time, permanent employment. Vested employees may retire with full benefits at age 60 or after 25 years of service. Participating retirees may elect the maximum benefit, or may choose among four other monthly benefit options. Under the maximum benefit, participants are allowed 2.0125% of their average final salary (average of three highest years of annual compensation during the last ten years of service) for each year of service. The TRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150, or by calling (334) 832-4140.

All employees covered by this retirement plan must contribute 7.5% of their eligible earnings to TRS. An actuary employed by the TRS Board of Control establishes the employer-matching amount annually.

The defined contribution pension plan covers certain academic and administrative employees employed prior to October 1, 2009, and participation by eligible employees is optional. Under this plan, administered by Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), contributions by eligible employees are matched equally by the University up to a maximum of 3% of current annual pay.

Employees of the LLC may, at their option, participate in a defined contribution plan. Under this plan, eligible employees may make contributions to the plan which are matched, dollar-for-dollar, by the LLC up to 5% of compensation.

Compensated Absences

Regular University employees accumulate vacation and sick leave and hospital and clinical employees accumulate paid time off. These are subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Upon termination of employment, employees are paid all unused accrued vacation and paid time off at their regular rate of pay up to a maximum of two times their annual accumulation rate. No accrual is recognized for sick leave benefits since no terminal cash benefit is available to employees for accumulated sick leave.

Other Postretirement Employee Benefits

In September 2003, the State of Alabama Legislature passed legislation that requires all colleges and universities to fund the healthcare premiums of its participating retirees. In prior years, such costs have been paid by the State. Beginning in October 2003, the University has been assessed a monthly premium by the Public Education Employees' Health Insurance Plan (PEEHIP) based on the number of retirees in the system and an actuarially determined premium.

University of South Alabama
Notes to Financial Statements
March 31, 2013

10. Risk Management

The University, USAHSF and the LLC participate in the professional liability trust fund and the University, USAHSF, SAMSF, the Corporation and the LLC participate in the general liability trust fund. Both funds are administered by an independent trustee. These trust funds are revocable and use contributions by the covered entities, together with earnings thereon, to pay liabilities arising from the performance of its employees, trustees and other individuals acting on behalf of the University. If the trust funds are ever terminated, appropriate provision for payment of related claims will be made and any remaining balance will be distributed to the University, USAHSF and the LLC in proportion to contributions made, net of previous distributions.

Claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. These liabilities are generally based on actuarial valuations and are reported at their present value.

The University and HCM participate in a self-insured health plan, administered by an unaffiliated entity. Contributions by the University and the LLC and their employees, together with earnings thereon, are used to pay liabilities arising from healthcare claims. It is the opinion of University administration that health plan reserves are sufficient to meet future plan obligations.

11. Other Related Party

The South Alabama Medical Science Foundation (SAMSF) is a not-for-profit corporation that exists for the purpose of promoting education and research at the University. SAMSF reimburses the University for certain administrative expenses and other related support services.

12. Commitments and Contingencies

Grants and Contracts

The University had been awarded certain amounts in grants and contracts for which resources had not been received and for which reimbursable expenditures had not been made for the purposes specified. These awards, which represent commitments of sponsors to provide funds for research or training projects, have not been reflected in the accompanying basic financial statements as the eligibility requirements of the award have not been met. Advances include amounts received from grant and contract sponsors which have not been earned under the terms of the agreements and, therefore, have not yet been included in revenues in the accompanying basic financial statements. Federal

University of South Alabama
Notes to Financial Statements
March 31, 2013

awards are subject to audit by Federal agencies. The University's management believes any adjustment from such audits will not be material.

Letter of Credit

In connection with the Hospitals' participation in the State of Alabama Medicaid Program, the University has established a \$77,000 irrevocable standby letter of credit with Wells Fargo Bank. The Alabama Medicaid Agency is the beneficiary of this letter of credit. No funds are currently advanced under this letter.

Litigation

Various claims have been filed against the University alleging discriminatory employment practices and other matters. University administration and legal counsel are of the opinion the resolution of these matters will not have a material effect on the financial position or the statement of revenues, expenses, and changes in net assets of the University.

Rent Supplement Agreement

The University has entered into two irrevocable rent supplement agreements with the Corporation and a financial institution. These agreements require that, in the event the Corporation fails to maintain a debt service coverage ratio of one to one with respect to all of its outstanding indebtedness, the University will pay to the Corporation any and all rent amounts necessary to cause the Corporation's net operating income to be equal to the Corporation's annual debt service obligations. As of the end of the current period, no amounts were payable pursuant to these agreements.

State Bond Issue

The State of Alabama has made allocations to the University from bonds issued in prior years. Pursuant to the allocations, funds are available to the University for certain future construction costs. The allocations have been reflected as revenue in the accompanying financial statements to the extent they have been incurred and approved by the State.

13. Significant New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities and will be effective for the year ending September 30, 2014. The University has chosen to implement Statement No. 65 early, for the year ended September 30, 2013. In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012*. GASB Statement No. 66 resolves conflicting guidance that resulted from the issuance of GASB Statements No. 54 and 62 and will be

University of South Alabama
Notes to Financial Statements
March 31, 2013

effective for the year ending September 30, 2014. In January 2013, the GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations. GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations and will be effective for the year ending September 30, 2015.

The effect of the implementation of GASB Statements Nos. 66 and 69 on the University has not been determined.

University of South Alabama
Summary Comparison of Fund Financial Reports to
GASB Statement 34 Financial Statements
December 31, 2012 and 2011

	Six Months Ended March 31		Year Ended September 30,
	2013	2012	2012
Net increase (decrease) from operating (current unrestricted funds) - fund format	\$ (5,785,764)	\$ (3,932,418)	\$ 1,221,088
Add:			
Debt service	6,288,487	5,048,775	7,280,153
Equipment*	-	-	20,856,151
Depreciation	(13,026,648)	(10,311,805)	(22,811,188)
Plant Fund revenues	13,059,408	12,454,916	20,787,496
Other, net	5,061,517	9,184,532	11,055,300
Net increase (decrease) in net assets - GASB Statement 34/35	<u>\$ 5,597,000</u>	<u>\$ 12,444,000</u>	<u>\$ 38,389,000</u>

* Netted for quarterly reporting purpose

**Detailed Reconciliation of Fund Financial Reports to
GASB Statement No. 34 Financial Statements**

Six Months Ended March 31, 2013

Net decrease from operating (current unrestricted) funds - fund accounting format		\$ (5,785,764)
Add back:		
Debt service:		
Principal payment on long term debt	6,235,000	
Actual payment of principal and interest in excess of amounts transferred (timing issue)	<u>53,487</u>	6,288,487
Equipment purchases*		-
Depreciation of buildings and equipment:		
Computed depreciation	(15,576,647)	
Non-capitalized plant fund expenditures*	-	
Transfers of funded depreciation	<u>2,549,999</u>	<u>(13,026,648)</u>
Add:		
Plant fund income/transfers (net) not previously combined with operating:		13,059,408
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	5,157,694	
Loan fund	126,606	
Restricted fund	<u>(222,783)</u>	<u>5,061,517</u>
Net increase in net assets - GASB Statement No. 34 Format		<u>\$ 5,597,000</u>

* Netted for quarterly reporting purpose

**Detailed Reconciliation of Fund Financial Reports to
GASB Statement No. 34 Financial Statements**

Six Months Ended March 31, 2012

Net decrease from operating (current unrestricted) funds - fund accounting format		\$ (3,932,418)
Add back:		
Debt service:		
Principal payment on long term debt	4,785,000	
Actual payment of principal and interest in excess of amounts transferred (timing issue)	- <u>263,775</u>	5,048,775
Equipment purchases*		-
Depreciation of buildings and equipment:		
Computed depreciation	(16,064,566)	
Non-capitalized plant fund expenditures*	-	
Transfers of funded depreciation	<u>5,752,761</u>	<u>(10,311,805)</u>
Add:		
Plant fund income/transfers (net) not previously combined with operating:		12,454,916
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	8,665,615	
Loan fund	168,040	
Restricted fund	<u>350,877</u>	<u>9,184,532</u>
Net increase in net assets - GASB Statement No. 34 Format		<u>\$ 12,444,000</u>

* Netted for quarterly reporting purpose

**Detailed Reconciliation of Fund Financial Reports to
GASB Statement No. 34 Financial Statements**

Year Ended September 30, 2012

Net decrease from operating (current unrestricted) funds - fund format		\$ 1,221,088
Transfer from University reserves to fund proration		
Net decrease		\$ 1,221,088
Add back:		
Debt service:		
Principal payment on long term debt	\$ 8,033,000	
Actual payment of principal and interest in in excess of amounts transferred (timing issue)	(752,847)	7,280,153
Equipment purchases		20,856,151
Depreciation of buildings and equipment:		
Computed depreciation	(30,182,684)	
Non-capitalized plant fund expenditures	(4,134,025)	
Transfers of funded depreciation	11,505,521	(22,811,188)
		6,546,204
Add:		
Plant fund income/transfers (net) not previously combined with operating:		20,787,496
Other fund income not previously combined with operating:		
Endowment fund gifts, investment gain and other, net	11,278,352	
Loan fund	530,733	
Restricted fund	(753,785)	11,055,300
Net increase in net assets - GASB Statement No. 34 Format		<u>\$ 38,389,000</u>

RESOLUTION

**CREATION OF A 501(c)(3) CORPORATION
FOR THE DEVELOPMENT AND SUPPORT
OF RESEARCH AND COMMERCIALIZATION AT USA**

WHEREAS, the University of South Alabama is a comprehensive research university that promotes research, industry collaboration and technology commercialization, for the benefit of the region and the nation, and

WHEREAS, the University created the USA Research and Technology Corporation (“USARTC”) in 2002 with one of its purposes being the creation of a research park, which it did as the USA Technology & Research Park (“USATRP”), and,

WHEREAS, the University seeks to utilize the USARTC as the corporate oversight body of the USATRP, which will include the handling of all real estate transactions within USARTC thus furthering development and promotion of beneficial and productive relationships with industry, higher education, and the local community, and

WHEREAS, a corporation organized exclusively for charitable, educational, and scientific purposes within the meaning of 501(c)(3) of the Internal Revenue code of 1986 and the regulations promulgated thereunder has been determined by the University to be the best vehicle for centralizing the development, support, and operation of certain research and commercialization efforts of the entire University, and

WHEREAS, the University believes it is important to centralize certain research and commercialization efforts of the entire institution into one 501(c)(3) not for profit corporation created as a supporting organization of the University of South Alabama to further its educational, research, and service missions, to promote the University and its colleges and departments, to promote collaboration of the University with Industry, and to seek and accept gifts, create endowments, and invest same in furtherance of research, technology, and commercialization consistent with the mission of the University and the Articles of Incorporation of said 501(c)(3) corporation, a draft of which is attached hereto,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby authorizes the University President to proceed with the creation of a 501(c)(3) corporation as a supporting organization of the University as described herein above, and

BE IT FURTHER RESOLVED that the Board of Trustees of the University of South Alabama hereby approves the Articles of Incorporation and the Bylaws of the above-referenced 501(c)(3) corporation to be known as the University of South Alabama Foundation for Research and Commercialization.



MEMORANDUM

University of South Alabama
Office of the Vice President for Research
and Economic Development

AD 200 • Mobile, AL 36688-0002

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May 24, 2013

REC'D
OFFICE OF THE PRESIDENT

MAY 24 2013

TO: Dr. John W. Smith
Acting President

UNIVERSITY OF SOUTH ALABAMA

FROM: Lynne Chronister 
Vice President for Research and Economic Development

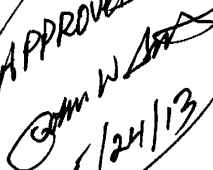
SUBJECT: Agenda Item for the June 7, 2013 University of South Alabama Board of
Trustee's Meeting: Establishment of the USA Foundation for Research and
Commercialization

Attached is a resolution for consideration by the Board of Trustees of the University of South Alabama requesting support creation of the USA Foundation for Research and Commercialization to further expand the University's education, research and service missions. The Foundation will promote productive relationships with industry and further enhance the development of new industries that will enhance the economic growth and stability of the region.

With your approval, the item will be presented to the Board of Trustees. I recommend adoption by the Board of Trustees.

SSC

Attachments (2)

APPROVED

5/24/13

DRAFT

**ARTICLES OF INCORPORATION
OF
UNIVERSITY OF SOUTH ALABAMA FOUNDATION
FOR
RESEARCH AND COMMERCIALIZATION**

For the purpose of forming a nonprofit corporation under the Alabama Business and Nonprofit Entity Code (Sections 10A-1-1.01 et seq., Code of Alabama (1975)) and the Alabama Nonprofit Corporation Law (Sections 10A-3-1.01 et seq., Code of Alabama (1975)), and any acts or laws amendatory thereof, supplementary thereto or substituted therefor (collectively hereinafter referred to as the "Nonprofit Corporation Law"), the undersigned organizer does hereby adopt, execute and verify these Articles of Incorporation, and, upon the filing for record of these Articles of Incorporation in the Office of the Judge of Probate of Mobile County, Alabama, the existence of a nonprofit corporation under the name set forth in Article I hereof shall commence.

**ARTICLE I
NAME**

The name of the filing entity being formed is University of South Alabama Foundation for Research and Commercialization, hereinafter referred to as the "USAFRC."

**ARTICLE II
TYPE OF FILING ENTITY**

The type of filing entity being formed is a nonprofit corporation within the meaning of Section 10A-3-1.02(6) of the Alabama Nonprofit Corporation Law.

**ARTICLE III
PURPOSES**

The objects and purposes for which the USAFRC is formed, and the powers which it may exercise in furtherance thereof, are as follows:

(a) The USAFRC is organized exclusively for charitable, educational and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 and the Treasury Regulations promulgated thereunder, as they now exist or as they may hereafter be amended from time to time (the "Code"), and to promote and advance such purposes by any activity in which a corporation organized under the Nonprofit Corporation Law may engage, either directly or by contributions to organizations qualifying as exempt organizations under Section 501(c)(3) of the Code, and to receive and maintain a fund or funds of real or personal property, or both, and to administer and apply the income and principal thereof, within the United States of America, for such purposes.

(b) Without in any way limiting the foregoing statement of purposes, the USAFRC is organized and shall be operated exclusively as a "supporting organization" within the meaning of Section 1.509(a)-4 of the Treasury Regulations for the benefit of and to further the purposes of the University of South Alabama (the "University") as follows:

(i) To further the University's educational, research, and service missions by supporting its academic programs, scientific research and development initiatives, and other related activities and to enhance the educational and training opportunities available to its students and faculty;

(ii) To promote the University and its colleges, schools and departments and to assist them in the development and improvement of curricula, academic programs and physical facilities for the benefit of the University's students and faculty and the attainment of greater educational opportunities and a more comprehensive learning experience;

(iii) To further the development of infrastructure and services in the Mobile, Alabama area to attract technology enterprises to the local community which can offer students and faculty a practical, hands-on learning experience and enhance the educational and professional opportunities available to them;

(iv) To promote the development, growth and retention of technology industries and research in Alabama that will provide professional and career opportunities attractive to the University's students and faculty and serve as an inducement for them to remain in Alabama;

(v) To advance the scientific education and training of the University's students and to promote scientific research and development in the State of Alabama;

(vi) To attract nationally prominent scientists, researchers and faculty to the University;

(vii) To provide fellowship and internship opportunities for the University's students and faculty in the scientific research and technology areas;

(ix) To further the University's scientific research and development activities and to facilitate the efficient transfer and utilization of University developed technology, patents, processes, copyrights, formulae and other know-how for the maximum public benefit;

(x) To further the University's efforts to publish and disseminate the results of scientific research and development conducted by its students and faculty; and

(xi) To solicit, accept, invest and administer gifts, funds, property and assets of any kind, quality or value for the benefit and to further the charitable purposes of the Corporation, and in connection therewith, to establish and manage accounts, deposits,

endowments and other vehicles for holding and managing the property and assets of the USAFRC.

(c) The USAFRC shall possess and may exercise all the powers and privileges vested in a nonprofit corporation by the Nonprofit Corporation Law or by any other law of the State of Alabama, together with all powers necessary or convenient to the conduct, promotion or attainment of the activities or purposes for which the USAFRC is organized; provided, that the activities conducted by the USAFRC shall be subject to any restrictions set forth in these Articles of Incorporation and the USAFRC shall not conduct or carry on any activities not permitted to be carried on by an organization exempt from Federal income tax under Code Section 501(c)(3) and described in Code Section 509(a)(3) or by an organization, contributions to which are deductible under Code Section 170(c)(2).

(d) The foregoing clauses of this Article III shall be construed equally as objects, purposes and powers and the foregoing enumeration of specific objects, purposes or powers shall not be construed or held to limit or restrict in any manner the powers of the USAFRC expressly conferred by law, except as expressly stated herein.

ARTICLE IV REGISTERED OFFICE

The street address of the initial registered office of the USAFRC is [Office of the University Attorney, 307 University Boulevard North, Rm 140, Mobile, Alabama 36688]. The name of the initial registered agent of the USAFRC at its registered office is [Jean Walker Tucker].

ARTICLE V ORGANIZER

The name and address of the sole organizer of the USAFRC are [Jean Walker Tucker] and [307 University Boulevard North, Rm 140, Mobile, Alabama 36688], respectively.

ARTICLE VI MEMBERS

The USAFRC shall have no members or shareholders and shall not issue any shares of stock or certificates or any evidence of membership.

ARTICLE VII DISSOLUTION

Upon the dissolution of the USAFRC and the winding up of its affairs, the assets of the USAFRC remaining after payment of all debts and liabilities of the USAFRC shall be distributed to the University or, at the direction of the Board of Trustees of the University, to an affiliate organization of the University, the State of Alabama or an agency or instrumentality thereof, or to one or more other organizations exempt from federal income tax under Code Section 501(c)(3).

**ARTICLE VIII
PROHIBITED ACTIVITIES**

Notwithstanding any other provision of these Articles of Incorporation, no part of the earnings of the USAFRC shall inure to the benefit of any director, officer or other person holding a position of influence with the USAFRC, or to any private individual (except that reasonable compensation may be paid for services rendered to or for the benefit of the USAFRC in connection with the accomplishment of one or more of its stated charitable purposes), and no director or officer of the USAFRC, or any private individual shall be entitled to share in the distribution of any of the corporate assets on dissolution of the USAFRC. No substantial part of the activities of the USAFRC shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the USAFRC shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of or in opposition to any candidate for public office.

**ARTICLE IX
BOARD OF DIRECTORS**

(a) The number of directors constituting the initial board of directors of the USAFRC shall be nine (9). The number of directors constituting the board of directors of the USAFRC thereafter shall be that number set forth in the bylaws of the USAFRC. The names and addresses of the persons who are to serve as directors until the first annual meeting of the directors or until their successors are elected and qualified are as follows:

<u>Director</u>	<u>Address</u>
_____	_____ _____
_____	_____ _____
_____	_____ _____
_____	_____ _____
_____	_____ _____

(b) The manner of electing directors, filling vacancies created by the resignation or removal of directors, and increasing or decreasing the number of directors constituting the board of directors is set forth in the bylaws of the USAFRC. A director may be removed from office at

any time, with or without cause, by the vote of a majority of the directors serving on the board of directors at the time such vote is taken.

ARTICLE X BYLAWS

The power to alter, amend or repeal the bylaws or adopt new bylaws shall be vested in the board of directors of the USAFRC subject to the approval of such alteration, amendment, repeal or adoption of new bylaws by the University of South Alabama Board of Trustees.

ARTICLE XI AMENDMENTS

These Articles of Incorporation may be amended from time to time in accordance with the terms and provisions of the Nonprofit Corporation Law. No amendment to these Articles of Incorporation shall be effective for any purpose, or filed in the public records, until the amendment has been approved by a majority of the Board of Trustees of the University. No amendment shall be made to these Articles of Incorporation which would in any way result in the operation of the USAFRC for the private advantage or pecuniary profit of any director or officer thereof or permit the operation of the USAFRC for any purpose other than the purposes described in Article III hereof.

ARTICLE XII INDEMNIFICATION OF DIRECTORS AND OFFICERS

In amplification and not in limitation of the provisions of applicable law:

(a) Pursuant to § 10A-20-16.01 et seq. and § 6-5-336 of the Code of Alabama, 1975, as amended, all non-compensated directors, officers and other volunteers of the USAFRC shall be immune from suit and shall not be subject to civil liability arising from the conduct of the affairs of the USAFRC except when the act or omission of such person that gives rise to the cause of action amounts to willful or wanton misconduct or fraud or gross negligence.

(b) The USAFRC shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative or investigative, including appeals (other than an action by or in the right of the USAFRC), by reason of the fact that he or she is or was a director or officer of the USAFRC, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such claim, action, suit or proceeding, unless he or she acted intentionally or willfully against the best interests of the USAFRC. The termination of any claim, action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person acted intentionally or willfully in a manner that was opposed to the best interests of the USAFRC.

(c) The USAFRC shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed claim, action or suit by or

in the right of the USAFRC to procure a judgment in its favor by reason of the fact that he or she is or was a director or officer of the USAFRC against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interest of the USAFRC, and except that no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable for intentional or willful misconduct in the performance of his or her duty to the USAFRC unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

(d) Any indemnification under paragraphs (b) and (c) above (unless ordered by a court) shall be made by the USAFRC only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he or she has met the applicable standard of conduct set forth in paragraphs (b) and (c) above. Such determination shall be made (i) by the board of directors of the USAFRC by a majority vote of the directors who were not parties to, or who have been wholly successful on the merits or otherwise with respect to, such claim, action, suit or proceeding, or (ii) if a majority of disinterested directors so directs, by independent legal counsel.

(e) Expenses (including attorneys' fees) incurred in defending a civil or criminal claim, action, suit or proceeding may be paid by the USAFRC in advance of the final disposition of such claim, action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if and to the extent that it shall ultimately be determined that he or she is not entitled to be indemnified by the USAFRC as authorized in this Article XII. Such undertaking shall be an unlimited, unsecured general obligation of the officer of the USAFRC and shall be accepted without reference to his or her ability to make repayment.

(f) The indemnification authorized by this Article XII shall not be deemed exclusive of and shall be in addition to any other rights to which those indemnified may be entitled under any statute, rule of law, provision of articles or certificate of incorporation, bylaws, agreement, vote of disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person. No amendment, modification, or repeal of this Article XII shall diminish the right to indemnification with respect to any claim, cause, or matter in any then pending or subsequent proceeding that is based in any material respect on any alleged action or failure to act prior to such amendment, modification or repeal.

(g) The USAFRC shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the USAFRC, against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the USAFRC would have the power to indemnify him or her against such liability under the provisions of this Article XII.

(h) There shall be no personal or individual liability of any director or officer for any debts, liabilities or obligations of the USAFRC of any kind whatsoever.

IN WITNESS WHEREOF, the undersigned, acting as the sole organizer of the University of South Alabama Foundation for Research and Commercialization, has executed and caused to be filed these Articles of Incorporation on this ____ day of June, 2013.

Jean Walker Tucker, Organizer

This instrument prepared by:

K. Wood Herren
Bradley Arant Boult Cummings LLP
One Federal Place
1819 Fifth Avenue North
Birmingham, AL 35203-2104
(205) 521-8000

**BYLAWS OF THE
UNIVERSITY OF SOUTH ALABAMA FOUNDATION
FOR
RESEARCH AND COMMERCIALIZATION**

an Alabama nonprofit corporation

Adopted , 2013

BYLAWS OF THE
UNIVERSITY OF SOUTH ALABAMA
FOUNDATION FOR RESEARCH AND
COMMERCIALIZATION

ARTICLE I

Name and Location

Section 1.1 Name. The name of the corporation is University of South Alabama Foundation for Research and Commercialization, which shall be referred to in these Bylaws as the "USAFRC."

Section 1.2 Location. The principal office of the USAFRC is located at 307 University Boulevard, Mobile, Alabama, 36688. The USAFRC may have such other office or offices within the State of Alabama as the Board of Directors may determine or as the business or activities of the USAFRC may require. The registered office of the USAFRC may, but need not be, the same as its principal office. The address of the registered office may be changed from time to time by the Board of Directors of the USAFRC in the manner prescribed by the Alabama Nonprofit Corporation Act.

ARTICLE II

Purposes and Scope of Activity

Section 2.1 Purposes. The purposes of the USAFRC are as set forth in its Articles of Incorporation.

Section 2.2 Scope of Activity. The USAFRC shall be organized and operated exclusively for any one or more of the charitable purposes enumerated in Section 501(c)(3) of the Internal Revenue Code of 1986, as the same may be amended from time to time (the "Code"). The USAFRC shall not carry on any activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Code or (b) by a corporation contributions to which are deductible under Section 170(c)(2) of the Code. No part of the net earnings of the USAFRC shall inure to the benefit of any private individual. No substantial part of the activities of the USAFRC shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the USAFRC shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of or in opposition to any candidate for public office.

ARTICLE III

Board of Directors

Section 3.1 General Powers. The duly elected or appointed Board of Directors of the USAFRC (hereinafter referred to as the "Board") shall have control and management of the affairs, business, property, and funds of the USAFRC and shall have the authority to fashion and implement the policy, goals, and purposes of the USAFRC. The Board may adopt such rules and regulations for the conduct of its meetings and the management of the USAFRC as the Board may deem appropriate, not inconsistent with federal or state law or these Bylaws. The Board, by resolution thereof, shall from time to time enumerate the duties, obligations, and responsibilities of the directors, including their attendance at meetings of the Board and their participation in the activities of the USAFRC.

Section 3.2 Number, Qualification, and Tenure.

(a) The number of directors comprising the Board shall be the sum of (i) four (4) ex-officio directors (as described below) who are affiliated with the University of South Alabama (the "University") and (ii) five (5) directors who are not officers, employees, or trustees of the University. The ex-officio directors shall consist of those individuals holding the following positions at the University:

- (i) Chair *Pro Tempore* of the Board of Trustees of the University;
- (ii) President of the University;
- (iii) Vice President for Financial Affairs of the University; and
- (iv) Vice President for Research and Economic Development of the University.

(b) The Board of Trustees of the University shall elect five (5)-directors to serve on the Board from a slate presented by the Board of the USAFRC. These directors shall serve staggered terms as described in (c) below. The Board of Trustees of the University shall have the absolute right, in its sole discretion, to decline to elect any one or more of the director nominees included in the slate presented to it by the Board of the USAFRC and to request that a substitute slate be presented with different nominees. This process shall be repeated, if necessary, until the Board of Trustees of the University has selected directors to fill any directorships the term of which has expired or will expire at the next annual meeting of the Board.

(c) The term of office of the five (5) directors who are elected to serve on the Board in the manner described in (b) above shall be four consecutive years; provided, however, that at the meeting at which the adoption of these Bylaws took place, certain directors will be elected to serve a two (2) year term expiring in September, 2015, such that these four (4) directors serve staggered terms with two (2) of these directors' terms expiring in September 2015 and three (3) of these directors' terms expiring in September 2017. Thereafter, each term of the directors elected by the Board of Trustees of the University in accordance with (b) above shall expire four (4) years

after said director's appointment. Directors shall hold office until their successors have been duly elected and qualified or until their deaths or until they shall resign or shall have been removed from office in the manner provided in these Bylaws. Directors need not be residents of the State of Alabama.

Section 3.3 Resignation. Any director may resign at any time by giving written notice of such resignation to the Chair or Vice Chair of the Board and to the Chair Pro Tempore of the Board of Trustees of the University.

Section 3.4 Vacancies. In the event of a vacancy in the Board of Directors resulting from a vacancy of any of the positions at the University described in Section 3.2(a)(i) through (iii), the vacancy in the Board shall be filled at such time as the vacancy of such position at the University is filled; provided; however, that persons appointed as "acting" positions described in Section 3.2(a)(i) through (iii) shall serve on this Board consistent with said "acting" appointment at the University. In the event of a vacancy in the Board with respect to either of the four directors elected by the Board of Trustees of the University in accordance with Section 3.2(b) above, such vacancy shall be filled using the procedures set forth therein with the replacing board member serving the remainder of the term associated with the vacant position.

Section 3.5 Annual and Regular Meetings. A regular meeting of the Board, which shall be the annual meeting thereof, shall be held in September of each year, commencing in 2013, unless the Board shall determine to hold its annual meeting at some other time. At the annual meeting, the Board shall appoint the officers of the USAFRC for the coming year and shall transact such other business as shall come before the directors at such meeting. Additional regular meetings of the Board shall be held at such times and places as may be determined by the Chair or Vice Chair of the Board. There shall be at least two (2) regular meetings of the Board, including the annual meeting thereof, during each calendar year.

Section 3.6 Special Meetings. A special meeting of the Board may be called by the Chair or Vice Chair of the Board or the President, or upon written request of two directors.

Section 3.7 Notice of Meetings. Written notice stating the place, date, and time of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called and the name or names of the person or persons by whom or at whose direction the special meeting is called shall, except in extraordinary situations, be given each director not less than five (5) days before the date of any annual or regular meeting and not less than two (2) business days before the date of any special meeting, either personally, by mail, by facsimile or by electronic mail, by or at the direction of the Chair or the Vice Chair of the Board, the President, or the Secretary. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at such member's address as it appears in the records of the USAFRC, with postage thereon prepaid. If by facsimile or electronic mail, such notice shall be deemed to be delivered upon confirmation to the sender that such facsimile transmission or electronic mailing is complete. Each director shall be responsible for keeping the Secretary informed as to such director's proper

mailing address and e-mail address. A director may waive his or her right to notice of the annual or a special meeting.

Section 3.8 Meeting by Telephone. Members of the Board or any committee designated thereby may participate in a meeting of the Board or a committee thereof by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at a meeting.

Section 3.9 Quorum. The presence of a majority of the directors then serving on the Board at the annual or any regular or special meeting thereof shall constitute a quorum for the conduct of business. If less than a majority of the directors is present at a meeting of the Board, a majority of the directors present may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally noticed. Directors present at a duly organized meeting thereof may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

Section 3.10 Chair and Vice Chair. At all meetings of the Board, the Chair, or in the absence of the Chair, the Vice Chair, or in the absence of both the Chair and the Vice Chair, an acting chair chosen by the directors, shall preside over the meeting.

Section 3.11 Acts of the Board. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board.

Section 3.12 Action Without a Meeting. Any action required or permitted to be taken by the Board or a committee thereof at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors or all of the members of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote of the directors or the members of such committee.

Section 3.13 Conflicts of Interest. Each director shall notify and disclose to the Board any real, potential or perceived conflict of interest of such director with respect to any matter coming before the Board for a vote or action thereon. No director having a conflict of interest shall vote on such matter and no such director shall be counted for purposes of determining whether a quorum exists at a meeting when such matter is considered and acted upon by the Board.

Section 3.14 Removal. A director may be removed or suspended at any time with or without cause by a majority vote of the Board of Trustees of the University, acting in its sole and absolute discretion.

ARTICLE IV

Officers

Section 4.1 Positions and Terms of Office. The officers of the USAFRC shall consist of Chair and Vice Chair of the Board, President, one or more Vice Presidents, Secretary, Treasurer, and such other officers with such powers not inconsistent with these Bylaws as may be appointed by the Board. The Chair of the Board shall be the Chair *Pro Tempore* of the Board of Trustees of the University. The President of the USAFRC shall be the President of the University. Any two or more offices of the USAFRC, except those of the Chair and Vice Chair and the President and Secretary, may be held by the same person.

Section 4.2 Election and Term of Office. The Vice Chair shall be appointed by the Board from among its number. The officers of the USAFRC authorized herein shall be elected by the Board, except the Chair of the Board and the President of the USAFRC, and need not be members thereof at the time of their appointment. Unless otherwise determined by the Board, each officer, except the Chair of the Board and the President of the USAFRC, shall hold office for a three year term commencing with the date of such officer's appointment by the Board unless such officer is earlier removed from office by the Board in the manner hereinafter provided or until the death, retirement, resignation, or other event resulting in such officer ceasing to hold office. The Chair of the Board and President of the USAFRC shall remain as Chair of the Board and President of the USAFRC so long as each remains Chair *Pro Tempore* of the Board of Trustees of the University and President of the University respectively.

Section 4.3 Vacancies. In case any office of the USAFRC becomes vacant by death, resignation, retirement, disqualification, or any other cause, such vacancy shall be filled by the Board, and the officer so elected shall hold office and serve until the appointment and qualification of his or her successor, except that the Chair of the Board must be the person acting as Chair *Pro Tempore* of the Board of Trustees of the University and the President of the USAFRC must be the person acting as President of the University.

Section 4.4 Removal. Any officer, except the Chair of the Board and the President of the USAFRC, may be removed from office by the Board at any regular or special meeting called for that purpose.

Section 4.5 Duties of Officers. The officers of the USAFRC, if and when elected by the Board, shall have the following duties:

(a) Chair of the Board. The Chair of the Board, subject to the direction of the Board, shall supervise and control the business and affairs of the USAFRC. The Chair shall preside at all meetings of the Board and may call special meetings as provided herein. He/she shall serve as Chair of the Executive Committee, and shall appoint such committees as may be authorized by these Bylaws, or as he/she may deem desirable, fill vacancies which will occur on such committees, and give final approval to the agenda for the Board meeting. In general, the Chair shall perform all duties incident to the office of Chair of the Board and such other duties as may be prescribed by the Board.

(b) Vice Chair of the Board. At the request of the Chair, or in the absence of the Chair, the Vice Chair shall perform the duties and possess and exercise the powers of the Chair and, to the extent authorized by applicable law and these Bylaws, the Vice Chair shall have such other powers as the Board may determine, and shall perform such other duties as may be assigned to the Vice Chair by the Board;

(c) President. The President shall be the chief executive officer of the USAFRC and he/she shall serve as a member of the Executive Committee. He/she shall have in his or her charge the general and active management of its affairs and of such areas and divisions of the business of the USAFRC as may be designated by the Board. In the absence of the Chair and the Vice Chair or in the event of each their deaths or inability to act, the President shall perform the duties of the Chair and the Vice Chair, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chair and the Vice Chair. With appropriate authorization by the Board, the President may sign deeds, mortgages, bonds, contracts or other instruments on behalf of the USAFRC except where required by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board to some other officer or agent of the USAFRC. In general, the President shall perform all duties incident to the offices of President and Chief Executive Officer and such other duties as may be prescribed by the Board.

(d) Vice Presidents. In the absence of the President or in the event of the President's death or inability to act, the Vice President (or in the event there be more than one vice president, the Vice Presidents in the order determined by the Board) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such duties as from time to time may be assigned to him/her by the Chair, the President or the Board.

(e) Secretary. The Secretary shall keep the minutes of the proceedings of the Board and any committees appointed by the Board in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records and of the seal of the USAFRC; see that the seal of the USAFRC is affixed to all documents, the execution of which on behalf of the USAFRC under its seal is duly authorized; keep a register of the post office address of each member which shall be furnished to the Secretary by such member: and in general perform all duties incident to the Office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Chair, the President or the Board. If there is no Treasurer of the USAFRC, the Secretary shall assume the authority and duties of Treasurer.

(f) Treasurer. The Treasurer shall have charge and custody of and be responsible for all funds and securities of the USAFRC, receive and give receipts for moneys due and payable to the USAFRC from any source whatsoever, and deposit all such moneys in the name of the USAFRC in such banks, trust companies or other depositories as may be designated by the Board, and in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the Chair or Vice Chair, the President, or the Board. With the approval of the Board, the Treasurer shall have the authority to cause all stocks, bonds, securities, and other financial instruments not constituting readily available funds that are received by the USAFRC to be sold in such a manner as to not result in any diminution in the value thereof and the proceeds therefrom to be deposited to one or more accounts of the USAFRC. If required by the Board, the Treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board shall determine.

(g) Assistant Secretaries and Assistant Treasurers. The Assistant Secretary, or if there shall be more than one, the Assistant Secretaries in the order determined by the Board, shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer. The Board may require any Assistant Treasurer to give a bond for the faithful discharge of his or her duties in such sums and with such surety or sureties as the Board shall determine. The Assistant Secretaries and Assistant Treasurers shall all perform such other duties as shall be assigned to them by the Secretary and Treasurer, respectively, or by the Chair or Vice Chair, the President, or the Board.

ARTICLE V

Committees

Section 5.1 Committees of Directors. The Board, by resolution adopted by a majority of the directors at a duly called meeting thereof, may designate one or more committees, which committees, to the extent provided in such resolution, shall have and exercise the authority of the Board in the management of the USAFRC, except that no such committee shall have the authority of the Board in reference to amending, altering or repealing these Bylaws; electing, appointing or removing any member of any such committee or any director or officer of the USAFRC; amending the Articles of Incorporation of the USAFRC, restating the Articles of Incorporation of the USAFRC, adopting a plan of merger or adopting a plan of consolidation with another organization; authorizing the sale, lease, exchange or mortgage of all or substantially all of the property and assets of the USAFRC; authorizing the voluntary dissolution of the USAFRC or revoking proceedings therefor; adopting a plan for the distribution of the assets of the USAFRC; or amending, altering or repealing any action or resolution of the Board which by its terms provides that it shall not be amended, altered or repealed by such committee. Each committee so designated by the Board shall be comprised of two or more directors and such other persons as are appointed to the committee by the Board. The Board may at any time, in its sole and absolute discretion, terminate the existence of any committee designated pursuant to this Section 5.1.

Section 5.2 Executive Committee. The USAFRC shall have an Executive Committee which shall be comprised of the Chair of the Board, the President of the USAFRC, and any other directors appointed by the Board from time to time to serve on the Executive Committee. Except as provided in Section 5.1 above, the Executive Committee shall possess and may exercise all the powers and functions of the Board in the management and direction of the affairs of the USAFRC in all cases in which specific directions shall not have been given by the Board.

Section 5.3 Standing Committees. The Chair shall have authority to appoint standing committees and to designate the chairperson of each such committee. Each standing committee of the USAFRC shall be chaired by a member of the Board, but may have as part of its membership persons not presently serving as a director of the USAFRC. A written statement of the purposes and responsibilities of each standing committee shall be prepared by the Chair thereof and submitted to the Executive Committee for its approval. Each standing committee shall keep records of its activities and shall, at such time as requested by the Executive Committee or Board of the USAFRC, submit a report on work done by the said committee. No standing committee shall enter into any contract or incur any indebtedness or financial obligation of any kind for or on behalf or in the name of the USAFRC except as expressly authorized by the Executive Committee or the Board.

Section 5.4 Other Committees. It is anticipated that from time to time ad hoc committees will be appointed and approved by the Board.

Section 5.5 Committee Governance. Subject to approval by the Board or the Executive Committee, each committee of the USAFRC shall have the power to adopt such rules and procedures as may be necessary for the effective conduct of the work entrusted to it.

ARTICLE VI

Financial Reporting and Compensation

Section 6.1 Financial Reports and Audits. The USAFRC shall cause to be prepared and delivered to the Board of Trustees of the University an annual report containing a summary of operations of the USAFRC for the immediately preceding year and financial and other information for such year similar to that which is required to be reported on an IRS Form 990 filed by tax-exempt organizations with the Internal Revenue Service. The Board of Trustees shall have the right at any time, and from time to time, to cause an audit of the USAFRC's financial records to be performed at the expense of the USAFRC.

Section 6.2 Compensation. Directors, officers and committee members are expected to serve without compensation. A director, officer or committee member shall be reimbursed for properly substantiated expenses incurred in connection with the fulfillment of that director's, officer's or committee member's authorized duties or responsibilities or which are otherwise directly related to the business or affairs of the USAFRC and which are deemed to be reasonable in amount by an officer of the USAFRC.

ARTICLE VII

Contracts: Commitments

Unless expressly authorized by the Board or Executive Committee of the USAFRC, and except as provided in these Bylaws, no officer, agent, employee or other person or persons having any relationship or affiliation with the USAFRC shall have any power or authority to cause the USAFRC to enter into any contract or commitment or to undertake any obligation or incur any liability for any purpose whatsoever.

ARTICLE VIII

Exculpation of Directors

Section 8.1 Acts of Director. No director shall be liable to anyone for any acts on behalf of the USAFRC or any omissions with respect to the USAFRC committed by such director, except for his or her own willful neglect or default.

Section 8.2 Acts of Other Directors. No director shall be liable to anyone for any act of neglect or default on the part of any one or more of the other directors in the absence of specific knowledge on the part of such director of such neglect or default.

Section 8.3 Indemnification of Directors, Officers and Others. The USAFRC shall indemnify any member of the Board or officer or former member of the Board or former officer, or any person who is serving or who has served at the request of the USAFRC as a director or officer of another entity, whether such other entity be for profit or not for profit, in which the USAFRC owns shares of capital stock or of which it is a creditor, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense of any action, suit or proceeding, civil or criminal, in which he is made a party by reason of his being or having been such director or officer, except in relation to matters as to which he shall have been adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of his duty with respect to the matter in which indemnity is sought. By order of the Board, the USAFRC may, under comparable terms and limitations, indemnify employees and agents of the USAFRC with respect to activities within the scope of their services.

Section 8.4 Insurance. Nothing herein provided shall limit or otherwise affect the power of the USAFRC to purchase and maintain insurance on behalf of any person who is or was a director, trustee, officer, employee or agent of the USAFRC or is or was serving at the request of the USAFRC in any of such capacities with respect to another USAFRC, against any liability asserted against him/her and incurred by him/her in any such capacity or arising out of his status as such, whether or not the USAFRC would have the power or would be required to indemnify him/her against such liability under the provisions of these Bylaws or any applicable law.

ARTICLE IX

General

Section 9.1 Fiscal Year. The USAFRC shall operate on the basis of a fiscal year ending on September 30 of each year.

Section 9.2 Checks. All checks or demands for money and notes of the USAFRC shall be signed by any two of the following officers: Chair of the Board, President of the USAFRC, or Treasurer of the USAFRC.

Section 9.3 Deposits. All funds of the USAFRC shall be deposited from time to time to the credit of the USAFRC in one or more banks, trust companies or other depositories as the Board or the Executive Committee may from time to time designate, upon such terms and conditions as shall be fixed by the Board or the

Executive Committee. The Board or the Executive Committee may from time to time authorize the opening and keeping, with any such depository as it may designate, of general and special bank accounts and may make such special rules and regulations with respect thereto, not inconsistent with the provisions of these Bylaws, as it may deem necessary.

Section 9.4 Corporate Seal. The Board shall select a corporate seal which shall have inscribed thereon the name of the USAFRC, the words "Alabama" and "Corporate Seal," and such seal may include the date of incorporation of the USAFRC. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

Section 9.5 Voting of USAFRC's Securities. Unless otherwise ordered by the Board, the Chair or Vice Chair of the Board, the President or any Vice-President, or such other officer as may be designated by the Board to act in the absence of the Chair or Vice Chair of the Board, the President or any Vice President, shall have full power and authority on behalf of the USAFRC to attend and to act and to vote, and to execute a proxy or proxies empowering others to attend and to act and to vote, at any meetings of security holders of any entity in which the USAFRC may hold securities, and at such meetings the Chair of the board, or such other officer of the USAFRC, or such proxy, shall possess and may exercise any and all rights and powers incident to the ownership of such securities, and which as the owner thereof the USAFRC might have possessed and exercised, if present. The Secretary or any Assistant Secretary may affix the corporate seal to any such proxy or proxies so executed by the Chair of the Board, or such other officer, and attest the same. The Board by resolution from time to time may confer like powers upon any other person or persons.

Section 9.6 Gifts. The Board may accept on behalf of the USAFRC any contribution, gift, bequest or devise for and consistent with the general purposes, or for and consistent with any specific purpose, of the USAFRC.

Section 9.7 Limitation on Pecuniary Obligations. With the exception of grants made or moneys paid by USAFRC to the University, pecuniary obligation of more than Twenty-Five Thousand Dollars (\$25,000.00) shall be undertaken by the USAFRC or any director, officer or employee thereof, without sanction by resolution of the Board or the Executive Committee adopted at a duly called meeting thereof or by an action by written consent signed by all the members thereof.

Section 9.8 Additional Organizations. The Board may authorize the formation of such subsidiary, auxiliary, associated and affiliated organizations as will in the opinion of the Board assist in effecting the purposes of the USAFRC. The organizational and governing documents and instruments of any subsidiary, auxiliary, associated or affiliated organization so authorized shall be subject to the approval of the Board or the Executive Committee. Each such authorization shall, regardless of its terms, be revocable at any time in the sole discretion of the Board.

ARTICLE X

Amendment of Bylaws

Any amendment of the provisions of these Bylaws shall require the joint approval of the Board and the Board of Trustees of the University. No amendment to these Bylaws may be made so as to avoid any limitations imposed by the Articles of Incorporation of the USAFRC as they may at any time exist.

The foregoing were adopted as the Bylaws of University of South Alabama Foundation for Research and Commercialization, a nonprofit corporation organized pursuant to the Alabama Nonprofit Corporation Act, at the meeting of its Board of Directors held on _____, 2013.

Secretary/Treasurer

STATE OF ALABAMA
COUNTY OF MOBILE

The undersigned authority hereby certifies that _____, whose name as Secretary for the University of South Alabama Foundation for Research and Commercialization is signed to the foregoing document, and who is known to me, acknowledged before me on this date that, being informed of the contents of the foregoing document, _____, as such officer and with full authority, executed the same voluntarily for and as the act of the University of South Alabama Foundation for Research and Commercialization.

Given under my hand the day of _____, 2013.

NOTARY PUBLIC
My Commission Expires: _____

RESOLUTION

**LEASE OF THIRD FLOOR OF THE CANCER BUILDING
TO THE USA RESEARCH AND TECHNOLOGY CORPORATION**

WHEREAS, the University of South Alabama (“University”) owns a building (“Cancer Building”) located on the University’s main campus, and

WHEREAS, the creation of the USA Research and Technology Corporation (“Corporation”) was authorized by the University of South Alabama Board of Trustees at their June 6, 2002, meeting and duly incorporated with the State of Alabama on June 14, 2002, as a supporting organization of the University to, among other functions, “create, develop, construct, operate, manage and finance one or more research and technology parks, technology enterprise centers and other facilities and operations which further scientific research activities of the University and contribute to the development of high-technology businesses in the State of Alabama,” and

WHEREAS, the Board of Trustees of the University believes it to be in the best interest of the University and its mission, as well as that of the Corporation, that the third floor of the Cancer Building be leased by the University to the Corporation for the purposes stated in the Articles of Incorporation of the Corporation cited in the preceding paragraph, and

WHEREAS, should the Corporation cease to exist for any reason, this lease will end and the space will revert to the University,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby authorizes the President of the University to proceed with finalizing a lease agreement with the USA Research and Technology Corporation for the Corporation’s lease of the third floor of the Cancer Building from the University, to be leased by the Corporation to tenants who meet the required qualifications of the Corporation.



MEMORANDUM

University of South Alabama
Office of the Vice President for Research
and Economic Development

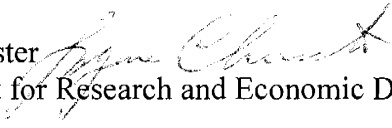
AD 200 • Mobile, AL 36688-0002
Telephone (251) 460-6333 Fax (251) 460-7955

May 24, 2013

REC'D
OFFICE OF THE PRESIDENT

MAY 24 2013

TO: Dr. John W. Smith
Acting President

FROM: Lynne Chronister 
Vice President for Research and Economic Development

SUBJECT: Agenda Item for the June 7, 2013 University of South Alabama Board of
Trustee's Meeting: Lease of Space in TRP Building

Attached is a resolution for consideration by the Board of Trustees of the University of South Alabama requesting support for leasing the third floor of the (former USA Cancer Center) Discovery and Learning Building (BLDG 4) to the Research and Technology Corporation (RTC). The 10,000 gross sq. ft. will be utilized for the creation and maintenance of the USA Innovation Hub. The Hub will incubate new technology driven start- up companies, primarily driven from commercialization of technologies developed by USA faculty.

With your approval, the item will be presented to the Board of Trustees. I recommend adoption by the Board of Trustees.

SSC

Attachments (2)

APPROVED
Cotton W. Smith
5/24/13

RESOLUTION
CONTRACT OFFICERS

WHEREAS, since the inception of the University of South Alabama, the President of the University has been authorized to sign general contractual agreements and documents for and on behalf of the Board of Trustees, and

WHEREAS, other individuals and positions in the University have, from time to time, been given authority by the Board of Trustees to sign such contractual agreements and documents on behalf of the Board of Trustees, and

WHEREAS, it is believed by the Board of Trustees that such authority should be attached to position and not individual,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees reaffirms the authority of the President of the University of South Alabama to sign and enter into contractual instruments, agreements, grants, and other similar legal documents for and on behalf of the University of South Alabama and its Board of Trustees, as well as, delegate signature authority to other University officials as he/she sees fit for contracts that are on templates pre-approved by the University Attorneys, and

BE IT FURTHER RESOLVED that the University of South Alabama Board of Trustees also authorizes and approves the positions of the Vice President for Financial Affairs, the Vice President for Health Systems, the University Treasurer, and the Assistant Vice President for Hospital Financial Affairs as contracting officers of the University of South Alabama with all necessary power, responsibilities, authorities, and obligations to enter into contractual instruments, agreements, grants, and other similar legal documents for and on behalf of the University of South Alabama and its Board of Trustees.



REC'D
OFFICE OF THE PRESIDENT

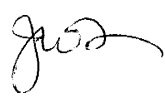
MAY 24 2013

UNIVERSITY OF SOUTH ALABAMA
University Attorney
AD 140

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

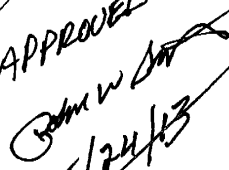
TO: President John W. Smith

FROM: Jean Walker Tucker 

SUBJECT: Contract Authority

DATE: May 24, 2013

The University currently has four contract officers designated by the Board of Trustees. When so designated by the Board, except for the President, those with contract authority were identified by name and position. Some of the positions have changed and some positions need to be added. To that end, I am submitting the attached resolution for recommendation to the Board of Trustees at their next meeting. This will serve to attach contract signing authority clearly with position held and not an individual. It further serves to give the President the ability to designate this authority in limited circumstances.

APPROVED

5/24/13

RESOLUTION

**UNIVERSITY OF SOUTH ALABAMA
BANKING RESOLUTION**

BE IT RESOLVED, the President and either the Vice President for Financial Affairs or the Treasurer of the University are authorized to:

1. Open and close bank, brokerage, custody, safekeeping, or other accounts in the name of the University.
2. Sell, transfer, and endorse for sale or transfer any and all securities on behalf of the University.
3. Buy securities for the account of the University.
4. Order the transfer or delivery of securities on the University to any other person.
5. Pledge collateral, securities, or other property in the name of the University and to make withdrawals, substitutions, and exchanges in connection therewith.
6. Exercise any other rights related to securities, including signing for all releases, powers of attorney, and/or other documents in connection with securities of the University.
7. Designate individuals authorized to sign checks, drafts, notes, acceptances, and other orders for the payment of money or the withdrawal of funds for the account of the University.
8. Designate individuals authorized to endorse, negotiate, receive, or authorize the payment of the proceeds of any instruments or orders for the payment of money to the University.
9. Designate individuals authorized to make telephone transfer of funds of the University and the manner in which such funds can be transferred.
10. Issue any other instructions for the conduct of any accounts in the name of the University.

BE IT FURTHER RESOLVED that this resolution supersedes any Resolutions dated as of a date prior to the date of this Resolution and relating to the University's banking activities and,

BE IT FINALLY RESOLVED that the secretary of this University Board of Trustees is authorized to certify, under the corporate seal of the corporation, a copy of these Resolutions and the names and specimen signatures of the persons authorized to act on behalf of the University.

XXXXXXXXXXXXXXXXXXXXXXX
John W. Smith
President

XXXXXXXXXXXXXXXXXXXXXXX
M. Wayne Davis (until July 1, 2013)
Vice President for Financial Affairs

XXXXXXXXXXXXXXXXXXXXXXX
Robert K. Davis
University Treasurer

XXXXXXXXXXXXXXXXXXXXXXX
Stephen H. Simmons (effective July 1, 2013)
Vice President for Financial Affairs

The undersigned Secretary of the Board of Trustees of the University of South Alabama hereby certifies that the above is a true and correct copy of a resolution of the Board of Trustees duly adopted on the XXX day of XXXXXX, 2013.

XXXXXXXXXXXXXXXXXXXXXXX
Bettye Maye
Secretary, University of South Alabama
Board of Trustees

STATE OF ALABAMA
COUNTY OF MOBILE

Subscribed and sworn to before me this XXX day of XXXXXX, 2013

XXXXXXXXXXXXXXXXXXXXXXX
My Commission Expires XXX, XXX



REC'D
OFFICE OF THE PRESIDENT

MAY 24 2013

UNIVERSITY OF SOUTH ALABAMA
University Attorney
AD 140

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

TO: President John W. Smith

FROM: Jean Walker Tucker *JWT*

SUBJECT: Banking Resolution

DATE: May 24, 2013

The University of South Alabama Board of Trustees vested authority in three officers of the University regarding several transactional endeavors. Because of changes in office holders and the need to update the positions of those delegated such authority as one of the position is no longer one that exists at the University, the attached Resolution is submitted for your approval and recommendation to the Board of Trustees vesting the identified authority in the President, the Vice President for Financial Affairs, and the University Treasurer. Further, because of the transition anticipated in the position of Vice President for Financial Affairs, I have put both the current Vice President's name and signature, valid until July 1, 2013, Mr. Davis's effective date of retirement, as well as the name and signature of the successor to that position, Mr. Simmons, effective as of July 1, 2013.

APPROVED
John W. Smith
5/24/13

RESOLUTION

**SALE AFTER PUBLIC ANNOUNCEMENT FOR REQUESTS FOR PROPOSALS FOR THE
SALE OF USA KNOLLWOOD HOSPITALS,
MEDICAL OFFICE BUILDINGS ONE, TWO, THREE, AND FOUR,
WITH FURNISHINGS AND EQUIPMENT AND ADJACENT ACREAGE**

WHEREAS, the University of South Alabama (USA) owns two hospital buildings, previously known as USA Knollwood Hospitals, as well as interest in four professional office buildings on the Knollwood campus known as Medical Office Buildings One, Two, Three, and Four, and certain attendant furnishings and equipment, (Knollwood Campus) and approximately seventeen acres adjacent to the Hospitals (collectively, the Parcel), all of which have been utilized by USA, either directly or through lease, to provide not only health care services and related resources to the people of Mobile and surrounding communities but, also, a site for education and research activities of USA's Colleges of Medicine, Nursing, and Allied Health Professions; and

WHEREAS, in 2005 the University of South Alabama determined that leasing its assets on Knollwood Campus as described above, with the exception of the additional acreage, was in the best interest of the University in that it would allow USA to continue to enhance its valued missions of health care education, research, and service on the Knollwood Campus; and

WHEREAS, effective December 16, 2005, and commencing April 1, 2006, Infirmary Health Hospitals, Inc. (IHH) leased all of the above-described Knollwood Campus assets owned by USA, renaming it Infirmary West, for a period of 50 years, with the option to renew for another term of 49 years, during which time it would work to enhance the clinical services currently offered and increase the number of community based primary care physicians and medical specialists on the medical staff to serve the community need; and

WHEREAS, because USA could adequately continue its mission without owning the above-described property, it has considered the sale of its interest in same; and

WHEREAS, IHH, while continuing to lease the property from USA, totally ceased the hospital operations of Infirmary West in October 2012, indicating that the Affordable Care Act was a significant contributing factor; and

WHEREAS, due to the unique nature of the property as described in the Declaration of Best Interest attached hereto, including the cessation of hospital operations, the uncertainty of continuation of the lease by IHH, the costly nature of the property whether operating as a hospital or not, and the distance of this property from the current center of operation of the USA Health System and Colleges of Medicine, Nursing, and Allied Health Professions, USA believes it to be in the best interest of the University and the State of Alabama to proceed with the sale after engaging in negotiations following the public announcement of requests for proposals for the sale of the Parcel; and

WHEREAS, the only proposal received for the purchase of the Parcel was from Infirmary Health System, Inc., an Alabama nonprofit corporation, for the sum of Five Million and 00/100 Dollars (\$5,000,000.00) in payments as described on the Purchase and Sale Agreement, attached hereto, which has been reviewed and found to be economically justified and in the best interest of the University to accept as evidenced by the attached Declaration;

BE IT THEREFORE RESOLVED that the University of South Alabama Board of Trustees, having considered the above and determined that the sale of USA's interest in the USA Knollwood Hospitals (Infirmary West), Medical Office Buildings One, Two, Three, and Four, as well as equipment and furniture located in the hospital buildings, and the adjacent approximately seventeen acres to Infirmary Health System, Inc. after negotiation subsequent to publicly announcing requests for proposals for the sale is in the best interest of the University of South Alabama and the State of Alabama, hereby ratifies the attached Declaration and authorizes the President of the University to proceed with the sale.

UNIVERSITY OF SOUTH ALABAMA

OFFICE OF THE PRESIDENT



TELEPHONE: (251) 460-6111
MOBILE, ALABAMA 36688-0002

Declaration of Best Interest

To: USA Board of Trustees

From: John W. Smith, ^{JA} Acting President

Re: Sale of Knollwood Hospitals and Property

Date: June 6, 2013

As stated in the Declaration of Best Interest submitted to the Executive Committee of the Board of Trustees on May 9, 2013, the University of South Alabama (USA) leased the former USA Knollwood Hospitals, including all hospital buildings, professional office buildings, improvements and certain equipment, fixtures, furnishings and other personal property (the Hospitals) to Infirmary Health Hospitals, Inc. (IHH), who then renamed the campus "Infirmary West," commencing on April 1, 2006. That lease was for an initial lease term of 50 years with an automatic renewal for an additional 49 years. At the inception of the lease, USA received a payment of \$7,800,000. The lease called for lease payments ranging from \$1,000,000 annually to \$1,500,000 annually through lease year 30. Through March 31, 2013, USA has received total payments (upon execution of the lease and monthly thereafter) of \$12,800,000 from IHH. Additionally, over the 5-6 years immediately prior to the inception of this lease, USA experienced significant losses with respect to the operation of the Hospitals.

As discussed at the May 9, 2013, meeting of the Executive Committee of the Board of Trustees, many factors were considered by the administration with respect to whether and how to sell the Parcel, including: While the lease provides for a rental stream currently, it is subject to termination by IHH in certain circumstances, including changes in any law which may negatively impact the operation of the Hospitals (when IHH announced the closing of the Infirmary West in October 2012, officials indicated that the Affordable Care Act was a significant contributing factor in their decision); the two hospital buildings (except for one USA physician clinic) are currently closed; the hospital operations of the two hospital buildings have ceased; the cost of operating the Hospitals, or even maintaining the closed facilities should they revert to USA would be cost prohibitive in the current climate; the hospital buildings and the physician office buildings, which are currently being leased back by IHH to the USA Health Services Foundation, are now remote to the bulk of the operations of the University of South Alabama Health System and the Colleges of Medicine, Nursing, and Allied Health Professions; and major plant deficiencies in the Hospitals (including HVAC systems, elevators, roofs, walls, telephone and others) could require a multimillion dollar

investment. Finally, the administration determined that USA can adequately continue its mission without owning the Hospitals or the approximately 17 acres of adjoining land which USA originally designated as the site for the USA Mitchell Cancer Institute. USA's administration supports the sale of USA's interest in the Hospitals and property (collectively, the Parcel).

The Executive Committee of the Board of Trustees of the University approved making a publicly announced request for proposals for the sale of the Parcel at its meeting on May 9, 2013. Through a real estate broker, such an announcement was placed in the Mobile Press Register. In response to the request, the University received one proposal. The Infirmary Health System, Inc. submitted a Purchase and Sale Agreement, which was then negotiated, resulting in the Purchase and Sale Agreement (Agreement) attached hereto.

Therefore, after much consideration of the unique nature of the Parcel and the unique set of circumstances set forth above, as the agent of USA as designated by the Board of Trustees, and consistent with USA's land sale/lease policies and procedures and the applicable statute, I hereby declare that it is economically justified and in the best interest of the University of South Alabama and the State of Alabama to sell the Parcel for the reasons stated above, and would recommend the sale be made to Infirmary Health System, Inc., pursuant to the attached Agreement.

STATE OF ALABAMA

COUNTY OF MOBILE

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (the "Agreement") is made and entered into as of the Effective Date (as hereinafter defined) by and between **Infirmity Health System, Inc.**, an Alabama nonprofit corporation (the "Buyer"), and the **University of South Alabama**, a public body corporate pursuant to the laws of the State of Alabama ("Seller").

Agreement

In consideration of the mutual covenants set forth herein, the parties hereto do hereby agree as follows:

1. **Sale and Purchase.** Seller, subject to approval by its Board of Trustees, hereby agrees to sell, convey and assign to Buyer, and Buyer hereby agrees to purchase and accept from Seller, for the Purchase Price (as hereinafter defined), on and subject to the terms and conditions set forth in this Agreement, all of that certain real property in Mobile, Alabama which is particularly described on **Exhibit A**, together with all easements and appurtenances thereto and any and all improvements located thereon (the "Real Property") along with all personal property which is identified on **Exhibit B** attached hereto or is otherwise located on the Real Property which is owned by Seller with the exception of any and all equipment and personal property which is located in any and all space, including but not limited to physician offices, leased to the Seller or the University of South Alabama Health Services Foundation ("USAHSF"), said space described on **Exhibit C** attached hereto, (the "Personal Property"; the Real Property and the Personal Property are sometimes hereafter described as the "Property") subject to currently held leasehold interests (the "Existing Leases"). All of the Property shall be sold, conveyed and assigned to Buyer at the Closing (as hereinafter defined) subject to the Existing Leases and otherwise free and clear of all liens, easements, covenants, rights-of-way, reservations, tenancies and any other encumbrances of whatsoever nature (hereinafter collectively called the "Encumbrances"), except the Existing Leases and the Encumbrances appearing in the Title Commitment (as hereinafter defined) that either are not objected to, or, if objected to, are cured or subsequently waived pursuant to **Section 3** hereinbelow, and any other matters of record not appearing in the Title Commitment (all such exceptions to the Encumbrances being collectively referred to herein as the "Permitted Encumbrances") and any and all leases and subleases to the Seller or USAHSF in place at that time shall remain in place with terms remaining unchanged for two years from December 1, 2013, including but not limited to dedicated parking and egress and ingress, except that after December 1, 2013, the rental amount may be increased annually, but no more than the consumer price index, and Buyer, Seller, or USAHSF may cancel any or all of the leases with one hundred and twenty (120) days' notice, or as otherwise agreed in writing by Lessor and Lessee; provided, however that any and all leases pursuant to which Seller or USAHSF occupies space in what is known as the West Tower shall be terminated and vacated no later than December 31, 2013.

{1000~902.1 }

2. **Purchase Price.** The purchase price (the "Purchase Price") to be paid by Buyer to Seller for the Property is Five Million and 00/100 Dollars (\$5,000,000.00). The Purchase Price shall be payable in U.S. dollars in cash or other immediately available funds acceptable to Seller as follows:

- (i) The sum of \$2,500,000.00 shall be payable by Buyer to Seller at Closing.
- (ii) The remaining balance of \$2,500,000.00 shall be payable by Buyer to Seller, without interest, on the date that is one year following the Closing Date pursuant to a promissory note to be executed by Buyer in favor of Seller at Closing. This amount will be collateralized by Buyer to the reasonable satisfaction of Seller by bank letter of credit from Buyer to Seller, the cost of which shall be borne by Seller.

3. **Title Commitment; Survey.** (a) Buyer shall have until the end of the Inspection Period (as defined in Section 5 hereinbelow) to obtain an Owner's Commitment for Title Insurance (the "Title Commitment") from Surety Land Title, Inc. in Mobile, Alabama (the "Title Company"), which shall set forth the status of title to the Real Property and shall show all Encumbrances and other matters affecting the Real Property.

(b) Buyer shall have until the end of the Inspection Period to obtain and examine a survey (the "Survey") of the Real Property, at Buyer's expense.

(c) If the Title Commitment or the Survey fails to show indefeasible fee simple title to the Real Property to be in Seller, free and clear of liens or other encumbrances or matters which would have a material impact upon Buyer's use of the Property, in Buyer's reasonable discretion, then Buyer shall give Seller written notice thereof prior to the expiration of the Inspection Period, specifying Buyer's objections to the status of the Real Property (the "Objections"), if any. If Buyer gives such notice of Objections to Seller, Seller may, but is not obligated to, cure the Objections. In the event Seller elects not to cure said Objections, Seller shall provide Buyer with written notice of same at least seven (7) days prior to Closing.

(d) If Buyer gives such notice of Objections to Seller and Seller does not cure the objections and cause the Title Commitment and/or Survey to be amended to give effect to matters that are cured or are to be cured on or prior to the Closing, then Buyer shall have the right to either (i) terminate this Agreement by giving notice thereof to Seller within seven (7) days after receipt of notice from Seller that it is unwilling or unable to cure the Objection(s) and neither party hereto shall have any further rights or obligations hereunder except for any obligations that by their terms expressly survive Closing and/or termination of this Agreement; or (ii) waive the Objections and consummate the purchase of the Property subject to the Objections which shall be deemed to be Permitted Encumbrances. If Buyer does not give notice of termination to Seller as provided above, Buyer shall be deemed to have waived the Objections.

4. **Closing.** (a) The closing (the "Closing") of the sale of the Property from Seller to Buyer shall occur within fifteen (15) days after the expiration of the Inspection Period (the "Closing Date"), at the offices of the Title Company. The parties hereto may agree on such

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other mutually agreeable date for the Closing by written amendment of this Agreement signed by each of the parties hereto, or their respective successors or assigns.

(b) At the Closing, the following shall occur, all of which shall be deemed concurrent conditions to the Closing of the sale of the Property:

(1) Seller shall deliver or cause to be delivered to the Buyer, the following:

(i) A statutory warranty deed (the "Deed"), fully executed and acknowledged by Seller, conveying to Buyer title to the Real Property subject only to the lien for ad valorem taxes, survey matters and the Permitted Encumbrances.

(ii) An instrument of sale and assignment fully executed by Seller transferring title to all of the Personal Property to Buyer free of all liens and encumbrances.

(iii) In the event this transaction is subject to any laws providing for the withholding of funds from the sale proceeds for tax liability, Seller agrees that Seller shall be subject to having such funds withheld in accordance with applicable laws unless (i) Seller qualifies for an exemption from any such withholding requirements and (ii) executes such documents required by law to qualify for such exemption and to release the person or entity responsible for collection from liability for failure to do so.

(2) Buyer shall deliver or cause to be delivered to Seller the following:

(i) A certified or cashier's check or such other means of funding acceptable to Seller, payable to the order of Seller in an amount equal to one-half of the Purchase Price (adjusted for the proration of taxes and other assessments).

(ii) A fully executed promissory note in the amount of \$2,500,000.00 representing payment of the remaining balance of the Purchase Price, secured by a bank letter of credit in the same amount.

(c) Buyer shall also receive an owner's policy of title insurance ("Title Policy"), at Buyer's expense, issued by the Title Company to Buyer in the amount of the Purchase Price insuring that after the completion of the Closing, Buyer is the owner of indefeasible fee simple title to the Real Property, subject only to the Existing Leases and Permitted Encumbrances, survey matters and the lien for ad valorem taxes, which taxes shall be current.

(d) Buyer and Seller shall each be responsible for one-half the cost of the title company's settlement or closing fee. Buyer shall be responsible for the cost of the owner's title insurance policy and the recording fees associated with the recordation of the Deed and the cost of the Survey. Each party shall be responsible for its respective attorneys' fees.

(e) All normal and customarily proratable items, including without limitation, any rental payments received or due from tenants occupying any portion of the Property, real estate and personal property taxes, utilities, etc., shall be pro rated as of the date of Closing, Buyer being charged and credited for all of the same on and after such date. If the actual amounts to be pro rated are not known as of the Closing, the proration shall be made at Closing on the basis of the best evidence then available without subsequent adjustment. Any "rollback" taxes or other taxes assessed based on Seller's claiming of current use valuation for the Real Property shall be paid by Seller.

(f) Upon completion of the Closing, Seller shall deliver to Buyer possession of the Property subject only to tenants which may occupy the Property under Existing Leases and the Permitted Encumbrances.

5. **Inspections.** (a) Buyer shall have the right to go onto the Real Property and to make inspections (the "Inspections") of the Property for a period of thirty (30) days after the Effective Date of this Agreement (the "Inspection Period"). The Inspections may include, without limitation, the right to conduct surveys, test borings, soil analyses, and other tests, inspections and surveys of the Property and any and all improvements located thereon. Seller will reasonably cooperate with Buyer in arranging the Inspections. Seller shall provide Buyer with copies of all leases and other documents, as Buyer may reasonably request, within 10 days of Buyer's request for same.

(b) If Buyer is not satisfied with the condition of the Property or any other items which are disclosed during the Inspection Period, in Buyer's sole discretion, then Buyer shall have the right to terminate this Agreement by providing written notice of such termination to Seller prior to the end of the Inspection Period. If Buyer fails to deliver any such notice of termination prior to the end of the Inspection Period, Buyer shall be deemed to have approved the Inspections.

6. **Assignment of This Agreement.** Neither party shall be permitted to assign any rights or delegate any duties hereunder without the prior written consent of the other party.

7. **Real Estate Commissions.** Each party represents and warrants to the other that no real estate commissions or other fees are due in connection with the sale contemplated by this Contract except a fee due to John Toomey & Company, Inc. pursuant to a separate agreement entered into between Seller and John Toomey & Company, Inc. (exclusive agent for Seller), which fee shall be paid by Seller pursuant to that separate agreement. Each party agrees to bear any costs or liability resulting from said party's contact with any broker or agent other than as specified herein.

Seller initials _____ Purchaser initials 

8. **Representations of Seller.** Seller hereby represents to Buyer as follows:

(a) Seller has full power and authority to make, execute, deliver and perform this Agreement, and all proceedings required to be taken by Seller or on Seller's behalf to authorize Seller to enter into and carry out this Agreement have been duly and properly taken and this Agreement constitutes a valid and binding obligation of Seller which is enforceable in accordance with its terms; provided, however, that the enforceability, validity and binding effect of this Agreement and the transactions contemplated herein to which Seller is a party may be limited by applicable bankruptcy, insolvency, reorganization or similar laws now or hereafter in effect and judicial rulings of the State of Alabama which may affect creditors' rights generally, the unavailability of, or limitation on the availability of, a particular right or remedy (whether in a proceeding in equity or at law) because of equitable principles or a requirement as to commercial reasonableness, unconscionability or good faith. The execution and performance of this Agreement by Seller will not violate any provisions of Alabama law or regulations or any other laws and regulations to which Seller is subject.

(b) To the best of Seller's knowledge, Seller holds fee simple title to the Real Property, subject only to the Permitted Encumbrances, and Seller has the right and full authority to enter into this Agreement and to convey the Real Property and the Personal Property to Buyer free from all liens and encumbrances other than the Existing Leases and the Permitted Encumbrances.

(c) To the best of Seller's knowledge, there are no underground storage tanks on, under or affecting the Real Property. To the best of Seller's knowledge, the Real Property has never been used as a landfill to receive solid waste, whether or not hazardous, and has not been used for disposal, storage, or treatment of any waste, trash, garbage, industrial by-product, chemical or hazardous substance of any nature, including without limitation but not limited to radioactive containers, PCB's, asbestos, pesticides, herbicides, pesticide or herbicide containers, untreated sewage, industrial process sludge, or any "hazardous substance" as such term is defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended. To the best of Seller's knowledge, neither the Real Property nor any improvements on the Real Property contain asbestos insulation or electrical transformers cooled by phenylchlorobenzene. To the best of Seller's knowledge, no release of oil or petroleum or chemical liquids or solids, liquid or gaseous products or hazardous substance has occurred on the Real Property. To the best of Seller's knowledge, the Seller has received no notice from any governmental or regulatory agency or from any tenant under a lease of any portion of the Real Property with respect to any such possible release. To the best of Seller's knowledge, there are no hazardous wastes or toxic contaminants required to be controlled, abated or removed by federal, state or local agencies, which are stored or located in, on or under the Real Property.

(d) To the best of Seller's knowledge, there are no condemnation, environmental, zoning or other land use regulation proceedings, either instituted or planned to be instituted, which could detrimentally affect the use or operation of the Real Property or the value of the Real Property; nor has Seller received notice of any special assessment proceedings affecting the Real Property.

(e) To the best of Seller's knowledge, there are no outstanding Hill-Burton obligations or loans whatsoever with respect to the Property and, to the best of Seller's knowledge, the sale of the Property will not trigger any such obligations on behalf of the Buyer.

(f) To the best of Seller's knowledge, there is no litigation pending or, to Seller's knowledge, threatened against Seller or any basis therefore that may arise out of the use or ownership of the Property or that might detrimentally affect the use or operation of the Property or the value of the Property, or adversely affect the ability of Seller to perform its obligations under this Agreement.

(g) Seller has not committed nor obligated itself in any manner whatsoever to sell the Property to any party other than Buyer.

(h) To the best of Seller's knowledge, at the Closing, there will be no leases, easements, management agreements, encumbrances or other contracts or agreements affecting the Property except for the Permitted Encumbrances.

(i) To the best of Seller's knowledge, the Real Property is in compliance in all respects with all laws (including without limitation, any and all environmental laws, rules and regulations), ordinances (including without limitation, zoning, subdivision and sign ordinances), rules and regulations affecting the Property.

(j) To the best of Seller's knowledge, no representation, statement or warranty by Seller contained herein contains any untrue statement of material fact or omits to state a material fact necessary to make such representation, statement or warranty not misleading in light of the circumstances under which it was made. The Closing contemplated herein is expressly conditioned on and made contingent upon the truth and accuracy of the representations, statements and warranties made by Seller.

9. **Representations and Warranties of Buyer.** Buyer hereby represents and warrants to Seller as follows:

(a) Buyer has full power and authority to make, execute, deliver and perform this Agreement, and all proceedings required to be taken by Buyer or on Buyer's behalf to authorize Buyer to enter into and carry out this Agreement have been duly and properly taken and this Agreement constitutes a valid and binding obligation of Buyer which is enforceable in accordance with its terms; provided, however, that the enforceability, validity and binding effect of this Agreement and the transactions contemplated herein to which Buyer is a party may be limited by applicable bankruptcy, insolvency, reorganization or similar laws now or hereafter in effect and judicial rulings of the State of Alabama which may affect creditors' rights generally, the unavailability of, or limitation on the availability of, a particular right or remedy (whether in a proceeding in equity or at law) because of equitable principles or a requirement as to commercial reasonableness, unconscionability or good faith. The execution and performance of this Agreement by Buyer will not violate any provisions of Alabama law or regulations or any other laws and regulations to which Buyer is subject. Buyer understands that this purchase will be for the Property "As is Where is."

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10. **Notices.** All notices, demands and requests which may be given or which are required to be given by either party to the other under this Agreement and any exercise of a right of termination provided by this Agreement shall be in writing and shall be deemed effective: (i) when personally delivered to the intended recipient; (ii) three (3) business days after having been sent, by certified or registered mail, return receipt requested, addressed to the intended recipient at the address specified below; (iii) when delivered in person to the address set forth below for the party to whom the notice was given; (iv) at noon of the business day next following after having been deposited into the custody of a nationally recognized overnight delivery service such as Federal Express or Airborne Express, addressed to such party at the address specified below; or (v) immediately if sent during regular business hours or at 8:30 a.m. local time on the next business day next following an after-hours, weekend or holiday notice sent by facsimile, telegram or telex, provided that receipt for such facsimile, telegram or telex is verified by the sender and followed by a notice sent in accordance with one of the other provisions set forth above. Any notice sent as required by this Section and refused by recipient shall be deemed delivered as of the date of such refusal. For purposes of this Section 10, the addresses of the parties for all notices are as follows (unless changed by similar notice in writing given by the particular person whose address is to be changed):

IF TO BUYER:

Infirmiry Health System, Inc.
5 Mobile Infirmiry Circle
Mobile, AL 36607
Attn: D. Mark Nix
Phone: 251-435-2071
Fax: 251-435-2060

IF TO SELLER:

University of South Alabama
307 University Blvd. AD 170
Mobile, AL 36688
Attention: Vice President for Financial Affairs
Phone: 251- 460-6132
Fax: 251-460-6131

IF TO TITLE COMPANY:

Surety Land Title
5909 Airport Boulevard
Mobile, AL 36608
Attention: Larry Giardina
Phone: 251-343-4200
Fax: 251-343-4255

11. **Casualty or Condemnation.** Should the entire property be condemned prior to the Closing contemplated herein, this Agreement will be terminated with no consequences to Buyer or Seller. In the event of casualty loss or partial condemnation occurring prior to Closing, Buyer may elect to cancel this Agreement. In the event Buyer elects to proceed with the transaction despite any such casualty or partial condemnation, the obligations of the parties hereunder shall remain in full force and effect as if such casualty or condemnation had not

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occurred. In the event Buyer elects to proceed with the transaction and Seller receives any condemnation awards or proceeds collected under policies of insurance pertaining to the Property, Seller shall pay to Buyer, after reimbursement to Seller of amounts expended for repairs and renovations required as a result of casualty loss, a percentage of the sum of money received as condemnation awards or insurance proceeds in an amount which is equal to the percentage of the Property which was destroyed or condemned, up to the amount Seller receives from Buyer as a result of this Agreement and shall assign, transfer and set over to Buyer all of Seller's right, title and interest in and to said awards and proceeds and any further sums payable thereunder or by reason thereof, up to the amount Seller receives from Buyer as a result of this Agreement.

12. **Effective Date.** The Effective Date for this Agreement shall be the date on which the last party hereto executes this Agreement.

13. **Time is of the Essence.** Time is of the essence in the execution and performance of this Agreement; however, if the final date of any period which is set out in any provision of this Agreement falls on a Saturday, Sunday or legal holiday under the laws of the United States or the State of Alabama, then, in such event, the time of such period shall be extended to the next day which is not a Saturday, Sunday or legal holiday.

14. **Termination, Default and Remedies.** (a) If Buyer fails or refuses to consummate the purchase of the Property pursuant to this Agreement at the Closing or is in breach of any representation or warranty set forth herein as of the date of Closing or fails to perform any of Buyer's other obligations hereunder either prior to or at the Closing for any reason other than termination of this Agreement by Buyer pursuant to a right so to terminate expressly set forth in this Agreement, or Seller's failure to perform Seller's obligations under this Agreement, then Seller's sole right and remedy shall be to terminate this Agreement by giving written notice thereof to Buyer prior to or at the Closing, whereupon neither party hereto shall have any further rights or obligations hereunder.

(b) If Seller fails or refuses to consummate the sale of the Property pursuant to this Agreement at the Closing or is in breach of any representation set forth herein as of the date of Closing or fails to perform any of Seller's other obligations hereunder either prior to or at the Closing for any reason other than the termination of this Agreement by Seller pursuant to a right so to terminate expressly set forth in this Agreement, or Buyer's failure to perform Buyer's obligations under this Agreement, then Buyer shall have the right to either (i) enforce specific performance of Seller's obligations under this Agreement; or (ii) terminate this Agreement by giving written notice thereof to Seller prior to or at the Closing, whereupon neither party hereto shall have any further rights or obligations hereunder.

15. **Survival.** The terms and conditions of this Agreement which by their terms require or may require performance after the Closing shall survive, and shall not be merged into the Deed or any other document executed in connection with the transaction contemplated hereby.

16. **Entire Agreement.** This Agreement embodies the entire Agreement and understanding between Buyer and Seller and supersedes any prior agreements and understandings between such parties relating to the subject matter hereof.

17. **Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

18. **Amendment and Waiver.** Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by Buyer and Seller.

19. **Governing Law.** This Agreement shall be governed by Alabama law.

20. **Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original for all purposes.

21. **Invalid Provision.** If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by such illegal, invalid or unenforceable provision or by its severance from this Agreement.

22. **Representation by the Parties.** The parties agree that no part of this Agreement shall be construed to induce or encourage the referral of patients or the purchase of health care services or supplies. The parties acknowledge that there is no requirement under this Agreement or any other agreement between the Seller and the Buyer that any party refer any patients to any health care provider or purchase any health care goods or services from any source. Additionally, no payment under this Agreement is in return for the referral of patients, if any, or in return for purchasing, leasing or ordering services. The parties further agree that the compensation payable hereunder has been negotiated at arm's length and represents fair market value for the property being conveyed.

IN WITNESS WHEREOF, this Agreement is executed, under seal, as of the Effective Date.

BUYER:

INFIRMARY HEALTH SYSTEM, INC.,
an Alabama nonprofit corporation

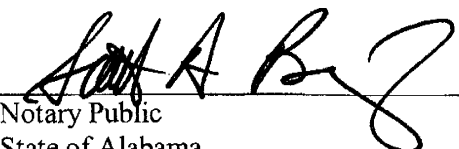
Date: June 3, 2013

By: 
Name: D. Mark Nix
Title: President/CEO

STATE OF ALABAMA
COUNTY OF MOBILE

I, the undersigned, a Notary Public in and for said State and County, hereby certify that D. Mark Nix, whose name as President/CEO of Infirmary Health System, Inc., an Alabama nonprofit corporation, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official notarial seal this 3rd day of June, 2013.



Notary Public
State of Alabama
My Commission Expires: 1-18-2015

SELLER:

UNIVERSITY OF SOUTH ALABAMA

Date: June ____, 2013

By: _____

Name: _____

Title: _____

STATE OF ALABAMA

COUNTY OF MOBILE

I, the undersigned, a Notary Public in and for said State and County, hereby certify that _____, whose name as _____ of University of South Alabama, a public body corporate under the laws of the State of Alabama general partnership, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said public body corporate.

Given under my hand and official notarial seal this ____ day of June, 2013.

Notary Public

State of Alabama

My Commission Expires: _____

EXHIBIT A

LEGAL DESCRIPTION

That certain property being located in Mobile County, Alabama and described as follows,
to-wit:

Parcel A - Southwest Community Hospital Subdivision

Commencing at the southwest corner of Section 10, T5S-R2W, Mobile County, Alabama, run N 00° 02' 25" E along the west line of said Section 10, 40 feet to a point on the north right of way line of Girby Road, said point being the beginning of the property herein described; thence along said north line of Girby Road run N 89° 29' 15" E 1539.78 feet to a point, thence continuing along said north line of Girby Road run N 00° 30' 45" W 10 feet to a point, thence continuing along said north line of Girby Road run N 89° 29' 15" E 300 feet to a point, thence continuing along said north line of Girby Road run S 00° 30' 45" E 10 feet to a point; thence continuing along said north line of Girby Road run N 89° 29' 15" E 151.65 feet to the intersection of said north line of Girby Road with the southwest right of way line of Knollwood Drive; thence along said southwest line of Knollwood Drive run N 00° 01' 02" E 89.22 feet to a point, thence continuing along said southwest line of Knollwood Drive run N 51° 19' 15" W 849.78 feet to a point, thence run S 00° 01' 30" W 16.61 feet to a point, thence run S 89° 50' 11" W 1260.70 feet to a point, thence run S 25° 12' W 144.73 feet to a point, thence run S 54° 34' 30" W 154.81 feet to a point, then run S 11° 44' 45" W 65 feet to a point, thence run S 49° 36' 15" W 97.32 feet to a point, thence run S 24° 31' 30" W 89 feet to a point, thence run S 54° 16' W 149.20 feet to a point, thence run S 31° 20' W 123.18 feet to a point on the aforementioned north right of way line of Girby Road, thence along said north line of Girby Road run N 89° 37' 28" E 429.96 feet to the point of beginning. Containing 26.508 acres.

Parcel B - Medical Park One

Lot 4, Southwest Community Hospital Subdivision, according to plat recorded in Map Book 34, Page 68 of the Probate Court Records of Mobile County, Alabama.

Parcel C - Medical Park Two

Lot 8 of Southwest Community Hospital Subdivision, as set forth on the plat of record in Map Book 34, Page 68, of the records in the Office of the Judge of Probate, Mobile County, Alabama.

Parcel D - Medical Park Three

Lot 7, Southwest Community Hospital Subdivision, according to plat recorded in Map Book 34, Page 68 of the Probate Court Records of Mobile County, Alabama, with the exception of condominium units 101 and 102.

Parcel E - Medical Park Four

Lot 1, Hammond Subdivision as recorded in Map Book 34, page 107 in the Office of the Judge of Probate, Mobile County, Alabama; containing 1.67 acres, more or less.

Property Description of Above Parcel D Per Rester & Coleman Survey

Commencing at the southwest corner of Section 10, T5S-R2W, Mobile County, Alabama, run N 89° 29' 15" E along the south line of Section 10, a distance of 1991.43 feet to a point; thence run N 00° 01' 02" E 950.17 feet to the point of beginning of the property herein described; thence continuing N 00° 01' 02" E 350.0 feet to a point on the south right of way line of Dandale Drive; thence along said south line of Dandale Drive run S 89° 38' 54" W 208.0 feet to a point; thence run S 00° 01' 02" W 350.0 feet to a point; thence run N 89° 38' 54" E 208.0 feet to the point of beginning. Containing 1.671 acre.

Permanent nonexclusive ingress, egress, drainage and utility easement granted for the purpose of access to the property described as Lot 1, Hammond Subdivision above:

Beginning at the Northwest corner of Lot 1, Hammond Subdivision as recorded in Map Book 34, Page 107 in the Office of the Judge of Probate, Mobile County, Alabama; thence run South 00° 01' 24" West along the West line of said Hammond Subdivision, 386.24 feet; thence departing the West line of said Hammond Subdivision, run North 89° 58' 36" West, 58.58 feet; thence run North 00° 01' 24" East, 8.80 feet; thence run Northwestwardly along a curve to the left having a radius of 67.00 feet, an arc length of 105.03 feet (the chord bears North 44° 53' 05" West, and measures 94.60 feet); thence run North 89° 47' 34" West, 285.96 feet; thence run Southwestwardly along a curve to the left, having a radius of 80.00 feet, an arc length of 72.36 feet (the chord bears South 64° 17' 49" West, and measures 69.91 feet); thence run South 38° 23' 11" West, 123.78 feet to a point on the North right of way line of Knollwood Drive Extension, having a 100 foot right of way; thence run North 51° 26' 07" West along the said North right of way line, 60.00 feet; thence departing the said North right of way line, run North 38° 23' 11" East, and measures 122.35 feet; thence run Northeastwardly along a curve to the right, having a radius of 140.00 feet, an arc length of 126.62 feet (the chord bears North 64° 17' 49" East, and measures 122.35 feet); thence run South 89° 47' 34" East, 329.56 feet; thence run North 00° 10' 27" East, 250.20 feet to a point on the South right of way line of Dandale Drive, having a 50 foot right of way; thence run North 89° 44' 55" East along the said South right of way line, 80.92 feet to the point of beginning and containing 1.46 acres, more or less.

Parcel F

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Beginning at the Northwest corner of the Northwest quarter of the Southwest quarter of Section 10, Township 5 South, Range 2 West, Mobile County, Alabama; thence run North $89^{\circ} 27' 42''$ East, 504.21 feet to a point on the South right of way line of Knollwood Drive Extension, having a 100 foot right of way; thence run South $51^{\circ} 26' 07''$ East along the said South right of way line, 1051.59 feet; thence departing the said South right of way line, run South $03^{\circ} 03' 37''$ East, 16.61 feet; thence run South $89^{\circ} 47' 51''$ West, 1327.47 feet; thence run North $00^{\circ} 05' 12''$ East, 672.12 feet to the point of beginning and containing 14.33 acres, more or less.

Parcel G

From the Southwest corner of Section 10, Township 5 South, Range 2 West, Mobile County, Alabama, run thence North $00^{\circ} 02' 41''$ East 1330.28 feet to the point of beginning of the property herein described, thence continue North $00^{\circ} 02' 41''$ East 651.36 feet to a point on the West line of a 40 foot Service Road to Knollwood Drive, said point being on the arc of a curve having a delta angle of $29^{\circ} 28' 20''$ and a radius of 1540.49 feet; thence Southeastwardly along the arc of said curve to the left 792.41 feet to a point; thence South $89^{\circ} 25' 13''$ West 442.96 feet to the point of beginning.

EXHIBIT "B"

University of Southern Alabama - Knoxville Hospital

Valuation of Machinery and Equipment

Item #	Location	Account	Dept	Tag #	Old # or Associated		Description	Model #	Serial #	FMV in use
					Tag #	Tag #				
4	01	EQUIP	46610	K70117			NURSE CALL SYSTEM-2ND FL EAST			2,000
1	01	EQUIP	46610	K01317			DEFIBRILLATOR-HEARTSTREAM XL			2,200
5	01	EQUIP	46610	K90051		0112	FOLLETT ICE MACHINE	M4735A	US00110348	600
2	01	EQUIP	46610	K01380			ICE DISPENSER	110FB400A	B73212	4,200
16	01	EQUIP	46610	K30282		6066	ELECTRIC HOSPITAL BED			300
17	01	EQUIP	46610	K30284		3821	ELECTRIC HOSPITAL BED			300
18	01	EQUIP	46610	K90287		3886	ELECTRIC HOSPITAL BED			300
19	01	EQUIP	46610	K90289		3953	ELECTRIC HOSPITAL BED			300
6	01	EQUIP	46610	K90079		3855	ELECTRIC HOSPITAL BED			300
7	01	EQUIP	46610	K90080		6063	ELECTRIC HOSPITAL BED			300
8	01	EQUIP	46610	K90081		4005	ELECTRIC HOSPITAL BED			300
9	01	EQUIP	46610	K90083		3888	ELECTRIC HOSPITAL BED			300
10	01	EQUIP	46610	K90088		3910	ELECTRIC HOSPITAL BED			300
11	01	EQUIP	46610	K90094		6078	ELECTRIC HOSPITAL BED			300
12	01	EQUIP	46610	K90098		6084	ELECTRIC HOSPITAL BED			300
13	01	EQUIP	46610	K90100		3900	ELECTRIC HOSPITAL BED			300
14	01	EQUIP	46610	K90104		3992	ELECTRIC HOSPITAL BED		723-48059	300
28	01	EQUIP	46610	K91637		7587	HILL ROM BED/HOSP,ELECT			300
15	01	EQUIP	46610	K90136		3925	HILL ROM BED/HOSP,ELECT			300
20	01	EQUIP	46610	K91529		3954	HILL ROM BED/HOSP,ELECT			300
21	01	EQUIP	46610	K91532		4008	HILL ROM BED/HOSP,ELECT			300
22	01	EQUIP	46610	K91533		3937	HILL ROM BED/HOSP,ELECT			300
23	01	EQUIP	46610	K91537		3959	HILL ROM BED/HOSP,ELECT			300
24	01	EQUIP	46610	K91538		3971	HILL ROM BED/HOSP,ELECT			300
25	01	EQUIP	46610	K91539		4031	HILL ROM BED/HOSP,ELECT			300
26	01	EQUIP	46610	K91542		4030	HILL ROM BED/HOSP,ELECT			300
27	01	EQUIP	46610	K91543		4000	HILL ROM BED/HOSP,ELECT			300
30	01	EQUIP	46612	K70118			NURSE CALL SYSTEM-3RD FL EAST	B014318	S1323	1,800
34	01	EQUIP	46612	K90124		2772	STRYKER STRETCH&HYDR			400
33	01	EQUIP	46612	K90123		7980	IVAC MONITOR/PRESSURE			300
31	01	EQUIP	46612	K90073		6083	ELECTRIC HOSPITAL BED			300
32	01	EQUIP	46612	K90099		3946	ELECTRIC HOSPITAL BED			300
37	01	EQUIP	46612	K90277		3958	ELECTRIC HOSPITAL BED	723	723-62067	300
35	01	EQUIP	46612	K90134		1244	HILL ROM BED/HOSP,ELECT			300
38	01	EQUIP	46612	K91536		6069	HILL ROM BED/HOSP,ELECT			300
39	01	EQUIP	46612	K91540		3917	HILL ROM BED/HOSP	723	723-20096	300
36	01	EQUIP	46612	K90141		7255	TRAVENOL PUMP/INFUSION			300
42	01	EQUIP	46636	K00475			MONITORING SYSTEM - SIEMENS	SC 7000		75,000
43	01	EQUIP	46636	K00476			TELEMETRY SYSTEM	405C		25,000
41	01	EQUIP	46636	K00449			VISUAL NURSE CALL			1,000
44	01	EQUIP	46636	K01243			AGILENT DEFIBRILLATORS	M4735A	US00100144	800
46	01	EQUIP	46636	K01324			ICP/CPP/ICT MONITOR	MPM-1	2687	2,700
45	01	EQUIP	46636	K01319			DEFIBRILLATOR-HEARTSTREAM XL	M4735A	US00110350	2,200
47	01	EQUIP	46636	K90149		2126	HILL ROM BED/ICU RECOVERY			600
40	01	EQUIP	46636	K00387			HILL ROM BED/ICU RECOVERY	PW 882-50		500
49	01	EQUIP	46636	K90167		2104PC	HILL ROM BED/ICU-RECOVERY			500

University of Southern Alabama - Knollwood Hospital

Valuation of Machinery and Equipment

Item #	Location	Account	Dept	Tag #	Old Htr or Associated Tag #	Description	Model #	Serial #	FMV in use
48	01	EQUIP	466660	K90156	7882	HILL ROM BED/HOSP ELECT.			400
99	01	EQUIP	466660	K70015		SURGICAL LASER LS-100			11,000
141	01	EQUIP	466660	K91700		OLYMPUS UROLOGY SYSTEM			15,000
100	01	EQUIP	466660	K70050		SURGICAL MICROSCOPE (WALDE)			7,300
85	01	EQUIP	466660	K01266		WASHER 444	444	3605201007	40,300
81	01	EQUIP	466660	K00374		SKYTRO OPERATING TABLE			8,400
121	01	EQUIP	466660	K80387	7047	OR MICROSCOPE	ZEISS C3		5,000
65	01	EQUIP	466660	K00482		MRI STEREOTACTIC SYSTEM	MR/A-2-LF	668 & 236	5,000
78	01	EQUIP	466660	K01139		3 CHIP CMOUNT CAMERA PRIMO LAP	882	88065404	2,500
90	01	EQUIP	466660	K01357		PATIENT MONITOR	SC7000		14,900
91	01	EQUIP	466660	K01358		PATIENT MONITOR	SC7000		14,900
92	01	EQUIP	466660	K01359		PATIENT MONITOR	SC7000		14,900
93	01	EQUIP	466660	K01360		PATIENT MONITOR	SC7000		14,900
94	01	EQUIP	466660	K01361		PATIENT MONITOR	SC7000		14,900
95	01	EQUIP	466660	K01362		PATIENT MONITOR	SC7000		14,900
96	01	EQUIP	466660	K01363		PATIENT MONITOR	SC7000		14,900
104	01	EQUIP	466660	K90314	6632	AMSCO OPERATING TABLE			2,100
86	01	EQUIP	466660	K01331		HARMONIC SCAPAL GENERATOR	GEN04	GN4023962	7,800
84	01	EQUIP	466660	K01221		STERILE PROCESSING SYSTEM	8-1000	214974	4,000
105	01	EQUIP	466660	K90318	1637PC	OR CEILING LIGHT - AMSCO			1,800
107	01	EQUIP	466660	K90322	1639PC	2 OR CEILING LIGHT - AMSCO			1,800
109	01	EQUIP	466660	K90325	1841PC	3 OR CEILING LIGHT - AMSCO			1,500
115	01	EQUIP	466660	K90340	1853PC	4 AMSCO LIGHT/OR CEILING			1,500
116	01	EQUIP	466660	K90341	1844PC	5 AMSCO LIGHT OR CEILING			1,500
66	01	EQUIP	466660	K00483		UNIVERSAL DRIVER SYSTEM		01081073	1,100
68	01	EQUIP	466660	K00501		MICRODRILL/SAW SYSTEM			6,500
127	01	EQUIP	466660	K90419	1710PC	AMSCO LIGHT OR CEILING			1,300
110	01	EQUIP	466660	K90326	7851	2 VALLEYLAB ELECTROSURG UNIT			1,200
122	01	EQUIP	466660	K90392	6699	ELECTROSURGICAL UNIT			1,200
124	01	EQUIP	466660	K90398	1738PC	ELECTROSURGICAL UNIT			1,200
88	01	EQUIP	466660	K01340		ELECTROSURGICAL GENERATOR			4,800
118	01	EQUIP	466660	K90366	6734	ZEISS MICROSCOPE/OR	FORCE-EZ	6897-B	1,000
69	01	EQUIP	466660	K00754		HEART START XL DIFIBRILLATOR	S2	29110	1,000
67	01	EQUIP	466660	K00484		TRANSAPROSCOPIC OLEDOCHOSCOPE	N4735A	US001200110	4,700
89	01	EQUIP	466660	K01350		TOURNIQUET SYSTEM	CHF-CBSOL	W100320	800
97	01	EQUIP	466660	K01367		TOURNIQUET SYSTEM	ATS1200	CH010412	5,300
80	01	EQUIP	466660	K01144		INSUFFLATOR FOR 2ND LAPAROSCOPE	ATS1200	BM060412	5,600
79	01	EQUIP	466660	K01141		LIGHT SRC-QUANTUM 5000-ARTHROS	220-180-000	98061414Q5	700
81	01	EQUIP	466660	K01154		ATS TOURNIQUET SYSTEM	ATS750	AT099875	1,800
82	01	EQUIP	466660	K01155	K01154	18 SPDB ATS CYLINDRICAL CUFF -	ATS750		1,800
83	01	EQUIP	466660	K01202		FLURO TABLE 74X24"X36"			3,600
117	01	EQUIP	466660	K90364	0122	AMSCO AERATOR GAS STERILIZER			600

University of Southern Alabama - Knollwood Hospital
Valuation of Machinery and Equipment

Item #	Location	Account	Dept	Tag #	Associated Tag #	Description	Model #	Serial #	FMV In use
64	01	EQUIP	466660	K00435		INSUFFLATOR-HIGH FLOW CO2			500
51	01	EQUIP	466660	K00096		DYNATRON 500 INFERENTIAL			600
125	01	EQUIP	466660	K90399	0115	WARMING CABINET	26012C	14303EIG	600
126	01	EQUIP	466660	K90400	0114	WARMING CABINET			600
62	01	EQUIP	466660	K00384		WIEDER RETRACTOR			500
133	01	EQUIP	466660	K00984		MRL LIFEPAK UNIT			500
55	01	EQUIP	466660	K00160		AC10127 LAPAROSCOPIC COUPLER			500
73	01	EQUIP	466660	K01028		SWING ARM ORGANIZER			400
70	01	EQUIP	466660	K01023		QUANTUM 4000 LIGHT SOURCE	STRYKER	96111024Q4	1,700
134	01	EQUIP	466660	K90988	1849PC	ARJO LIFT/PATIENT			500
131	01	EQUIP	466660	K90972	2795	FOLLET ICE MACHINE			500
120	01	EQUIP	466660	K90375	6958	LUXTEC LIGHT SOURCE	1150	106886	400
128	01	EQUIP	466660	K90504	0025	STRYKER STRETCHER/HYDR			400
139	01	EQUIP	466660	K91030		ELMERS CART			400
101	01	EQUIP	466660	K70124		OSCILLATOR SAW W/HAND PIECE	MICRO 100		400
123	01	EQUIP	466660	K90395		FRACTURE TABLE	6571L4F IBM PC		400
83	01	EQUIP	466660	K00368		IBM PC W/MONITOR			400
136	01	EQUIP	466660	K91019	866	INVACARE LIFT/PATIENT			400
52	01	EQUIP	466660	K00126		K-ORTHOPEDIC HAND TABLE			300
74	01	EQUIP	466660	K01135		LAPROSCOPE	240-095-000	98050184C95	300
75	01	EQUIP	466660	K01136		LAPROSCOPE	240-095-000	98050244C96	300
130	01	EQUIP	466660	K90540		STRYKER STRETCHER/HYDR			400
59	01	EQUIP	466660	K00190	0021	OSCILLATING SAW			300
56	01	EQUIP	466660	K00161		OPERATING LAPAROSCOPE			300
119	01	EQUIP	466660	K90372	2188	MUELLER LIGHT SOURCE			300
129	01	EQUIP	466660	K90514	7289	LUXTEC LIGHT SOURCE			300
54	01	EQUIP	466660	K00148		WILDE CAMERA ADAPTER	LUX 150	784087	300
138	01	EQUIP	466660	K91024	2773	STRYKER STRETCHER			300
137	01	EQUIP	466660	K91023	3923	HILL ROM BED/HOSP.ELECT.			300
58	01	EQUIP	466660	K00173		40 DEGREE HYSTEROSCOPE			300
57	01	EQUIP	466660	K00172		30 DEGREE HYSTEROSCOPE			300
103	01	EQUIP	466660	K70845		TM ELECTRODE			300
76	01	EQUIP	466660	K01137		HIGH RES MONITOR (PRIMARY LAP)	PVM1953ST	2000802	300
77	01	EQUIP	466660	K01138		HIGH RES MONITOR (SCDRY LAP)	PVM1953ST	2002622	300
135	01	EQUIP	466660	K91010	7140	DYNABASE ULTRASOUND			300
50	01	EQUIP	466660	D90561	6609	PARKS DOPPLER	90 DUAL FREQCY	CP609	300
53	01	EQUIP	466660	K00147		DXC107 CAMERA			300
72	01	EQUIP	466660	K01025		SE5 CONSOLE			300
111	01	EQUIP	466660	K90329	2777	STRYKER STRETCHER			300
71	01	EQUIP	466660	K01024		HIGH RES MON (SONY ARTHROSCOPY)	PVM1953ST	2001509	200
112	01	EQUIP	466660	K90330	3565	UNITED HOSPITAL CART/MEDICINE			300
113	01	EQUIP	466660	K90331	4105	WATERLOO CART/MEDICINE			300
60	01	EQUIP	466660	K00366		SKY-BOOT STIRRUP SYSTEM			200
132	01	EQUIP	466660	K90983	2768	STRYKER STRETCHER			300
200	01	EQUIP	466663	H21195		YAG OPHTHALMOLOGY LASER	2004-05		7,200
226	01	EQUIP	466663	K01356		PHACOEMULSIFIER-LEGACY ADVANTEC		0401701401X	33,900

University of Southern Alabama - Knollwood Hospital
Valuation of Machinery and Equipment

Item #	Location	Account	Dept	Tag #	Associated Tag #	Description	Model #	Serial #	FMV in use
187	01	EQUIP	466663	H17363		MODULUS II ANESTHESIA SYSTEM		AB0R01532	5,400
188	01	EQUIP	466663	H17364		MODULUS II ANESTHESIA SYSTEM		AB0R01608	5,400
189	01	EQUIP	466663	H17365		MODULUS II ANESTHESIA SYSTEM		AB0R01533	5,400
218	01	EQUIP	466663	K00485		CAMERA CONTROL UNIT	SMITH+NEPHEW		8,500
195	01	EQUIP	466663	H17480		MICROSCOPE SYSTEM			4,700
224	01	EQUIP	466663	K01329		SDC PRO 2 DIGITAL CAPTURE SYS	SDC PRO2	025009434	3,600
222	01	EQUIP	466663	K01199		NAVIGATOR GAMMA POSITION SYSTM	GPS	19906100	3,500
220	01	EQUIP	466663	K01157		DIJET URODYNAMIC UROLOGY SYSTEM			3,200
145	01	EQUIP	466663	H16654		STEAM STERILIZER		R810338903	2,300
216	01	EQUIP	466663	K00453		IBM PC SERVER 330	330	23ZV390	1,600
199	01	EQUIP	466663	H20729		HANNA CORNEAL TREPHINE SYSTEM			1,200
206	01	EQUIP	466663	H80119		ENDOCAM 1 SOAKABLE CAMERA			1,300
225	01	EQUIP	466663	K01330		DIGITAL OUTPT CAMERA CTRL UNIT	988	025001094	3,500
192	01	EQUIP	466663	H17373		MESCHGRAFT II COMPLETE	2195		1,100
221	01	EQUIP	466663	K01175		300W LIGHTSOURCE	00-9300T	106598	2,700
178	01	EQUIP	466663	H17349		TURBO-AIRE DRILL	9012		1,000
227	01	EQUIP	466663	K01368		TOURNIQUET SYSTEM	ATS1200	CH060412	5,800
228	01	EQUIP	466663	K01394		XENON LIGHTSOURCE	PHOTON 2X	5050226-05	6,400
152	01	EQUIP	466663	H16666		100KW STEAM GENERATOR			900
153	01	EQUIP	466663	H16667		100KW STEAM GENERATOR			900
190	01	EQUIP	466663	H17369		COMPLETE AIR MINI-DRIVER KIT	K106		900
191	01	EQUIP	466663	H17370		COMPLETE AIR MINI-DRIVER KIT	K106		900
144	01	EQUIP	466663	H16598		CRYO-CONSOLE GC-2 W/PROBE	ACU11	112104	700
198	01	EQUIP	466663	H15753		LIGHT COLD FOUNT XENON/LA	OPSU		500
217	01	EQUIP	466663	K00459		TIBIAL AIMER			500
201	01	EQUIP	466663	H21692		SEA TAPE DRIVE 50 GB EXTERNAL			500
146	01	EQUIP	466663	H16559		TELESCOPE	7200M8		500
147	01	EQUIP	466663	H16661		DEFIBRILLATOR	7100-A	20295	500
148	01	EQUIP	466663	H16662		DEFIBRILLATOR	7100-A	20287	500
149	01	EQUIP	466663	H16663		DEFIBRILLATOR	7100-A	20290	500
150	01	EQUIP	466663	H16664		DEFIBRILLATOR	7100-A	20271	500
151	01	EQUIP	466663	H16665		DEFIBRILLATOR	7100-A	20289	500
214	01	EQUIP	466663	H80431		THORNTON FIXATION RING			400
219	01	EQUIP	466663	K00502		ATLAS LOADING CAR			2,400
193	01	EQUIP	466663	H17419		IBM 4224 PRINTER	4224	0128202-16	400
215	01	EQUIP	466663	H80740		ICE DISPENSER		00X2881	400
231	01	EQUIP	466663	K91683		2.7/3.2MM ANG EST I-BLADE	DIA 8126		1,000
205	01	EQUIP	466663	H80109		REAR AUTOMATIC CHANGE OVER	CGA027	DIA 8126	400
173	01	EQUIP	466663	H17331		ELECTROSURGICAL GENERATOR	9066	2290	400
174	01	EQUIP	466663	H17332		ELECTROSURGICAL GENERATOR	9600	2293	400
175	01	EQUIP	466663	H17333		ELECTROSURGICAL GENERATOR	9600	2291	400
176	01	EQUIP	466663	H17334		ELECTROSURGICAL GENERATOR	9600	2292	400

University of Southern Alabama - Knottwood Hospital

Valuation of Machinery and Equipment

Item #	Location	Account	Dept	Tag #	Associated Tag #	Description	Model #	Serial #	FMV in use
177	01	EQUIP	466663	H17335		ELECTROSURGICAL GENERATOR	9600	2294	400
155	01	EQUIP	466663	H16672		MOBICARE MODEL 480 W/POLES	480		400
156	01	EQUIP	466663	H16673		MOBICARE MODEL 480 W/POLE	480		400
157	01	EQUIP	466663	H16674		MOBICARE MODEL 480 W/POLE	480		400
158	01	EQUIP	466663	H16675		MOBICARE MODEL 480 W/POLE	480		400
159	01	EQUIP	466663	H16676		MOBICARE MODEL 480 W/POLE	480		400
160	01	EQUIP	466663	H16677		MOBICARE MODEL 480 W/POLE	480		400
161	01	EQUIP	466663	H16678		MOBICARE MODEL 480 W/POLE	480		400
162	01	EQUIP	466663	H16679		MOBICARE MODEL 480 W/POLE	480		400
163	01	EQUIP	466663	H16680		MOBICARE MODEL 480 W/POLE	480		400
164	01	EQUIP	466663	H16681		MOBICARE MODEL 480 W/POLE	480		400
165	01	EQUIP	466663	H16682		MOBICARE MODEL 480 W/POLE	480		400
166	01	EQUIP	466663	H16683		MOBICARE MODEL 480 W/POLE	480		400
230	01	EQUIP	466663	K91679		SURGITRON FFPF (RETURNED)	HAA0		300
213	01	EQUIP	466663	K80291		SUTHERLAND SCISSORS	GU7198	1911	300
229	01	EQUIP	466663	K90373	2167	MUELLER LIGHT SOURCE	GU7198		300
203	01	EQUIP	466663	H21805		IBM COMPUTER	8250	J5280	300
179	01	EQUIP	466663	H17351		NON-INVASIVE BP MONITOR	8250	J6230	400
180	01	EQUIP	466663	H17352		NON-INVASIVE BP MONITOR			400
168	01	EQUIP	466663	H17266		SKEETER OTO-TOOL SYSTEM			400
210	01	EQUIP	466663	H80193		MICRO 100 OSCILLATING SAW			300
187	01	EQUIP	466663	H20358		BIOPLAR DIATHERMY SHAFT			300
196	01	EQUIP	466663	H17566		TONO-PEN TONOMETER	8530-E01	7487371	300
167	01	EQUIP	466663	H16690		IBM PS/2 MODEL 30			300
169	01	EQUIP	466663	H17267		TMI TRIO COMBINATION SET			300
208	01	EQUIP	466663	H80121		4MM ARTHROSCOPE 70 DEGREES			300
207	01	EQUIP	466663	H80120		4MM ARTHROSCOPE 110 DEGREES			300
164	01	EQUIP	466663	H16670		PRESSURE ALARM UNIT	0321-7715-981		300
209	01	EQUIP	466663	H80122		2.7MM ARTHROSCOPE 25 DEGREES			300
212	01	EQUIP	466663	H80276		FRAGMENTOME HANDPIECE FOR STTO	AS32-279	0423688074	300
181	01	EQUIP	466663	H17354		SURGICAL LIGHTHEAD IN Q/R	AS32-279	0423588037	300
182	01	EQUIP	466663	H17355		SURGICAL LIGHTHEAD	AS32-279	0423588041	300
183	01	EQUIP	466663	H17356		SURGICAL LIGHTHEAD	AS32-279	0423688073	300
184	01	EQUIP	466663	H17357		SURGICAL LIGHTHEAD	AS32-279	0423588051	300
185	01	EQUIP	466663	H17358		SURGICAL LIGHTHEAD	AS32-279	0423688062	300
186	01	EQUIP	466663	H17359		SURGICAL LIGHTHEAD			300
194	01	EQUIP	466663	H17462		STRADDLE TABLE			300
211	01	EQUIP	466663	H80270		SEW ON CATARACT LENS SET	6000	D025009264	300
223	01	EQUIP	466663	K01328		XENON LIGHT SOURCE	M4735A	C4010412	3,000
232	01	EQUIP	466663	K01346		DEFIBRILLATOR-HEART/START XL			5,300
233	01	EQUIP	466663	K90228	116	WARMING CABINET			300
244	01	EQUIP	466675	K91456		W/3-8 SHELVES SHELVEING METAL			1,300

5 of 14

10/14/2005

University of Southern Alabama - Knollwood Hospital
Valuation of Machinery and Equipment

Item #	Location	Account	Dept	Tag #	Old Rtl or Associated Tag #	Description	Model #	Serial #	FMV in use
251	01	EQUIP	466678	K01332		STERILIZER-STERAD 100S	100S		85,000
252	01	EQUIP	466676	K01341		STERILIZER-EAGLE 24X36X48		0270035	85,000
256	01	EQUIP	466676	K90362	0120	AMSCO STERIL/VACAMATIC	P148H	0121703-41	8,300
257	01	EQUIP	466676	K90424	129	AMSCO STERIL/GENL PURP			3,000
246	01	EQUIP	466676	K00394		ED SCOPE 3410	MNL ED3410 ED32		2,200
255	01	EQUIP	466676	K90360	0121	AMSCO STERIL/GENL PURP			2,000
259	01	EQUIP	466676	K90446	7208	OHMEDA OXIMETER			2,000
248	01	EQUIP	466676	K00432		OSCILLATING DRILLS			1,500
250	01	EQUIP	466676	K01255		SYS 2000 DUEL WREAMER,SAGSAW,	WICHARGER		1,300
283	01	EQUIP	466676	K90475		OLYMPUS BRONCHOSCOPE			1,300
247	01	EQUIP	466676	K00400		NASOPHARYNGO SCOPE	#23-0950		1,000
281	01	EQUIP	466676	K90456	7404	OLYMPUS ELECTROURG UNIT			800
258	01	EQUIP	466676	K90445	7197	MICRO VASIVE THERAPEUTIC SYST			800
260	01	EQUIP	466676	K90452	7192	OHMEDA OXIMETER			800
264	01	EQUIP	466676	K90476	2398	APPLIED FIBEROP LIGHT SOURCE			700
249	01	EQUIP	466676	K00462		E-Z CLEAN LOADING CART			1,300
267	01	EQUIP	466678	K00447		DATASCOPE MONITOR	LC-048-A		14,200
268	01	EQUIP	466678	K90535	1892PC	AUDIO VISUAL NURSE CALL	BAXTER ED COM-2	PIN017500007501	1,300
290	01	EQUIP	466678	K01241		MOTOROLA RADIO BASE STAT			1,100
273	01	EQUIP	466678	K01274		AGILENT DEFIBRILLATOR			800
274	01	EQUIP	466678	K90490	1847PC	DEFIBRILLATOR/MONITOR	HEARTSTREAM XL	US000105360	1,500
278	01	EQUIP	466678			HILL ROM STRETCHER/HYDR			900
291	01	EQUIP	466678	K91251	1711PC	MOTOROLA RADIO BASE STAT			700
265	01	EQUIP	466678	K00095		1010E STRETCHER WCASTERS			600
287	01	EQUIP	466678	K90529	2806	AMSCO WARMING CABINET			600
286	01	EQUIP	466678	K00365		OB/GYN STRETCHER	1060-000		400
283	01	EQUIP	466678	K90516	2256	ZEISS SLIT LAMP			500
279	01	EQUIP	466678	K90494	0024	STRYKER STRETCHER/HYDR			400
281	01	EQUIP	466678	K90507	1305	STRYKER STRETCHER/HYDR #3	921	45031	400
282	01	EQUIP	466678	K90510	0023	STRYKER STRETCHER/HYDR #4	921	45033	400
284	01	EQUIP	466678	K90518	2771	STRYKER STRETCHER/HYDR #2		45023	400
285	01	EQUIP	466678	K90519	2776	STRYKER STRETCHER/HYDR #1	921	45032	400
286	01	EQUIP	466678	K90527	2775	STRYKER STRETCHER/HYDR			400
289	01	EQUIP	466678	K01009		TRANSTAR PROCEDURAL STRETCHER	8000		300
270	01	EQUIP	466678	K01010		TRANSTAR PROCEDURAL STRETCHER	8000		300
271	01	EQUIP	466678	K01011		TRANSTAR PROCEDURAL STRETCHER	8000		300
272	01	EQUIP	466678	K01012		TRANSTAR PROCEDURAL STRETCHER	8000		300
277	01	EQUIP	466678	K90484	2821	CAVITON LIGHT OR/CEILING			300
280	01	EQUIP	466678	K90495	2822	CAVITON LIGHT OR/CEILING			300

University of Southern Alabama - Knollwood Hospital
Valuation of Machinery and Equipment

Item #	Location	Account	Dept	Tag #	Associated Tag #	Description	Model #	Serial #	FMV in use
288	01	EQUIP	46678	K90531	3567	UNITED HOSPITAL MEDICINE CART			300
289	01	EQUIP	46678	K90532	3568	UNITED HOSPITALS MEDICINE CART			300
293	01	EQUIP	46689	K01382		REVERSE OSMOSIS MACHINE	QDMR0204	21441	7,600
300	01	EQUIP	466701	K01320		Hematology Analyzer	LH750	AF12132	74,000
303	01	EQUIP	466701	K01379		Hematology Analyzer	HMX-CCP6	1725703337010	39,600
299	01	EQUIP	466701	K01187		STA COMPACT COAG. MACHINE	STA COMPACT	8031286	2,600
302	01	EQUIP	466701	K01375		Hematology Stainer	4488C	200370	7,100
294	01	EQUIP	466701	H90344		CERNER INTERFACE SOFTWARE	1-8P02		900
301	01	EQUIP	466701	K01334		SLIDE STAINER-HEMATEK 2000	HEMATEK 2000	111277	5,300
296	01	EQUIP	466701	K00486		PRINTER - ZEBRA LAB	22X13	205133	1,700
295	01	EQUIP	466701	K00192		MICRO OSMOMETER	3MO	438706	500
307	01	EQUIP	466701	K90581	1979	JEWETT REFRIGERATOR	BBR25	31302	600
308	01	EQUIP	466701	K90582	1980	JEWETT REFRIGERATOR	BBR25	31303	600
298	01	EQUIP	466701	K01159		HELMER PLATELET INCUBATOR	PC-900	318423N	1,300
309	01	EQUIP	466701	K90905	6737	KELVINATOR REFRIGERATOR	60474	3704	400
306	01	EQUIP	466701	K90576	1989	BECKTON-DICKENS HODD/ISOLATION	U85-13	9798996	400
297	01	EQUIP	466701	K01148		SO-LOW BLOOD BANK FREEZER	BA450	131323	1,000
304	01	EQUIP	466701	K01380		MICROSCOPE-TRINOCULAR	M502-22	521M50200145	2,600
305	01	EQUIP	466701	K01392		CENTRIFUGE - STAT SPIN	BH-2		2,000
310	01	EQUIP	466709	K00315		OLYMPUS MULTITHREAD MICROSCOPE	CM1850	1558/03-2000	2,300
311	01	EQUIP	466712	K01218		LEICA CRYOSTAT			4,100
319	01	EQUIP	466712	K01268		NICOLET MONITORING SYSTEM			50,000
317	01	EQUIP	466712	H22567		EEG - 5000 SYS	F000000275	F000000275	25,000
315	01	EQUIP	466712	H22565		EEG SYSTEM-(BRAVOREVUE)	F000000232	F000000232	10,000
313	01	EQUIP	466712	H17775		DANTEC EMG MACHINE	18A04	9018A0041	6,000
318	01	EQUIP	466712	K00477		MULTIMODALITY EEG SYSTEM		837158	8,100
314	01	EQUIP	466712	H22380		VIKING IV ELECTRONEURO SYSTEM		884157	3,500
316	01	EQUIP	466712	H22566		AMBULATORY SYSTEM - EEG			2,500
320	01	EQUIP	466712	K90713	4073	HAUSTED STRETCHER/HYDR			500
323	01	EQUIP	466713	H22067		IMAGING SYSTEM	HDI 3000	00K6YC	35,000
338	01	EQUIP	466713	K90732	7028	HP ECHO SYSTEM	SONOS 1000 77030A	3003A08419	7,500
337	01	EQUIP	466713	K90725	7849	QUINTON TREADMILL/PROG	Q4000K	2570051282	2,900
331	01	EQUIP	466713	K01369		TREADMILL-QSTRESS	QSTRESS	71130	17,600
324	01	EQUIP	466713	K00371		CARDIOGRAPH CART-PAGEWRITER	860284	US30401558	10,800
325	01	EQUIP	466713	K00372		MARQUETTE MAC VU UNIT	MAC VU	E2LR0602FR	1,100
326	01	EQUIP	466713	K00373	8863	MARQUETTE MAC VU UNIT	MAC VU	AAAXX	1,100
327	01	EQUIP	466713	K01316		MARQUETTE MAC VU UNIT	MAC VU	AAAXX	1,100
328	01	EQUIP	466713	K01343		DIFIBRILLATOR-HEARTSTREAM XL	M4735A	US00110251	2,200
329	01	EQUIP	466713	K01344		TRANSTAR PROCEDURAL STRETCHER	P8000	F005AN5200	3,600
330	01	EQUIP	466713	K01345		TRANSTAR PROCEDURAL STRETCHER	P8000	F006AN5200	3,600
334	01	EQUIP	466713	K01387		STETCHER-TRANSTAR	P8000	E355AN4827	3,600
335	01	EQUIP	466713	K01388		STRETCHER - TRANSTAR	P8000	F341AN3445	2,600
336	01	EQUIP	466713	K01389		STRETCHER - TRANSTAR	P8000	F338AN3437	2,600
344	01	EQUIP	466715	K00350		ULTRASOM WORKSTATION		F341AN3451	2,600
								ECJ9300008	8,100

University of Southern Alabama - Kriolwood Hospital
Valuation of Machinery and Equipment

Item #	Location	Account	Dept	Tag #	Old HTI or Associated Tag #	Description	Model #	Serial #	FMV in use
346	01	EQUIP	466715	K01258		SANDMAN SLEEP STUDY SYSTEM			15,800
345	01	EQUIP	466715	K00429		MICOLT ULTRASOUND ACQUISITION SYS	#701-432300		5,500
349	01	EQUIP	466715	K01275		NEUROMONITOR SYSTEM	BRAVO	LD010137	18,700
352	01	EQUIP	466715	K90746	7206	NIJON KOHDEEN EEG MACHINE			1,400
339	01	EQUIP	466715	K00183		711 PARS SYSTEM RECORDER		1193	600
340	01	EQUIP	466715	K00184		711 PARS SYSTEM RECORDER		1194	600
343	01	EQUIP	466715	K00200		ACTIGRAPH INTERFACE		5-273	600
350	01	EQUIP	466715	K70527		MINI MOTIONLOGGER ACTIGRAPH		2-1806	300
347	01	EQUIP	466715	K01260		OXIMETER	FMA800060		700
348	01	EQUIP	466715	K01261		OXIMETER		2-610	300
342	01	EQUIP	466715	K00198		MINI MOTIONLOGGER		1155	200
341	01	EQUIP	466715	K00185		710 SYSTEM PARS PRINTER		130330	800
357	01	EQUIP	466718	K90794	2441	ATOMIC PRODUCTS XENON TRAP			500
356	01	EQUIP	466718	K70843		AIR UNIT			300
355	01	EQUIP	466718	K70102		COSY 18 10MCI FLOOD SOURCE "			1,800
354	01	EQUIP	466718	K00504		FLOOD SOURCE-CIRCULAR			230,000
359	01	EQUIP	466720	K01156		POLYSTAR TOP		128679REB	210,000
374	01	EQUIP	466720	K01397		MILLINEUM MG SYSTEM	4E-27208161		87,000
392	01	EQUIP	466720	K31754		MAGICWEB DIGIMVIEWING SOFTWR	FRB3250967	2372897	13,000
370	01	EQUIP	466720	K01158		MOBILE DIGITAL IMAGING SYSTEM			45,000
391	01	EQUIP	466720	K91749		VOXAR 3D IMAGING SOFTWARE	9600	693382	9,100
386	01	EQUIP	466720	K01123		AGFA VERSION LASER			10,000
381	01	EQUIP	466720	K90800	7048	PHILLIPS XRAY MACHIC-ARM	SCOPOX2R5200	SM8164	5,600
390	01	EQUIP	466720	K90827	1673PC	PHILLIPS XRAY MACHISPECT		SJ2-V3	4,200
375	01	EQUIP	466720	K70504		SCOPE REPL DETECTOR	#557-5386		7,800
380	01	EQUIP	466720	H20718		MOBILE X-RAY UNIT	M315	PICKER EXP II	3,300
388	01	EQUIP	466720	K00431		PLAIN FILMS ACQUISITION STATION	0068-210	9586	1,900
364	01	EQUIP	466720	K01147		PORTABLE X-RAY SYSTEM	S00149		1,900
387	01	EQUIP	466720	K90817	1670PC	PHILLIPS XRAY MACHIR+F			1,800
383	01	EQUIP	466720	K90820	1671PC	PHILLIPS XRAY MACHIR+F			1,400
383	01	EQUIP	466720	K90806	1651PC	PHILLIPS XRAY MACHINE			3,600
384	01	EQUIP	466720	K90808	1678PC	SPACESAVER FILEMAGIC			900
379	01	EQUIP	466720	K80798	3200	KODAK PROCESSORFILM		10218	500
377	01	EQUIP	466720	K90422	3246	PHILLIPS XRAY GEN'R CTRL			400
365	01	EQUIP	466720	K00479		AUTOFEEDER FOR FILM DIGITIZER			400
363	01	EQUIP	466720	K00389		USED MOTORIZED VIEWER	S&S MV-40		500
367	01	EQUIP	466720	K01142		GATEWAY COMPUTER	G6-300	17004A532453	400
362	01	EQUIP	466720	K90822	1675PC	SIEMENS XRAY PUCK UNIT			400
382	01	EQUIP	466720	K00352	3195	THERMAL BARCODE PRINTER			400
378	01	EQUIP	466720	K90805	6377	G-E XRAY MACH/PORT		21701608	300
385	01	EQUIP	466720	K90520	2342	STYKER STRETCHERHYDR			300
386	01	EQUIP	466720	K90812	2328	S-S XRAY ILLUMIN/PANEL		60477VWK7	300
372	01	EQUIP	466720	K90815		SS XRAY ILLUMIN6 PANEL			300
373	01	EQUIP	466720	K01219		DELL 600 MHZ COMPUTER	P1110	2986619	300
371	01	EQUIP	466720	K01220		DELL 600 MHZ COMPUTER	P1110	2986618	300
				K01161		SHADOW CROSS FOR MAMMOGRAPHY	01435S11	6294446 X041E	200

University of Southern Alabama - Knollwood Hospital

Valuation of Machinery and Equipment

Item #	Location	Account	Dept	Tag #	Associated Tag #	Description	Model #	Serial #	FMV in use
436	01	EQUIP	466721	K91757		OLYMPUS ULTRASOUND ENDOSCOPY SYSTEM	SCP-5000-OLY		255,000
432	01	EQUIP	466721	K91716		OLYMPUS VIDEO COLONOSCOPE SYSTEM	ET1725CL75UAB		65,000
405	01	EQUIP	466721	K00488		MANOMETRY UNIT	P793	5571446037400	41,900
423	01	EQUIP	466721	K01308		CAPSULE ENDOSCOPE	DSD201	MY04002547603219D0Q	10,000
426	01	EQUIP	466721	K01332		SCOPE DISINFECTOR-DSD201	DSD201D	600907	25,700
418	01	EQUIP	466721	K00509		SCOPE WASHER-OLYMPUS	PCF-180AL	600133	10,000
434	01	EQUIP	466721	K91750		COLONOSCOPE	PC-180AL	2439302	10,700
435	01	EQUIP	466721	K91751		COLONOSCOPE	173TSM	2439402	10,700
427	01	EQUIP	466721	K01355		BRAVO1 PH MONITORING SYSTEM		NB17BSPNVEDC	13,700
398	01	EQUIP	466721	H20716		SIF-SW SONDE ENTERSCOPE			2,700
433	01	EQUIP	466721	K91734		CHART NOTE SYSTEM-6 USER SOFTWARE			2,300
400	01	EQUIP	466721	H21676		VIDEO COLONOSCOPE	CF-100TL	2675510	2,100
396	01	EQUIP	466721	H20228		10013 TJF VIDEO DUODENOSCOPE	TJF100	2210452	2,300
419	01	EQUIP	466721	K00510		VIDEO ENDOSCOPE-GIF 160	GIF-160	203194	6,200
399	01	EQUIP	466721	H20755		GIF-130 ENDOSCOPES	GIF-130	2300130	1,600
422	01	EQUIP	466721	K01050		P1000 STERILUS UNIT		208880	1,500
394	01	EQUIP	466721	H17736		VIDEO COLONOSCOPE	CF-100L	2011237	1,800
395	01	EQUIP	466721	H17740		VIDEO CONVERTER-LECTURES	QVC-100	2001150	1,500
425	01	EQUIP	466721	K01337		CHARTNOTE REPORTING SYS-6 USER HARDWARE	21X	78DMX5	4,800
403	01	EQUIP	466721	H80735		XENON LIGHT SOURCE	CLV-U40	7601712	1,600
397	01	EQUIP	466721	H20366		SIGMOIDVIDEOSCOPE	CF100S	2351336	1,200
404	01	EQUIP	466721	H80737		GI IMAGEMANAGER	CV140	7601558	1,200
406	01	EQUIP	466721	K00489		PATIENT MONITOR	6002XL	S5510765470	5,100
407	01	EQUIP	466721	K00490		PATIENT MONITOR	6002XL	S5510778572	5,100
408	01	EQUIP	466721	K00491		PATIENT MONITOR	6002XL	S5510778670	5,100
409	01	EQUIP	466721	K00492		PATIENT MONITOR	6002XL	S5510774371	5,100
410	01	EQUIP	466721	K00493		PATIENT MONITOR	6002XL	S5510769867	5,100
411	01	EQUIP	466721	K00494		PATIENT MONITOR	6002XL	S5510765176	5,100
412	01	EQUIP	466721	K00495		PATIENT MONITOR	6002XL	S5510765274	5,100
413	01	EQUIP	466721	K00496		PATIENT MONITOR	6002XL	S5510772079	5,100
414	01	EQUIP	466721	K00497		PATIENT MONITOR	6002XL	S5510778171	5,100
415	01	EQUIP	466721	K00498		PATIENT MONITOR	6002XL	S5510763677	5,100
416	01	EQUIP	466721	K00499		PATIENT MONITOR	6002XL	S5510775673	5,100
417	01	EQUIP	466721	K00500		PATIENT MONITOR	6002XL	S551075771	5,100
393	01	EQUIP	466721	H17281		SIGMOIDOSCOPE-FIBEROPTIC	205	2800224	1,000
424	01	EQUIP	466721	K01318		DEFIBRILLATOR-HEARTSTREAM XL	M4735A	US00110349	2,200
430	01	EQUIP	466721	K90443	3013	OLYMPUS LIGHT SOURCE	CLV	228130K	700
431	01	EQUIP	466721	K90453	1928	OLYMPUS LIGHT SOURCE	CLV		700
420	01	EQUIP	466721	K00512		VIDEO PROCEDURE CART	TK-E2		3,000
421	01	EQUIP	466721	K00513		VIDEO PROCEDURE CART	NETVISTA	KA3GFPB	3,000
401	01	EQUIP	466721	H22203		HILLROM TRANSSTAR STRETCHER		73D00007VS	400
402	01	EQUIP	466721	H22205		HILLROM TRANSSTAR STRETCHER		73D00007GT	400
429	01	EQUIP	466721	K01366		STRETCHER - TRANSSTAR		F348AN3673	2,800
428	01	EQUIP	466721	K01365		LASER JET PRINTER - DUPLEX	P8000	JPDHAD20983	2,100
441	01	EQUIP	466725	H21678		FLO-LAB ARTERIAL SYSTEM	4650DN	013453	3,600
440	01	EQUIP	466725	H21677		TRANSCRANIAL DOPPLER SYS-MULTI	500M	514890M96	2,800

University of Southern Alabama - Knollwood Hospital

Valuation of Machinery and Equipment

Item #	Location	Account	Dept	Tag #	Associated		Description	Model #	Serial #	FMV in use
					Old HTI of	Tag #				
442	01	EQUIP	466727	K01160			MAMMOMAT 3000E MAMMOGRAPHY SYS	61347097L041E	05377511	12,000
443	01	EQUIP	466727	K90841	3199		KODAK PROCESSORFILM		14934M-B	1,800
446	01	EQUIP	466728	K70106			VST ULTRASOUND SYSTEM			24,000
445	01	EQUIP	466728	K01304			SEQUOIA ULTRASOUND SYSTEM	512	56709	49,500
444	01	EQUIP	466728	K00487			SONOSITE HANDHELD ULTRASOUND	SONOSITE 180	0300K9	6,500
447	01	EQUIP	466728	K70120			ULTRASOUND SYSTEM			1,700
448	01	EQUIP	466729	K00474			MAGNETOM IMPACT 1.0T (MRI) KPH	HARMONY		\$
449	01	EQUIP	466729	K00478			SPECTRIS MR INJECTION SYSTEM			450,000
451	01	EQUIP	466729	K01007			OMINIRAK MRI MONITOR SYS	3100	2211265	3,700
450	01	EQUIP	466729	K01005			OMEGA 1400 MRI BP MONITOR	3103-1	312751	2,500
452	01	EQUIP	466735	H22656			ANESTHESIA MACHINE-NARKOMED GS	GS	0M4EF04758	700
453	01	EQUIP	466735	H22659			ANESTHESIA MACHINE-NARKOMED GS	GS	14064	15,000
454	01	EQUIP	466735	H22663			ANESTHESIA MACHINE-NARKOMED GS	GS	14059	15,000
455	01	EQUIP	466735	H22664			ANESTHESIA MACHINE-NARKOMED GS	GS	14060	15,000
457	01	EQUIP	466735	K90910	1941		OHIO ANESTHESIA MACH	GS	14053	15,000
461	01	EQUIP	466735	K90922	1942		OHIO ANESTHESIA MACH			2,700
456	01	EQUIP	466735	K00162			VENTILLATOR	7800	CBAX01222	1,400
458	01	EQUIP	466735	K90912	8012		DATASCOPE MONITOR/PRESSURE		3303-AO	700
459	01	EQUIP	466735	K90916	8013		DATASCOPE MONITOR/PRESSURE			700
460	01	EQUIP	466735	K90920	7874		DATASCOPE MONITOR/PRESSURE			700
462	01	EQUIP	466735	K90924	8014		DATASCOPE MONITOR/PRESSURE	3303-AO		700
470	01	EQUIP	466736	K70060			IMAGING SYSTEM UPGRADE	7200A		14,000
463	01	EQUIP	466736	D90631	6598		VENTILATOR/VOLUME			4,300
473	01	EQUIP	466736	K90960	7670		NELLCOR OXIMETER			2,000
474	01	EQUIP	466736	K90962	7623		NELLCOR OXIMETER			1,500
472	01	EQUIP	466736	K90941	7622		NELLCOR OXIMETER			1,100
464	01	EQUIP	466736	K00358			MECHANICAL VENTILATOR	7200A	8850466	1,100
465	01	EQUIP	466736	K00359			MECHANICAL VENTILATOR	7200A	8850436	1,100
466	01	EQUIP	466736	K00360			MECHANICAL VENTILATOR	7200A	8850447	1,100
467	01	EQUIP	466736	K00361			MECHANICAL VENTILATOR	7200A	8940766	1,100
471	01	EQUIP	466736	K70059			SYSTEM UPGRADE-TRANSCRANIAL			900
469	01	EQUIP	466736	K01146			RESPIRATOR FIT TESTER	FT3000	0532	2,300
468	01	EQUIP	466736	K00399			QUINON BLOOD PRESSURE MONITOR	412AUTOMATIC	201106	500
478	01	EQUIP	466737	K01242			AGILENT DEFIBRILLATOR			800
476	01	EQUIP	466737	H17138			KINETRON II EXERCISE SYSTEM	2900F000	KI-8040702	1,000
475	01	EQUIP	466737	H17119			NEURO CARE FLUIDO THERAPY	115	1381	600
479	01	EQUIP	466737	K01347			DYNATRON 650 PLUS	650 PLUS	658634	1,600
480	01	EQUIP	466737	K01381			ELECTROTHERAPY-DYNATRON 650	D650PLUS	658925	2,000
477	01	EQUIP	466737	K00119			STAIRMASTER 4000 PT	4000 PT	84663	300
483	01	EQUIP	466738	K00378			SENSORMEDIC AUTOBOX DL	6200 AUTOBOX DL	623553	5,700
482	01	EQUIP	466738	K00377			VIDEO CASSETTE RECORDER-ECHO	AG-7300	D97B	1,600
484	01	EQUIP	466738	K01182			AVOXIMETER SYSTEM	AVOX4000	41775	800
481	01	EQUIP	466738	D90019	2231PC		NIHON KOHDEN/DEFIBLTR		20311	500
486	01	EQUIP	466748	K91067	1757PC		NAUTILUS EXERCISE EQUIPMENT			500
487	01	EQUIP	466748	K91068	1758PC		NAUTILUS EXERCISE EQUIPMENT			500
488	01	EQUIP	466748	K91076	7037		NAUTILUS EXERCISE EQUIP		95129	500

University of Southern Alabama - Knollwood Hospital

Valuation of Machinery and Equipment

Item #	Location	Account	Dept	Tag #	Associated Tag #	Description	Model #	Serial #	FMV in use
489	01	EQUIP	466748	K91077	7043	NAUTILUS EXERCISE EQUIPMENT		96421	500
490	01	EQUIP	466748	K91078	7042	NAUTILUS EXERCISE EQUIPMENT		97207	500
491	01	EQUIP	466748	K91079	7044	NAUTILUS EXERCISE EQUIPMENT		84669	300
485	01	EQUIP	466748	K00120		STAIRMASTER 4000 PT	4000 PT		21,100
500	01	EQUIP	466801	K01307		AIR CURTAIN - REFRIGERATOR	ADL21	105488201	19,800
496	01	EQUIP	466801	K00752		DISHWASHING SYSTEM			2,500
507	01	EQUIP	466801	K91161	1798PC	TRAYLINE BELT	35-18	J2762700-1	2,200
525	01	EQUIP	466801	K91222	2303	LOW TEMP CAFETERIA COUNTER	5ES-D	420-81	1,900
494	01	EQUIP	466801	K00411		GREEN STEAM JACKETED KETTLE	DH-P-20	38463	4,700
498	01	EQUIP	466801	K01236		STEAMER OVEN - MARKET FORGE	3500M24SC	206459 & 206460	7,300
503	01	EQUIP	466801	K01372		GAS FRYER	2GR66F	48-1495950	800
495	01	EQUIP	466801	K00439		ICE CUBER & DISPENSER	MANITOWOC	960262117-960262813	800
499	01	EQUIP	466801	K01254		RLOGGETT CONVECTION OVEN	1352C	92-E-59172	4,500
501	01	EQUIP	466801	K01326		FROZEN GOURMET VENDING MACH	455D	455010566	4,600
505	01	EQUIP	466801	K01374		GAS GRIDDLE	GGF1201A3600	2266	1,400
493	01	EQUIP	466801	K00364		TRAULSEN ROLL-IN FOOD CABINET			600
508	01	EQUIP	466801	K91162	0085	USECO CNTR/FOOD SERVICE	1013-A	P3-4-00	600
509	01	EQUIP	466801	K91163	0086	USECO CNTR/FOOD SERVICE	1013-A	P3-05-00	600
518	01	EQUIP	466801	K91173	0074	BLOGGETT OVEN/BAKING			600
519	01	EQUIP	466801	K91174	3042	BLOGGETT OVEN/BAKING			600
521	01	EQUIP	466801	K91178	1818PC	SOUTHEND OVEN BAKING			600
527	01	EQUIP	466801	K91266	7410	DUKE CNTR/FOOD SERVE	E9033M	0619968RAO12T	600
504	01	EQUIP	466801	K01373		GAS RANGE	V636	22G88	4,100
522	01	EQUIP	466801	K91179	6519	CAMBRIDGE HOOD/VENTILATION			500
506	01	EQUIP	466801	K91160	2306	HOBART DISHWASHER	CPS-56	12-065-752	500
526	01	EQUIP	466801	K91227	1828PC	STAINLESS STEEL COUNTER/SALAD			400
524	01	EQUIP	466801	K91214	1856PC	VOILLRATH COUNTER/SALAD			400
517	01	EQUIP	466801	K91172	1814PC	NATIONAL KETTLE/TILTING	FP3	34280CP	300
510	01	EQUIP	466801	K91164	1805PC	STAINLESS STEEL CNTR/FOOD SERV			300
511	01	EQUIP	466801	K91165	1806PC	STAINLESS STEEL COUNTER			300
512	01	EQUIP	466801	K91166	1807PC	STNLS STEEL COUNTER (PORTABLE)			300
513	01	EQUIP	466801	K91168	1810PC	STAINLESS STEEL SINK UNIT			300
514	01	EQUIP	466801	K91169	1811PC	STAINLESS STEEL SINK UNIT			300
515	01	EQUIP	466801	K91170	1812PC	STAINLESS STEEL COUNTER			300
516	01	EQUIP	466801	K91171	1813	STAINLESS STEEL COUNTER			300
520	01	EQUIP	466801	K91175	1815PC	STNLS STL SINK UNIT (POT SINK)			300
523	01	EQUIP	466801	K91180	1821PC	STAINLESS STEEL SINK UNIT			300
497	01	EQUIP	466801	K01081		FLOOR STANDING ICE DISPENSER	E101-G	970463815	500
502	01	EQUIP	466801	K01339		CONVECTION OVEN-DUKE		20-JCJA0305	1,600
528	01	EQUIP	466830	K00138		453A ELECTROSCOPICAL ANALYZER	ADG85		300
529	01	EQUIP	466850	D01078		AMERICAN 75# DRYER			800
552	01	EQUIP	466870	H22031		VAN		406898UM	1,900
553	01	EQUIP	466920	K00128		DATACARD EMBOSSE (W TWR)	280	284HBL2548VK552291	2,800
555	01	EQUIP	466920	K00335		DATACARD EMBOSSE (E TWR)	220	5581	900
556	01	EQUIP	466920	K91384		DATACARD CARDWRITER (ER)	310E	5980	600
554	01	EQUIP	466920	K00518	7950	DELL FLATBED SCANNER	FI-4340C	600797	1,900

University of Southern Alabama - Knollwood Hospital

Valuation of Machinery and Equipment

Item #	Location	Account	Dept	Tag #	Associated Tag #	Description	Model #	Serial #	FMV in use
558	01	EQUIP	466935	K00249		TELEX 1187	FEATRE #12/26		300
561	01	EQUIP	466950	K00753		MULTIMEDIA SYSTEM	E151FPD	E8012-0243528	15,900
569	01	EQUIP	466950	K00506		COMPUTER-DELL DIMENSION 8200	8200	D807V11	300
560	01	EQUIP	466950	K00514		SOUND MASKING SYSTEM	CEQ280A	081021	1,000
568	01	EQUIP	466951	K00515		IBM E-SERVER (HOSP ENTERPRISE)	X SERIES	KPCPC40	2,500
569	01	EQUIP	467605	K01143		TRANSPORT TREK LAPTOP COMPUTER	NBKU360	GUSO82000248	400
570	01	EQUIP	467605	K01384		DELL LATITUDE COMPUTER		2HBN171	2,000
580	01	EQUIP	467637	K70107		NURSE CALL SYSTEM-5TH FLOOR	NC 300		2,000
577	01	EQUIP	467637	K01273		BLADDER SCAN SYSTEM	BV13000	012900448	2,400
581	01	EQUIP	467637	K90300	2792	FOLLETT ICE MACHINE			1,200
576	01	EQUIP	467637	K01239		AGILENT DEFIBRILLATOR	1800	US0100134	800
571	01	EQUIP	467637	K01230		HILL ROM ACVANTA BED	1800	B291AB8913	4,400
572	01	EQUIP	467637	K01231		HILL ROM ACVANTA BED	1600	B291AB8903	4,400
573	01	EQUIP	467637	K01232		HILL ROM ACVANTA BED	1600	B291AB8912	4,400
574	01	EQUIP	467637	K01233		HILL ROM ACVANTA BED	1600	B291AB8902	4,400
575	01	EQUIP	467637	K01234		HILL ROM ACVANTA BED	1600	B291AB8904	4,400
578	01	EQUIP	467637	K01336		WHEELCHAIR SCALE	6002	6002-5171	1,800
584	01	EQUIP	467640	K70122		NURSE CALL SYSTEM 4TH FL			1,800
582	01	EQUIP	467640	K01240		AGILENT DEFIBRILLATOR		US00100135	800
583	01	EQUIP	467640	K01351		LIFT INVACARE-			3,300
585	01	EQUIP	467669	K90261	8019	SCALETROX PATIENT LIFT			400
587	01	EQUIP	467669	K91552	6262	HAUSTED BED/ICU RECOVERY			300
586	01	EQUIP	467669	K90270	7577	ELECTRIC HOSPITAL BED			300
629	01	EQUIP	467669	K91648		VINYL CHAIR			600
616	01	EQUIP	467669	K91547	1769PC	SPACE LABS MONITOR/CENTRAL			600
617	01	EQUIP	467669	K91548	1770PC	SPACE LABS MONITOR/CENTRAL			600
615	01	EQUIP	467669	K91546	4070	HAUSTED STRETCHER/HYDR			400
623	01	EQUIP	467669	K91562	4071	HAUSTED STRETCHER/HYDR			400
606	01	EQUIP	467669	K91522	4884	HAUSTED BED/ICU RECOVERY			400
627	01	EQUIP	467669	K91646		WOOD CABINETS/BEDSIDE			400
622	01	EQUIP	467669	K91556	1602PC	SPACE LABS RECORDER/CHART			400
595	01	EQUIP	467669	K90280	3889	ELECTRIC HOSPITAL BED			300
596	01	EQUIP	467669	K90281	3941	ELECTRIC HOSPITAL BED			300
597	01	EQUIP	467669	K90283	6087	ELECTRIC HOSPITAL BED			300
598	01	EQUIP	467669	K90285	6080	ELECTRIC HOSPITAL BED			300
599	01	EQUIP	467669	K90286	3970	ELECTRIC HOSPITAL BED			300
600	01	EQUIP	467669	K90288	6071	ELECTRIC HOSPITAL BED			300
601	01	EQUIP	467669	K90290	3905	ELECTRIC HOSPITAL BED			300
602	01	EQUIP	467669	K90291	3965	ELECTRIC HOSPITAL BED			300
630	01	EQUIP	467669	K91649		VARIOUS TABLE/OVERBEDS			300
628	01	EQUIP	467669	K91647		VARIOUS CHAIRSIDE			300
618	01	EQUIP	467669	K91551	6255	HAUSTED BED/ICU RECOVERY			300
619	01	EQUIP	467669	K91553	6254	HAUSTED BED/ICU RECOVERY			300
620	01	EQUIP	467669	K91554	6274	HAUSTED ICU-RECOVERY			300

University of Southern Alabama - Knollwood Hospital
Valuation of Machinery and Equipment

Item #	Location	Account	Dept	Tag #	Associated Tag #	Description	Model #	Serial #	FMV in use
621	01	EQUIP	467689	K91555	6252	HAUSTED BED/CU-RECOVERY			300
624	01	EQUIP	467699	K91583	6263	HAUSTED ICU-RECOVERY			300
625	01	EQUIP	467699	K91584	6265	HAUSTED BED/CU-RECOVERY			300
626	01	EQUIP	467699	K91585	6264	HAUSTED BED/CU-RECOVERY			300
588	01	EQUIP	467699	K90271	1886PC	ELECTRIC HOSPITAL BED			300
589	01	EQUIP	467699	K90272	3936	ELECTRIC HOSPITAL BED			300
590	01	EQUIP	467699	K90274	3991	ELECTRIC HOSPITAL BED			300
591	01	EQUIP	467699	K90275	4013	ELECTRIC HOSPITAL BED			300
592	01	EQUIP	467699	K90276	3935	ELECTRIC HOSPITAL BED			300
593	01	EQUIP	467699	K90278	3987	ELECTRIC HOSPITAL BED			300
594	01	EQUIP	467699	K90279	6072	ELECTRIC HOSPITAL BED			300
607	01	EQUIP	467699	K91527	1249	HILL ROM BED/HOSP ELECT			300
608	01	EQUIP	467699	K91528	3919	HILL ROM BED/HOSP ELECT			300
609	01	EQUIP	467699	K91530	3997	HILL ROM BED/HOSP ELECT			300
610	01	EQUIP	467699	K91531	3998	HILL ROM BED/HOSP ELECT			300
611	01	EQUIP	467699	K91534	3908	HILL ROM BED/HOSP ELECT			300
612	01	EQUIP	467699	K91535	4006	HILL ROM BED/HOSP ELECT			300
613	01	EQUIP	467699	K91541	3943	HILL ROM BED/HOSP ELECT			300
614	01	EQUIP	467699	K91544	4007	HILL ROM BED/HOSP ELECT			300
631	01	EQUIP	467730	K01342		UNIT DOSE PACKAGING SYSTEM	9100	2135	7,200
632	01	EQUIP	467730	K90884	6151	NUAIRE HOOD/LAMINARFLOW	NU 410 400	6478-ON	800
633	01	EQUIP	467730	K90885	1689	LAMINARFLOW HOOD	HC-6	15312	800
634	01	EQUIP	467737	K01172		TREADMILL-SERIES 2000	T2000	L8X52770M	1,000
637	01	EQUIP	467768	K91134	1792PC	SPACE SAVER FILE MAGIC ISLE			2,400
638	01	EQUIP	467768	K01179		IBM NETFINITY SERVER W/9GB HD	8659-22Y	23D0412	700
635	01	EQUIP	467768	K00516		MINOLTA READER/PRINTER	RQ6032	31010905	1,200
640	01	EQUIP	467770	C73628	COMMTS	GATEWAY SOLO MM NOTEBOOK	2200	BC19723140	600
639	01	EQUIP	467770	C73218		NEC LAPTOP COMPUTER		6X001944	600
690	01	EQUIP	467830	K91246	3202	TELEPHONE SYS UPGRADE (SFTWR)			5,700
669	01	EQUIP	467830	K91239	6935	SYLVANIA PAGING SYSTEM			1,200
670	01	EQUIP	467830	K91246		MOTOROLA ANALYZER		S72600162	1,000
655	01	EQUIP	467830	K01109		VOICE SAVER		S72600463	700
656	01	EQUIP	467830	K91714		AHU FREQ. DRIVES - UPGRADE			4,400
660	01	EQUIP	467830	K01354		VEHICLE-ROVER	34800	0013304	2,400
654	01	EQUIP	467830	K00464		AC UNIT FOR CARPENTER SHOP			1,600
657	01	EQUIP	467830	K01200		OXITEST PLUS PULSE-OX TESTER	OXITEST PLUS	DOP99070122	300
659	01	EQUIP	467830	K01333		ICE-MAKER-FOLLETT			1,700
653	01	EQUIP	467830	K00463		FIRE EYE CTL SYSTEM-BOILER #1			1,700
647	01	EQUIP	467830	H17000		UTILITY BLDG POTBL HLICP SUPPL		E48237	300
694	01	EQUIP	467835	K01348		REPEATER SYSTEM			2,100
695	01	EQUIP	467850	D01071		MILNOR 55# WASHER EXTRACTOR	30022M5J	7182805/98318	4,500
697	01	EQUIP	467850	K00436	1940	BATTERY & CHARGER		SGM3186	700
698	01	EQUIP	467850	K00507		GOLF CART-CHAMPEIGN BEIGE	EZ-GO		700

University of Southern Alabama - Knollwood Hospital

Valuation of Machinery and Equipment

Item #	Location	Account	Dept	Tag #	Old Htt or		Description	Model #	Serial #	FMV in use
					Associated	Tag #				
696	01	EQUIP	467850	K00419			SPEED QUEEN 50LB DRYER	MODEL 50CE		300
709	01	EQUIP	467938	N00969			VERILINK - CONNECT-1 DSU			600
707	01	EQUIP	467936	K70094			40,000 FEET BELDEN CABLE			500
708	01	EQUIP	467938	K91413	1773PC		NCR POWER SUPPLY		8906-41-F	400
701	01	EQUIP	467936	K00008			IBM LASER PRINTER			400
703	01	EQUIP	467936	K70081			TWIST ON CONNECTORS			300
704	01	EQUIP	467936	K70082			COAXIAL CABLE			300
706	01	EQUIP	467936	K70093			6000 FEET BELDEN CABLE			300
705	01	EQUIP	467936	K70090			USA HOSPITAL ADMISSION FORM			300
702	01	EQUIP	467938	K00250			TELEX 1187	FEATURE #12#26		300
715	01	EQUIP	467952	K91761			SECURITY CAMERA SYSTEM	E565	24352	31,600
716	01	EQUIP	467960	K01186			POSTAGE MACHINE			1,300
										\$3,450,000

EXHIBIT C

List of Space Rented to USA College of Medicine or USAHSF

Medical Park One Office Building- Suite 100

Medical Park Two Office Building- First Floor

Medical Park Two Office Building- Second Floor

Medical Park Four Office Building

Infirmery West Hospital West Tower- appr. 2,000 Sq.Ft.

Infirmery West Pavilion West Tower- appr. 48,000 Sq. Ft.

RESOLUTION

RESPECTING 2004 SWAPTION TRANSACTION AND 2006 SWAPTION TRANSACTION AND ACTIONS PROPOSED IN RESPONSE TO DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT OF 2010

WHEREAS, on January 2, 2008, the University of South Alabama (the "University") entered into a series of transactions, sometimes referred to as a "Swaption for a Forward Synthetic Refunding" (the "Swaption Transactions"), with Wells Fargo National Association (formerly known as "Wachovia Bank, National Association") ("Wells Fargo"), to enable the University to realize certain amounts in connection with future redemptions of the University's \$51,080,000 University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004 (the "Series 2004 Bonds"), and \$100,000,000 University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, dated December 1, 2006 (the "Series 2006 Bonds" and, together with the Series 2004 Bonds, the "Bonds"); and

WHEREAS, in connection with the Swaption Transactions, the University executed an ISDA Master Agreement, a Schedule to the Master Agreement, an ISDA Credit Support Annex, as well as certain other documents and instruments and, further, executed Swaption Transaction Confirmation #1832554 to effectuate a Swaption Transaction referable to the Series 2004 Bonds (the "2004 Swaption Transaction"), and Swaption Transaction Confirmation #1832563 to effectuate a Swaption Transaction referable to the Series 2006 Bonds (the "2006 Swaption Transaction"). Each such agreement or instrument is dated January 2, 2008, and copies of the same were attached as Exhibit I to the Prior Swap Termination Resolution described below; and

WHEREAS, the 2004 Swaption Transaction and the 2006 Swaption Transaction, together with the execution and delivery of all agreements and instruments necessary to effectuate the same (the "Swaption Documents"), were authorized by resolution of the Board of Trustees adopted on December 6, 2007, wherein the Board of Trustees determined, among other things, that the 2004 Swaption Transaction and the 2006 Swaption Transaction would permit the University to achieve present benefit from the future redemption of the Series 2004 Bonds and the Series 2006 Bonds, respectively, and that the 2004 Swaption Transaction and the 2006 Swaption Transaction were being entered into pursuant to the Derivatives Policy of the University dated September 24, 2007 (the "USA Derivatives Policy"); and

WHEREAS, pursuant to the terms of the Swaption Documents, for a certain period of time the University may elect to terminate either or both of the 2004 Swaption Transaction and the 2006 Swaption Transaction, in which case the University could be required to make a payment to Wells Fargo, or the University could be entitled to receive a payment from Wells Fargo, all based upon, among other things, interest rate levels in effect at the time of such termination; and

WHEREAS, given the record of interest rate levels since January 2008, the Board of Trustees previously adopted a resolution on March 11, 2011 (the "Prior Swap Termination Resolution"), wherein the Board of Trustees expressed its belief that it may be possible that during the period commencing on

the date of the Prior Swap Termination Resolution through and including September 11, 2012 (said period, the "Prior Applicable Period"), brief intervals may exist from time to time wherein it may become advantageous for the University to terminate either or both of the 2004 Swaption Transaction and the 2006 Swaption Transaction, and in light of the regular meeting schedule of the Board of Trustees the said board believed it was in the best interest of the University that the President of the University (the "President") be authorized to execute such documents and instruments by and on behalf of the University as may be necessary or desirable to terminate either or both of the 2004 Swaption and the 2006 Swaption should at any time during the Applicable Period the President determine that such termination would be in the best interest of the University and upon certain other conditions as more particularly set forth in the Prior Swap Termination Resolution;

WHEREAS, the Board of Trustees continues to be of the view that brief intervals may exist from time to time wherein it may become advantageous for the University to terminate either or both of the 2004 Swaption Transaction and the 2006 Swaption Transaction, and that it would be in the best interest of the University to authorize the President to execute such instruments, notices, certificates, agreements or other documents by and on behalf of the University as may be necessary or desirable to terminate either or both of the 2004 Swaption and the 2006 Swaption should at any time from the date hereof through and including September 1, 2016 (said period, the "Current Applicable Period") the President shall be advised by a swap advisor to the University that it is in the best interest of the University to terminate such transaction or transactions; and

WHEREAS, the Commodity Futures Trading Commission recently published final rules (the "CFTC Swap Rules") to implement Section 4s(h) of the Commodity Exchange Act pursuant to Section 731 of Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), which impose heightened duties and standards of conduct on swap dealers when entering new swap transactions or amending or modifying existing swap transactions like the 2004 Swaption Transaction and the 2006 Swaption Transaction; and

WHEREAS, a swap dealer may demonstrate compliance with some of the new CFTC Swap Rules by having counterparties like the University make certain representations and warranties (the "Representations and Warranties") relating to the suitability of the transaction for such counterparty, the ability of the counterparty to properly evaluate the swap transaction, and other matters respecting interest rate exchange agreements; and

WHEREAS, the International Swaps and Derivatives Association, Inc. has prepared the forms of amendments and agreements attached as Exhibit I hereto (the "ISDA Protocol Documents"), which contain the Representations and Warranties required for a swap dealer to comply with the new CFTC Swap Rules; and

WHEREAS, one of the Representations and Warranties of a governmental entity like the University is that it has engaged a qualified independent representative (a "QIR") to assist in financial analysis and price negotiation respecting swap transactions, and that involvement of a QIR in this regard is contained in a written derivatives policy of such entity; and

WHEREAS, George K. Baum & Co. ("GK Baum") has been advising the University on various aspects of the 2004 Swaption Transaction and 2006 Swaption Transaction, and has established the

required policies and procedures, a copy of which is included as Exhibit II hereto, that enable it to serve as a QIR; and

WHEREAS, GK Baum has advised the University that should it become advantageous to terminate or modify the 2004 Swaption Transaction or 2006 Swaption Transaction, Wells Fargo may likely require that the University take certain actions to evidence its satisfaction of the new CFTC Swap Rules, including (1) engaging a QIR, (2) amending the USA Derivatives Policy to incorporate a QIR, and (3) amending the 2004 Swaption Transaction and/or 2006 Swaption Transaction to incorporate the Representations and Warranties; and

WHEREAS, the Board of Trustees deems it advantageous and in the best interest of the University to (1) engage GK Baum as the QIR for the University, (2) amend the USA Derivatives Policy to incorporate the QIR into certain aspects of such policy, and (3) authorize the President to execute and deliver the ISDA Protocol Documents (or such other instruments proposed by Wells Fargo containing some or all of the terms and provisions in, or provisions similar to those contained in, the forms of ISDA Protocol Documents attached hereto) and such other instruments, agreements, certificates, side-letters, notices, or other documents in connection therewith (collectively, the "Amendatory Documents") as the President shall deem necessary or desirable should the President determine it advantageous for the University to execute and deliver the same in connection with, or in anticipation of, any proposed amendments, modifications or termination of either or both of the 2004 Swaption Transaction and 2006 Swaption Transaction.

THEREFORE, BE IT RESOLVED that the President is hereby authorized and directed to execute such instruments, notices, certificates, agreements or other documents by and on behalf of the University as the President may deem necessary or desirable to terminate either or both of the 2004 Swaption and the 2006 Swaption should at any time during the Current Applicable Period the President be advised by a swap advisor to the University that it is in the best interest of the University to terminate such transaction or transactions; and

BE IT FURTHER RESOLVED that the Board of Trustees hereby designates GK Baum as the QIR for the University, and authorizes and directs the President to execute and deliver on behalf of the University such certificates, agreements, directions, instruments or other documents as may be necessary or desirable to engage, designate and establish GK Baum as the QIR for the University; and

BE IT FURTHER RESOLVED, the Board of Trustees hereby approves the amendments and modifications of the USA Derivatives Policy necessary to incorporate the QIR in certain aspects thereof, as set forth and described in the form of First Amendment to Derivatives Policy dated June 7, 2013 attached hereto as Exhibit III hereto; and

BE IT FINALLY RESOLVED that the Board of Trustees hereby authorizes and directs the President, at any time and from time to time, to execute any such amendatory documents as the President shall deem necessary or desirable should the President determine it advantageous for the University to execute and deliver the same in connection with, or in anticipation of, any proposed amendments, modifications or termination of either or both of the 2004 Swaption Transaction and 2006 Swaption Transaction.



MAY 23 2013

CAMPUS MEMORANDUM
UNIVERSITY OF SOUTH ALABAMA

Date: May 23, 2013
To: President John W. Smith
Copy: M. Wayne Davis
From: Ken Davis *Ken Davis*
Subject: Agenda Item for June 7, 2013, Board of Trustees Meeting

Attached is a resolution with attachments for consideration by the Budget and Finance Committee concerning the University's two swaptions. This resolution will accomplish three objectives:

- Allows the University to amend, modify or terminate the swaptions if it is in the best interest of the University
- Amends the University's Derivatives Policy to incorporate rules recently promulgated by the Commodities Futures Trading Commission (the "CFTC")
- Appoints the firm of George K. Baum & Company as Qualified Independent Representative in accordance with the rules of the CFTC.

With your consent, this item will be presented to the Budget and Finance Committee and the Board of Trustees for final approval. Further, I recommend the adoption of the resolution by the Board of Trustees.

Attachment

Exhibit I

Forms of ISDA Protocol Documents

ISDA AUGUST 2012 DF PROTOCOL AGREEMENT

published on August 13, 2012,
by the International Swaps and Derivatives Association, Inc.

The International Swaps and Derivatives Association, Inc. (“ISDA”) has published this ISDA August 2012 DF Protocol Agreement (this “**Protocol Agreement**”) to enable parties to enter into a DF Terms Agreement (as defined below) or supplement the terms of existing Protocol Covered Agreements (as defined below) by incorporating therein selected portions of the ISDA August 2012 DF Supplement published on August 13, 2012 by ISDA (the “**DF Supplement**”).

1. Use of Protocol

- (a) A person who adheres to this Protocol Agreement (a “**Protocol Participant**”) in the manner set forth in paragraph 2 may use the terms of this Protocol Agreement to supplement one or more existing Protocol Covered Agreements by exchanging questionnaires substantially in the form of Exhibit 2 to this Protocol Agreement or in the form provided on ISDA Amend (in either form, a “**Questionnaire**”), in respect of such Protocol Covered Agreements in the manner set forth in paragraph 3. This Protocol Agreement may also be used by a Protocol Participant to enter into new Protocol Covered Agreements in the form of a DF Terms Agreement by exchanging Questionnaires with another Protocol Participant in the manner set forth in paragraph 3. As described below, the Protocol Participant may be either a principal or an agent in respect of a Protocol Covered Agreement.
- (b) “**Protocol Covered Agreement**” means a DF Terms Agreement or an existing written agreement between two parties that governs the terms and conditions of one or more transactions in Swaps (as defined in the DF Supplement) that each such party has or may enter into as principal. “**DF Terms Agreement**” means the ISDA August 2012 DF Terms Agreement published by ISDA on August 13, 2012. “**PCA Principal**” means a party who is or may become a principal to one or more Swaps under a Protocol Covered Agreement. “**PCA Agent**” means a party who has executed a Protocol Covered Agreement as agent on behalf of one or more PCA Principals.
- (c) An existing Protocol Covered Agreement may have been executed directly by a PCA Principal or by a PCA Agent. In the case of an existing Protocol Covered Agreement executed by a PCA Principal, only such PCA Principal may supplement such Protocol Covered Agreement pursuant to this Protocol Agreement. In the case of an existing Protocol Covered Agreement executed by a PCA Agent on behalf of a PCA Principal, only such PCA Agent may supplement such Protocol Covered Agreement on behalf of a PCA Principal pursuant to this Protocol Agreement (even if such PCA Principal is also a Protocol Participant in respect of one or more other Protocol Covered Agreements).
- (d) A DF Terms Agreement may be entered into pursuant to this Protocol Agreement by a PCA Principal or a PCA Agent. The capacity in which a Protocol Participant enters into a DF Terms Agreement pursuant to this Protocol Agreement is the same as the capacity in which it completes a Matched Questionnaire (as defined below). Each of such Protocol Participants is an “**Executing Party**” under the DF Terms Agreement and their Matched Questionnaires shall constitute the “**Annex**” to their DF Terms Agreement. Each of the relevant PCA Principals in a Matched Questionnaire is a “**DF Terms Principal**” under the DF Terms Agreement.

2. Adherence Letters

- (a) Adherence to this Protocol Agreement will be evidenced by the execution and online delivery, in accordance with this paragraph 2, by a Protocol Participant to ISDA, as agent, of a letter substantially in the

form of Exhibit 1 (an “**Adherence Letter**”). A person wishing to participate in this Protocol Agreement, whether as PCA Principal or PCA Agent, or both, shall submit, using an online form, a single Adherence Letter to ISDA pursuant to this paragraph 2. ISDA will have the right, in its sole and absolute discretion, upon thirty calendar days’ notice on the “ISDA August 2012 DF Protocol” section of its website at www.isda.org (or by other suitable means) to designate a closing date of the adherence period for this Protocol (such closing date, the “**Adherence Cut-off Date**”). After the Adherence Cut-off Date, ISDA will not accept any further Adherence Letters with respect to this Protocol Agreement.

- (b) Each Protocol Participant executing an Adherence Letter will access the “Protocol Management” section of the ISDA website at www.isda.org to enter information online that is required to generate its form of Adherence Letter and will submit payment of any applicable fee. Either by directly downloading the populated Adherence Letter from the Protocol Management system or upon receipt via e-mail of the populated Adherence Letter, each Protocol Participant will print, sign and upload the signed Adherence Letter as a PDF (portable document format) attachment into the Protocol Management system. Once the signed Adherence Letter has been approved and accepted by ISDA, the Protocol Participant will receive an e-mail confirmation of the Protocol Participant’s adherence to the Protocol.
- (c) ISDA will publish, so that it may be viewed by all Protocol Participants, a conformed copy of each Adherence Letter containing, in place of each signature, the printed or typewritten name of each signatory.
- (d) Each Protocol Participant executing and submitting an Adherence Letter agrees that, for evidentiary purposes, a conformed copy of an Adherence Letter certified by the General Counsel (or other appropriate officer) of ISDA will be deemed to be an original.
- (e) Each Protocol Participant agrees that the determination of the date and time of acceptance of any Adherence Letter will be determined by ISDA in its absolute discretion.

3. Questionnaires

- (a) A Questionnaire in respect of Protocol Covered Agreements may only be executed and submitted by a Protocol Participant who has previously, or simultaneously, executed and submitted an Adherence Letter. A Protocol Participant who wishes to enter into or supplement Protocol Covered Agreements with multiple counterparties may (but is not required to) execute multiple Questionnaires in order to deliver different Questionnaires to different counterparties pursuant to this paragraph 3; provided that a Protocol Participant who is a PCA Principal may not deliver more than one Questionnaire to the same Protocol Participant and a Protocol Participant who is a PCA Agent may not deliver more than one Questionnaire to the same Protocol Participant on behalf a single PCA Principal.
- (b) A Protocol Participant may extend an offer to enter into or supplement Protocol Covered Agreements by executing a completed Questionnaire and delivering such Questionnaire to another Protocol Participant in the manner set forth in this paragraph 3. If and when a Protocol Participant receiving a Questionnaire also delivers a Questionnaire to the offering Protocol Participant, the receiving Protocol Participant will be deemed to have accepted the offer to supplement their existing Protocol Covered Agreements and enter into DF Terms Agreements, in each case if and to the extent set forth in paragraph 4. For purposes of this Protocol Agreement, each such Protocol Covered Agreement is referred to as a “**Matched PCA**,” both PCA Principals thereto are referred to together as “**Matched PCA Parties**,” and the Questionnaires delivered by or on behalf of the Matched PCA Parties in respect of the Matched PCA are referred to together as “**Matched Questionnaires**.” For the avoidance of doubt, if a PCA Agent has not delivered a Questionnaire on behalf of a particular PCA Principal, such PCA Agent will not have entered into or supplemented any Protocol Covered Agreement on behalf of such PCA Principal pursuant to this Protocol Agreement even if the PCA Agent has delivered a Questionnaire in respect of other PCA Principals.
- (c) For purposes of this Protocol Agreement, when a Protocol Participant delivers a Questionnaire to another Protocol Participant, each PCA Principal on whose behalf such Questionnaire is delivered is referred to as a “**Delivering PCA Principal**.” Delivery of a Questionnaire by a PCA Agent in the manner set forth in this paragraph 3 will be deemed to be delivery by each Delivering PCA Principal identified by the PCA Agent in such Questionnaire. Delivery of a Questionnaire to a PCA Agent in the manner set forth in this

paragraph 3 will be deemed to be delivery by a relevant Delivering PCA Principal (i) to each PCA Principal on whose behalf the PCA Agent has entered into an existing Protocol Covered Agreement with such Delivering PCA Principal or (ii) if there is no existing Protocol Covered Agreement with respect to a Delivering PCA Principal, to each PCA Principal identified in the reciprocal Questionnaire delivered by the PCA Agent to such Delivering PCA Principal.

- (d) Delivery of a Questionnaire must be made in the manner described in this paragraph 3(d) not later than the 30th calendar day following the Adherence Cut-off Date (the “**Matching Cut-off Date**”). Delivery of a Questionnaire to a Protocol Participant shall be effective if delivered in a manner specified by such Protocol Participant in its Adherence Letter. In addition, without regard to the election that a Protocol Participant has made in its Adherence Letter, if such Protocol Participant has taken all steps necessary to establish the ability to receive a Questionnaire via ISDA Amend, delivery of a Questionnaire to such Protocol Participant via ISDA Amend shall be effective.
- (e) In using this Protocol Agreement to enter into or supplement Matched PCAs, a Protocol Participant may not specify additional provisions, conditions or limitations in its Questionnaire, except as expressly provided therein.

4. DF Terms Agreements and Matched PCA Supplements

- (a) Every pair of Matched PCA Parties will be deemed to have entered into a DF Terms Agreement if both of such Matched PCA Parties have agreed in the Matched Questionnaires to enter into a DF Terms Agreement, in which case such DF Terms Agreement is a “Matched PCA” for purposes of this Protocol.
- (b) Every pair of Matched PCA Parties will be deemed to have supplemented each Matched PCA by incorporating therein DF Schedules 1 and 2 and, in the case of any other DF Schedule, as follows:
 - (i) with respect to DF Schedule 3, if (i) both of such Matched PCA Parties have agreed in the Matched Questionnaires to incorporate such DF Schedule into such Matched PCA and (ii) with respect to any Matched PCA Party who has represented that it has a Designated Evaluation Agent, each Designated Evaluation Agent has countersigned such Questionnaire to make the representations and agreements applicable to it; and
 - (ii) with respect to any of DF Schedules 4, 5, and 6, if (i) both of such Matched PCA Parties have agreed in the Matched Questionnaires to incorporate such DF Schedule into such Matched PCA and (ii) with respect to any Matched PCA Party who is a Special Entity, each Designated QIR (in the case of DF Schedule 4) or Designated Fiduciary (in the case of DF Schedules 5 and 6) of such Special Entity has countersigned such Questionnaire to make the representations and agreements applicable to it.

5. Effectiveness

- (a) The agreement to enter into or supplement a Matched PCA on the terms and conditions set forth in this Protocol Agreement, the Matched Questionnaires and the DF Supplement, will, as between any Matched PCA Parties, be effective on the date on which the later of two Matched PCA Parties delivers its completed Questionnaire in accordance with paragraph 3 (such date, the “**Implementation Date**”).
- (b) This Protocol Agreement is intended for use without negotiation, but without prejudice to any amendment, modification or waiver in respect of a Protocol Covered Agreement that the parties may otherwise effect in accordance with the terms of that Protocol Covered Agreement or as otherwise provided by applicable law.
 - (i) In adhering to this Protocol Agreement, a party may not specify additional provisions, conditions or limitations in its Adherence Letter; and
 - (ii) Any purported adherence that ISDA, as agent, determines in good faith is not in compliance with this Protocol Agreement will be void and ISDA will inform the relevant parties of such fact as

soon as reasonably possible after making such determination and will remove the party's Adherence Letter from the ISDA website.

6. Representations and Agreements

- (a) Representations by a PCA Principal. In the case of a Protocol Participant who is a PCA Principal in respect of a Matched Questionnaire and Matched PCA, the PCA Principal represents to the other PCA Principal that is party to such Matched PCA that, as of the Implementation Date:
- (i) **Status.** It is, if relevant, duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing or, if it otherwise represents its status in or pursuant to a Matched PCA, has such status;
 - (ii) **Powers.** It has the power to execute and deliver the Adherence Letter and the Matched Questionnaire and to perform its obligations under the Adherence Letter, this Protocol Agreement, the Matched Questionnaire and each Matched PCA (as supplemented by this Protocol Agreement), and has taken all necessary action to authorize such execution, delivery and performance;
 - (iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;
 - (iv) **Credit Support.** Such execution, delivery and performance will not, in and of itself, adversely affect any obligations owed, whether by it or by any third party, under any Credit Support Document in respect of its obligations relating to any Matched PCA;
 - (v) **Consents.** All governmental and other consents that are required to have been obtained by it with respect to the Adherence Letter, the Matched Questionnaire and each Matched PCA (as supplemented by this Protocol Agreement) have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and
 - (vi) **Obligations Binding.** Its obligations under the Adherence Letter, this Protocol Agreement, the Matched Questionnaire and each Matched PCA (as supplemented by this Protocol Agreement) constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).
- (b) Representations by a PCA Agent. In the case of a Protocol Participant who is a PCA Agent acting on behalf of a Delivering PCA Principal in respect of a Matched Questionnaire and Matched PCA, the Agent represents to the other PCA Principal that is party to such Matched PCA that, as of the Implementation Date:
- (i) **Status.** Each of the Delivering PCA Principal and the PCA Agent is, if relevant, duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing or, if it otherwise represents its status in or pursuant to a Matched PCA, has such status;
 - (ii) **Powers.** The Delivering PCA Principal has the power to execute and deliver each Matched PCA (as supplemented by this Protocol Agreement) and to perform its obligations thereunder, and has taken all necessary action to authorize such execution, delivery and performance. The PCA Agent has the power to execute and deliver the Adherence Letter and the Matched Questionnaire and to perform its obligations under the Adherence Letter, this Protocol Agreement, the Matched Questionnaire and each Matched PCA (as supplemented by this Protocol Agreement), and has

taken all necessary action to authorize such execution, delivery and performance. The PCA Agent has all necessary authority to enter into the Adherence Letter, this Protocol Agreement and the Matched Questionnaire on behalf of the Delivering PCA Principal and has in its files a written agreement or power of attorney authorizing it to act on the Delivering PCA Principal's behalf in respect thereof;

- (iii) **No Violation or Conflict.** Such execution, delivery and performance by the Delivering PCA Principal and the PCA Agent, respectively, do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;
 - (iv) **Credit Support.** Such execution, delivery and performance will not, in and of itself, adversely affect any obligations owed, whether by the Delivering PCA Principal or by any third party, under any Credit Support Document in respect of its obligations relating to any Matched PCA;
 - (v) **Consents.** All governmental and other consents that are required to have been obtained by the Delivering PCA Principal or the PCA Agent with respect to the Adherence Letter, the Matched Questionnaire and each Matched PCA (as supplemented by this Protocol Agreement) have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and
 - (vi) **Obligations Binding.** The respective obligations of the Delivering PCA Principal and the PCA Agent under the Adherence Letter, this Protocol Agreement, the Matched Questionnaire and each Matched PCA (as supplemented by this Protocol Agreement) constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).
- (c) Agreements by Matched PCA Parties. Each Matched PCA Party agrees with the other Matched PCA Party that:
- (i) any Credit Support Document between Matched PCA Parties that relates to a Matched PCA will be deemed to be supplemented to the extent necessary such that the operation thereof is not affected by the adherence by such Matched PCA Parties or any supplements contemplated by this Protocol Agreement and the relevant Matched Questionnaires;
 - (ii) the following information shall be "**DF Supplement Information**" for purposes of the DF Supplement: (A) all information and representations provided by it or by its PCA Agent on its behalf in the Matched Questionnaire and (B) all Substitute Part II Information with respect to it;
 - (iii) solely for purposes of delivering notices of the type specified in Section 2.3 of the DF Supplement in respect of information or representations set forth in the Matched Questionnaire of the other Matched PCA Party, the other Matched PCA Party may provide such notices pursuant to Section 2.3 of the DF Supplement to any address to which delivery of a Questionnaire to such Matched PCA Party would be effective under paragraph 3(d) hereof or to any substitute address provided by such Matched PCA Party under Section 2.3 of the DF Supplement; and
 - (iv) solely for purposes of delivering notices and disclosures of the types specified in Section 2.12 of the DF Supplement, the "Notice Procedures" applicable to a Matched PCA Party include written notice by e-mail delivered to an address specified in Part II, Section 10 of such Matched PCA Party's Questionnaire or to any substitute e-mail address provided under Section 2.3 of the DF Supplement. Such written notice shall be deemed delivered when sent to the specified address.

7. **Miscellaneous**

(a) ***Entire Agreement; Survival.***

(i) This Protocol Agreement constitutes the entire agreement and understanding of the Protocol Participants with respect to its subject matter and supersedes all oral communication and prior writings (except as otherwise provided herein) with respect thereto. Each Protocol Participant acknowledges that, in adhering to this Protocol Agreement, it has not relied on any oral or written representation, warranty or other assurance (except as provided for or referred to elsewhere in this Protocol Agreement or in a Questionnaire) and waives all rights and remedies which might otherwise be available to it in respect thereof, except that nothing in this Protocol Agreement will limit or exclude any liability of a Protocol Participant for fraud.

(ii) Except for any supplement deemed to be made pursuant to this Protocol Agreement in respect of any Protocol Covered Agreement, all terms and conditions of each Protocol Covered Agreement will continue in full force and effect in accordance with its provisions as in effect immediately prior to the Implementation Date. Except as explicitly stated in this Protocol Agreement, nothing herein will constitute a waiver or release of any rights of any party under any Protocol Covered Agreement.

(b) ***Amendments.*** An amendment, modification or waiver in respect of the matters contemplated by this Protocol Agreement will only be effective in respect of a Matched PCA if made in accordance with the terms of such Matched PCA.

(c) ***Headings and Footnotes.*** The headings and footnotes used in this Protocol Agreement, any Questionnaire and any Adherence Letter are for informational purposes and convenience of reference only, and are not to affect the construction of or to be taken into consideration in interpreting this Protocol Agreement, any Questionnaire or any Adherence Letter.

(d) ***Governing Law.*** This Protocol Agreement and each Adherence Letter will, as between Matched PCA Parties, be governed by and construed in accordance with the laws of the State of New York, without reference to choice of law doctrine, provided that supplements to each Matched PCA effected by this Protocol Agreement shall be governed by and construed in accordance with the law governing such Matched PCA.

8. **Definitions**

As used in this Protocol Agreement, the terms “**Designated Evaluation Agent**,” “**Designated Fiduciary**,” “**Designated QIR**,” “**LEI/CICI**,” and “**Special Entity**” shall be given the meanings provided in the form of questionnaire attached hereto as Exhibit 2, and the following terms will have the following meanings:

“**Credit Support Document**” means, with respect to a Matched PCA Party, a document, which by its terms secures, guarantees or otherwise supports the obligations of one or both of the Matched PCA Parties under a Matched PCA, whether or not such document is specified as a “Credit Support Document” in such Matched PCA.

“**ISDA Amend**” means the web-based platform that has been developed by ISDA and Markit Group Limited and is available at <http://www.markit.com/en/products/distribution/document-exchange/registration.page>.

“**Substitute Part II Information**” means the information requested to be provided by a party in Part II, Sections 2 through 5 of the Questionnaire, as applicable, that (a) such party represents it has previously provided in writing to the Matched PCA Party receiving such Questionnaire in lieu of providing such information in the Questionnaire or (b) appears in the publicly available portion of the LEI/CICI database with respect to such Matched PCA Party.

EXHIBIT 1
to ISDA August 2012 DF Protocol Agreement

Form of Adherence Letter

[Letterhead of Protocol Participant]

[Date]

Dear Sirs:

Re: ISDA August 2012 DF Protocol – Adherence

The purpose of this letter is to confirm our adherence as a “**Protocol Participant**” to the ISDA August 2012 DF Protocol Agreement as published by the International Swaps and Derivatives Association, Inc. on August 13, 2012 (the “**Protocol Agreement**”). This letter constitutes an Adherence Letter as referred to in the Protocol Agreement. The definitions and provisions contained in the Protocol Agreement are incorporated into this Adherence Letter.

We agree to pay a one-time fee of \$500 to ISDA at or before the submission of this Adherence Letter.

1. Specific Terms

We hereby represent that this is the only Adherence Letter submitted by us to ISDA in respect of the Protocol Agreement.

2. Appointment as Agent and Release

We hereby appoint ISDA as our agent for the limited purposes of the Protocol Agreement and accordingly we waive, and hereby release ISDA from, any rights, claims, actions or causes of action whatsoever (whether in contract, tort or otherwise) arising out of or in any way relating to this Adherence Letter or our adherence to the Protocol Agreement or any actions contemplated as being required by ISDA.

3. Contact Details

Our contact information, solely for purposes of this Adherence Letter (and unrelated to the Questionnaire delivery options in the subsequent section) is:

Name:
Address:
Telephone:
Fax:
E-mail:

4. Delivery of Questionnaire

Delivery of a Questionnaire by another Protocol Participant may be made to us pursuant to Section 3 of the Protocol Agreement as follows, where the relevant box has been checked:

- ☐ if submitted via ISDA Amend in accordance with the terms thereof.
- ☐ if in writing and delivered in person or by courier, or by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested) to:

[Address]
[Address]
[Address]
[Attention]

- ☐ if sent by facsimile transmission, to:

[Fax Number]
[Attention]

- ☐ if sent by e-mail or other electronic messaging system, to:

[Address]

- ☐ 5. We understand that the Protocol is designed to allow “matching” of Questionnaires between a swap dealer and other counterparties (including other swap dealers). Accordingly, to assist in the administration of the Protocol, we have checked this box to indicate that for purposes of receiving Questionnaires (a) we are, or expect to be, a swap dealer or (b) we are submitting this letter to act under the Protocol Agreement on behalf of a PCA Principal that is, or expects to be, a swap dealer and whose legal name is:

We consent to the publication of a conformed copy of this letter by ISDA and to the disclosure by ISDA of the contents of this letter.

Yours faithfully,

[PROTOCOL PARTICIPANT]

Signature: _____
Name: _____
Title: _____

EXHIBIT 2
to August 2012 ISDA DF Protocol Agreement

Form of Questionnaire



ISDA AUGUST 2012 DF SUPPLEMENT¹

published on August 13, 2012,
by the International Swaps and Derivatives Association, Inc.

¹ This DF Supplement is intended to address requirements of the following final rules:

- (1) CFTC, Final Rule, *Business Conduct Standards for Swap Dealers and Major Swap Participants With Counterparties*, 77 Fed. Reg. 9734 (Feb. 17, 2012);
- (2) CFTC, Final Rule, *Large Trader Reporting for Physical Commodity Swaps*, 76 Fed. Reg. 43851 (July 22, 2011);
- (3) CFTC, Final Rule, *Position Limits for Futures and Swaps*, 76 Fed. Reg. 71626 (Nov. 18, 2011);
- (4) CFTC, Final Rule, *Real-Time Public Reporting of Swap Transaction Data*, 77 Fed. Reg. 1182 (Jan. 9, 2012);
- (5) CFTC, Final Rule, *Swap Data Recordkeeping and Reporting Requirements*, 77 Fed. Reg. 2136 (Jan. 13, 2012);
- (6) CFTC, Final Rule, *Swap Dealer and Major Swap Participant Recordkeeping, Reporting, and Duties Rules; Futures Commission Merchant and Introducing Broker Conflicts of Interest Rules; and Chief Compliance Officer Rules for Swap Dealers, Major Swap Participants, and Futures Commission Merchants*, 77 Fed. Reg. 20128 (Apr. 3, 2012); and
- (7) CFTC, Final Rule, *Swap Data Recordkeeping and Reporting Requirements: Pre-Enactment and Transition Swaps*, 77 Fed. Reg. 35200 (June 12, 2012).

Table of Contents

SCHEDULE 1	DEFINED TERMS	4
SCHEDULE 2	AGREEMENTS BETWEEN A SWAP DEALER AND ANY OTHER PARTY	8
Part I.	Representations and Agreements.....	8
Part II.	Agreements of a Non-Reporting Counterparty.....	10
Part III.	Representations and Agreements of a Counterparty that is not a Swap Dealer.....	11
Part IV.	Agreements and Acknowledgements of a Counterparty that is not a Regulated Swap Entity.....	13
Part V.	Representation of a Hedging Entity ECP.....	13
Part VI.	Representation of a Hedging Individual ECP.....	14
Part VII.	Notifications by a Swap Dealer.	14
SCHEDULE 3	INSTITUTIONAL SUITABILITY SAFE HARBORS FOR NON-SPECIAL ENTITIES	16
Part I.	Representations and Agreements Applicable if Counterparty Has One or More Designated Evaluation Agents.....	16
Part II.	Representations Applicable if Counterparty Does Not Have a Designated Evaluation Agent.	17
Part III.	Disclosures of a Swap Dealer.	17
SCHEDULE 4	SAFE HARBORS FOR NON-ERISA SPECIAL ENTITIES.....	18
Part I.	Representations of a Counterparty.....	18
Part II.	Disclosures of a Swap Dealer.	19
Part III.	Representations and Agreements of a Designated QIR.....	19
SCHEDULE 5	SAFE HARBORS FOR ERISA SPECIAL ENTITIES (OPTION 1)	21
Part I.	Representations of a Counterparty.....	21
Part II.	Disclosures of a Swap Dealer.	22
Part III.	Representations and Agreements of a Designated Fiduciary.	22
SCHEDULE 6	SAFE HARBORS FOR ERISA SPECIAL ENTITIES (OPTION 2)	23
Part I.	Representations of a Counterparty.....	23
Part II.	Disclosures of a Swap Dealer.	23
Part III.	Representations and Agreements of a Designated Fiduciary.	24



ISDA August 2012 DF Supplement
(published on August 13, 2012)

Any of the following schedules of this ISDA August 2012 DF Supplement (as published by the International Swaps and Derivatives Association, Inc. (“ISDA”)) (this “**DF Supplement**”) may be incorporated into an agreement (such agreement, a “**Covered Agreement**”) by written agreement of the relevant parties indicating which schedules of this DF Supplement (each such schedule, a “**DF Schedule**”) shall be incorporated into such Covered Agreement. All DF Schedules so incorporated in a Covered Agreement will be applicable to such Covered Agreement unless otherwise provided in such Covered Agreement, and any term defined in this DF Supplement and used in any DF Schedule that is incorporated by reference in a Covered Agreement will have the meaning set forth in this DF Supplement unless otherwise provided in such Covered Agreement. Any term used in a Covered Agreement will, when combined with the name of a party, have meaning with respect to the named party only. The headings and footnotes used in this DF Supplement are for informational purposes and convenience of reference only, and are not to affect the construction of or to be taken into consideration in interpreting this DF Supplement.

Schedule 1 Defined Terms

The following terms shall have the following meanings when used in this DF Supplement:

“Agreement,” as used in a provision of this DF Supplement that is incorporated into a Covered Agreement or any defined term used in such provision, means such Covered Agreement, as amended or supplemented from time to time.

“Agricultural Commodity” means any “agricultural commodity,” as defined in CFTC Regulation 1.3(zz).

“Associated Person” means, with respect to a Swap Dealer, any person acting for or on behalf of such Swap Dealer, including an associated person as defined in Section 1a(4) of the Commodity Exchange Act.

“Applicable U.S. Law” means all applicable laws of the United States and rules, regulations, orders and written interpretations of U.S. federal authorities, self-regulatory organizations, markets, exchanges, and clearing facilities.

“Business Day” means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits).

“CFTC” means the U.S. Commodity Futures Trading Commission.

“CFTC Regulations” means the rules, regulations, orders and interpretations published or issued by the CFTC.

“Commodity Exchange Act” means the Commodity Exchange Act, as amended.

“Commodity Trade Option” means a commodity option entered into pursuant to CFTC Regulation 32.3(a).

“Counterparty” or **“CP”** means a party that is the counterparty to a Swap Dealer in respect of the Agreement. For the avoidance of doubt, if two Swap Dealers are parties to the Agreement, each Swap Dealer is a Counterparty or CP for purposes of this DF Supplement.

“DCM” means a “designated contract market,” as such term is used in the CFTC Regulations.

“DCO” means a “derivatives clearing organization,” as such term is defined in Section 1a(15) of the Commodity Exchange Act and the CFTC Regulations.

“Designated Evaluation Agent” means, with respect to a party to the Agreement, a person (if any), other than an employee of such party, that such party has represented in writing to its counterparty is its “Designated Evaluation Agent.”

“Designated Fiduciary” means, with respect to a party to the Agreement, a person (if any) that such party has represented in writing to its counterparty is its “Designated Fiduciary.”

“Designated QIR” means, with respect to a party to the Agreement, a person (if any) that such party has represented in writing to its counterparty is its “Designated QIR.”

“DF Schedule” shall have the meaning given to such term in the introductory paragraph of this DF Supplement.

“DF Supplement Rules” means the CFTC Regulations adopted in the following Federal Register citations, as amended and supplemented from time to time: (1) *Business Conduct Standards for Swap Dealers and Major Swap Participants With Counterparties*, 77 Fed. Reg. 9734 (Feb. 17, 2012); (2) *Large Trader Reporting for Physical Commodity Swaps*, 76 Fed. Reg. 43851 (July 22, 2011); (3) *Position Limits for Futures and Swaps*, 76 Fed. Reg. 71626 (Nov. 18, 2011); (4) *Real-Time Public Reporting of Swap Transaction Data*, 77 Fed. Reg. 1182 (Jan. 9, 2012); (5) *Swap Data Recordkeeping and Reporting Requirements*, 77 Fed. Reg. 2136 (Jan. 13, 2012); (6) *Swap Dealer and Major Swap Participant Recordkeeping, Reporting, and Duties Rules; Futures Commission Merchant and Introducing Broker Conflicts of Interest Rules; and Chief Compliance Officer Rules for Swap Dealers, Major Swap Participants, and Futures Commission Merchants*, 77 Fed. Reg. 20138 (Apr. 3, 2012); (7) *Swap Data Recordkeeping and Reporting Requirements: Pre-Enactment and Transition Swaps*, 77 Fed. Reg. 35200 (June 12, 2012); and (8) solely for purposes of Sections 2.4, 2.5, 2.12 and 2.19 of this DF Supplement, any comparable non-U.S. regulation with which SD is permitted by the CFTC to comply in lieu of any of the foregoing CFTC Regulations.

“DF Supplement Information” means (i) any information or representation agreed in writing by the parties to be DF Supplement Information; and (ii) any information provided pursuant to Section 2.4 of this DF Supplement, in each case, as amended or supplemented from time to time in accordance with Section 2.3 of this DF Supplement or in another manner agreed by the parties.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Special Entity” means a party to the Agreement that has represented in writing to its counterparty that it is an employee benefit plan subject to Title I of ERISA.

“Exempt Commodity” means any “exempt commodity” under Section 1a(20) of the Commodity Exchange Act.

“FCM” means a futures commission merchant subject to regulation under the Commodity Exchange Act.

“Hedging Entity ECP” means a party to the Agreement that (i) has represented in writing to its counterparty that it is a corporation, partnership, proprietorship, organization, trust, or other entity that has a net worth exceeding \$1,000,000 and enters into Swaps in connection with the conduct of the party’s business or to manage the risk associated with an asset or liability owned or incurred or reasonably likely to be owned or incurred by the party in the conduct of the party’s business, but (ii) has not represented that it qualifies as an “eligible contract participant” as defined in Section 1a(18) of the Commodity Exchange Act other than as provided above.

“Hedging Individual ECP” means a party to the Agreement that (i) has represented in writing to its counterparty that it is an individual who has amounts invested on a discretionary basis, the aggregate of which is in excess of \$5,000,000 and who enters into Swaps in order to manage the risk associated with an asset owned or liability incurred, or reasonably likely to be owned or incurred, by the party, but (ii) has not represented that it qualifies as an “eligible contract participant” as defined in Section 1a(18) of the Commodity Exchange Act other than as provided above.

“Local Business Day” shall have the meaning specified in the Agreement; *provided, however*, in the event the Agreement does not specify the meaning of “Local Business Day,” the term shall mean, with respect to a party, a day on which commercial banks are open for business (including for dealings in foreign exchange and foreign currency deposits) in the city that is specified in the Agreement for receipt of notices by such party.

“Major Security-Based Swap Participant” means a party to the Agreement that has represented in writing to its counterparty that it is registered with the SEC as a “major security-based swap participant” as defined in Section 3a(67) of the Securities Exchange Act and Rule 3a67-1 thereunder.

“Major Swap Participant” means a party to the Agreement that has represented in writing to its counterparty that it is registered (fully or provisionally) with the CFTC as a “major swap participant” as defined in Section 1a(33) of the Commodity Exchange Act and CFTC Regulation 1.3(hhh) thereunder.

“Material Confidential Information” means “material confidential information” as such term is used in CFTC Regulation 23.410(c).

“Non-Reporting Counterparty” means, in respect of any Swap subject to the CFTC Regulations, the party to such Swap that is not the Reporting Counterparty.

“Notice Effective Date” means the Local Business Day following the date on which a notice would be effective pursuant to the Notice Procedures or such other date as the parties may specify in writing.

“Notice Procedures” means (1) the procedure specified in the Agreement regarding delivery of notices or information to a party and (2) such other means as may be agreed in writing between the parties from time to time.

“Notifications” means the notifications set forth in Part VII of DF Schedule 2.

“Regulated Swap Entity” means a Swap Dealer, Security-Based Swap Dealer, Major Swap Participant or Major Security-Based Swap Participant.

“Reporting Counterparty” means, in respect of any Swap subject to the CFTC Regulations, the party to such Swap that is determined to be the “reporting counterparty” in accordance with CFTC Regulation 45.8; *provided that*, in the event that CFTC Regulation 45.8 requires the parties to agree which party shall be the reporting Counterparty, the Reporting Counterparty in respect of a Swap shall be the party agreed by the parties.

“SDR” means a “swap data repository” as defined in Section 1a(48) of the Commodity Exchange Act and the CFTC Regulations.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Security-Based Swap Dealer” means a party to the Agreement that has represented in writing to its counterparty that it is registered with the SEC as a “security-based swap dealer” as defined in Section 3(a)(71) of the Securities Exchange Act and Rule 3a71-1 thereunder.

“SEF” means a “swap execution facility” as defined in Section 1a(50) of the Commodity Exchange Act and the CFTC Regulations.

“Special Entity” means a “special entity” as defined in Section 4s(h)(2)(C) of the Commodity Exchange Act and CFTC Regulation 23.401(c) thereunder.

“Swap” means a “swap” as defined in the Section 1a(47) of the Commodity Exchange Act and CFTC Regulation 1.3(xxx) that is governed by or proposed to be governed by the Agreement. The term “Swap” also includes any foreign exchange swaps and foreign exchange forwards that may be exempted from regulation as “swaps” by the Secretary of the Treasury pursuant to authority granted by Section 1a(47)(E) of the Commodity Exchange Act.

“Swap Communication Event” means each (1) Swap Transaction Event, (2) offer to enter into a Swap under the Agreement or a Swap Transaction Event and (3) Swap Recommendation.

“Swap Dealer” or **“SD”** means a party to the Agreement that has represented in writing to a counterparty that it is registered (fully or provisionally) with the CFTC as a “swap dealer” as defined in Section 1a(49) of the Commodity Exchange Act and CFTC Regulation 1.3(ggg) thereunder, *provided that* the term “Swap Dealer” also includes, as appropriate, any Associated Person of such Swap Dealer.

“Swap Recommendation” means a “recommendation” (as such term is used in CFTC Regulations 23.434 and 23.440) with respect to a Swap or trading strategy involving a Swap that is governed by or proposed to be governed by the Agreement.

“Swap Transaction Event” means, with respect to any two parties, the execution of a new Swap between such parties under the Agreement or any material amendment, mutual unwind or novation of an existing Swap between such parties under the Agreement.¹

¹ See 77 Fed. Reg. 9734, 9741 (Feb. 17, 2012).

Schedule 2
Agreements Between a Swap Dealer and Any Other Party

This DF Schedule 2 may be incorporated into an agreement between a Swap Dealer and any other party, including another Swap Dealer. For the avoidance of doubt, if this DF Schedule 2 is incorporated into an agreement between two Swap Dealers, each such Swap Dealer will be both "SD" and "CP" for purposes of this DF Schedule 2.

If the parties to an agreement have specified that this DF Schedule 2 shall be incorporated into such agreement and any conditions to such incorporation set forth in such agreement have been satisfied, this DF Schedule 2 shall be deemed to be a part of such agreement to the same extent as if this DF Schedule 2 were restated therein in its entirety.

Part I. Representations and Agreements.

- 2.1. Each party represents to the other party (which representation is deemed repeated as of the time of each Swap Transaction Event) that, as of the date of each Swap Transaction Event, (i) all DF Supplement Information (excluding financial information and representations) furnished by or on behalf of it to the other party is true, accurate and complete in every material respect, (ii) no representation provided in the DF Supplement Information or in this DF Supplement is incorrect or misleading in any material respect, and (iii) all DF Supplement Information that is financial information furnished by or on behalf of it to the other party has been prepared in accordance with applicable accounting standards, consistently applied.²
- 2.2. Each party acknowledges that the other party has agreed to incorporate one or more DF Schedules into the Agreement, and if the parties enter into any Swaps on or after the date of such incorporation the other party will do so, in reliance upon the DF Supplement Information and the representations provided by such party or its agent in the DF Supplement Information and this DF Supplement. Notwithstanding the foregoing, each party agrees that an event of default, termination event, or other similar event shall not occur under the Agreement or any other contract between the parties solely on the basis of (i) a representation provided solely in DF Supplement Information or in this DF Supplement being incorrect or misleading in any material respect, or (ii) a breach of any covenant or agreement set forth solely in this DF Supplement; *provided, however*, that nothing in this Section 2.2 shall prejudice any other right or remedy of a party at law or under the Agreement or any other contract in respect of any misrepresentation or breach hereunder or thereunder. For the avoidance of doubt, this Section 2.2 shall not alter a party's termination rights or remedies, if any, applicable to a breach of any representation, warranty, covenant, or agreement that is not provided or set forth solely in DF Supplement Information or in this DF Supplement, including any such breach relating to any event or condition that could also cause or constitute an event specified in (i) or (ii) above.

² CFTC Regulation 23.402(d).

- 2.3. Each party agrees to promptly notify the other party in writing in accordance with the Notice Procedures (i) of any material change to DF Supplement Information (other than representations) previously provided by such party or on behalf of such party and (ii) if any representations made in DF Supplement Information or this DF Supplement by or on behalf of such party become incorrect or misleading in any material respect. For any representation that would be incorrect or misleading in any material respect if repeated on any date following the date on which the representation was last repeated, the notifying party shall timely amend such representation by giving notice of such amendment to the other party in accordance with the Notice Procedures. Notwithstanding anything in the Agreement to the contrary, a notification pursuant to this Section 2.3 shall be effective on the Notice Effective Date and the relevant information or representation will be deemed amended as of such Notice Effective Date.³
- 2.4. Each party agrees to promptly provide the other party, in accordance with the Notice Procedures, any information reasonably requested by such other party to enable such other party to comply with Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the DF Supplement Rules in connection with any Swap outstanding between the parties under the Agreement.⁴
- 2.5. Notwithstanding anything to the contrary in the Agreement or in any non-disclosure, confidentiality or similar agreement between the parties, each party hereby consents to the disclosure of information to the extent required by the DF Supplement Rules which mandate reporting of transaction and similar information.⁵ Each party acknowledges that disclosures made pursuant to this Section 2.5 may include, without limitation, the disclosure of trade information including a party's identity (by name, identifier or otherwise) to an SDR and relevant regulators and that such disclosures could result in certain anonymous Swap transaction and pricing data becoming available to the public. Each party further acknowledges that, for purposes of complying with regulatory reporting obligations, an SDR may engage the services of a global trade repository regulated by one or more governmental regulators, provided that such regulated global trade repository is subject to comparable confidentiality provisions as is an SDR registered with the CFTC. For the avoidance of doubt, to the extent that applicable non-disclosure, confidentiality, bank secrecy or other law imposes non-disclosure requirements on transaction and similar information required to be disclosed pursuant to the DF Supplement Rules but permits a party to waive such requirements by consent, the consent and acknowledgements provided herein shall be a consent by each party for purposes of such other applicable law.

³ CFTC Regulation 23.402(d).

⁴ See, e.g., CFTC Regulations 20.5(a); 43.3-43.4; 45.2-45.4; 46.3.

⁵ CFTC Regulations 20.4, 20.5, 23.204, 23.205, 43.3, 43.4, 45.3, 45.4, and 46.3. Please note that the consents and acknowledgements in this Section 2.5 may not be sufficient to meet all disclosure requirements for the disclosure of information as required under the laws of certain jurisdictions.

- 2.6. To the fullest extent permitted by applicable law, each party consents to the recording of conversations of its trading, marketing, operations and other relevant personnel by the other party and its affiliates, with or without the use of a warning tone or similar warning, in connection with any Swap or proposed Swap. Each party further agrees to obtain the individual consents of its personnel should such consent be required by applicable law.⁶
- 2.7. As of each Swap Transaction Event with respect to a Commodity Trade Option to which CP is the offeree, CP represents to its counterparty that it is: (i) a producer, processor, commercial user of, or a merchant handling, the commodity that is the subject of the Commodity Trade Option, or the products or byproducts thereof, and (ii) entering into the Commodity Trade Option solely for purposes related to its business as such.⁷
- 2.8. As of each Swap Transaction Event with respect to a Commodity Trade Option, each party represents to the other party that the Commodity Trade Option, if exercised, contains a binding obligation that results in the sale of an Exempt Commodity or an Agricultural Commodity for immediate or deferred shipment or delivery.⁸

Part II. Agreements of a Non-Reporting Counterparty.

- 2.9. Each party agrees that if it is the Non-Reporting Counterparty with respect to a Swap under the Agreement that is an “international swap” (as that term is defined in CFTC Regulation 45.1), it shall notify the Reporting Counterparty to such international swap, as soon as practicable and in accordance with the Notice Procedures, of the (i) identity of each non-U.S. trade repository not registered with the CFTC to which the Non-Reporting Counterparty or its agent has reported the Swap, and (ii) swap identifier used by such non-U.S. trade repository to identify the swap.⁹
- 2.10. Each party agrees that if it is the Non-Reporting Counterparty with respect to a Swap under the Agreement, upon the occurrence of any “life cycle event” (as that term is defined in CFTC Regulation 45.1) relating to a corporate event in respect of such Non-Reporting Counterparty and such Swap, it will, as soon as practicable, but in no event later than 10 a.m. on the second “business day” (as that term is defined in CFTC Regulation 45.1) following the day on which such life cycle event occurs, notify the Reporting Counterparty to the Swap of the occurrence of such life cycle event, with sufficient detail regarding such life cycle

⁶ CFTC Regulation 23.202.

⁷ CFTC Regulation 32.3(a)(2).

⁸ CFTC Regulation 32.3(a)(3).

⁹ CFTC Regulation 45.3(h).

event to allow such other party to comply with any reporting requirements imposed by the DF Supplement Rules.¹⁰

Part III. Representations and Agreements of a Counterparty that is not a Swap Dealer.

If CP is not a Swap Dealer, it represents and agrees as follows:

- 2.11. CP has received, reviewed, and understood the Notifications in Part VII of DF Schedule 2 that are applicable to CP.¹¹
- 2.12. CP agrees that SD may effect delivery to CP of any notifications and informational disclosures required by the DF Supplement Rules, including standardized notifications and disclosures applicable to multiple Swaps, through any of the following means, each of which CP agrees is reliable: (i) means specified for the delivery of notices in the Notice Procedures or (ii) by posting on a web page at, or accessible through, a URL designated in a written notice given to CP pursuant to the Notice Procedures and notifying CP of such posting in a written notice given pursuant to the Notice Procedures, *provided that* SD need not provide written notice of posting on such web page with respect to the provision of daily marks pursuant to CFTC Regulation 23.431(d). CP further agrees that, if it has so specified in writing to SD, SD may provide oral disclosures of any (i) pre-trade mid-market marks required pursuant to CFTC Regulation 23.431(a)(3)(i) and (ii) basic material economic terms, including price, notional amount and termination date, pursuant to CFTC Regulation 23.431(a)(2), *provided* such disclosures are confirmed by SD in a written notice (which confirmation may be provided post-trade) by a means specified in the preceding sentence.
- 2.13. Subject to any conditions on the disclosure of Material Confidential Information to governmental authorities, regulatory authorities or self-regulatory organizations previously agreed by the parties, CP agrees that SD is authorized to disclose Material Confidential Information provided to SD by (or on behalf of) CP to comply with a request of any regulatory authority or self-regulatory organization with jurisdiction over SD or of which SD is a member or as otherwise required by applicable law (whether by statute, law, rule, regulation, court order, subpoena, deposition, civil investigative demand or otherwise).¹²
- 2.14. If, on or prior to the date on which this DF Schedule 2 is incorporated into the Agreement, CP and SD have entered into a written agreement relating to the non-disclosure of information regarding CP or its activities, CP and SD agree that all information that is subject to that agreement that constitutes Material Confidential

¹⁰ CFTC Regulation 45.4(c).

¹¹ CFTC Regulations 23.402(f) and 23.431(d)(3)(ii).

¹² CFTC Regulation 23.410(c)(2).

Information and is provided by (or on behalf of) CP to SD may be used or disclosed by SD in any manner that is not prohibited by the terms of such agreement, irrespective of any limitations set forth in CFTC Regulation 23.410(c)(1).

- 2.15. If any Material Confidential Information provided by (or on behalf of) CP to SD is not subject to an agreement of the type described in Section 2.14 above, CP agrees that SD is authorized to use or disclose such Material Confidential Information to (i) any of its affiliates, third-party service providers (*provided* such affiliates and third-party service providers are subject to limitations on use or disclosure that are no less restrictive than the limitations applicable to SD under the DF Supplement Rules, as agreed by the parties in this DF Supplement) and (ii) Associated Persons, solely for purposes of complying with the internal legal risk, compliance, accounting, operational risk, market risk, liquidity risk or credit risk policies of SD or its affiliates (in each case, consistently applied) or as otherwise permitted by the DF Supplement Rules. Notwithstanding the foregoing, no such Material Confidential Information will be disclosed to any person acting in a structuring, sales or trading capacity for SD or any affiliate of SD except as permitted by CFTC Regulation 23.410(c)(2); *provided that* for purposes of the foregoing, CP and SD agree that:
- a. “the effective execution of any swap for or with counterparty,” as such language is used in CFTC Regulation 23.410(c)(2)(i), may require, without limitation, the delivery of Material Confidential Information to persons acting in a structuring, sales or trading capacity for SD or any affiliate of SD for the purpose of structuring a Swap or for the purpose of, but solely to the extent necessary for, establishing the price of a Swap or proposed Swap or adjusting the terms of an existing Swap; and
 - b. the disclosure or use of Material Confidential Information to “hedge or mitigate any exposure,” as such language is used in CFTC Rule 23.410(c)(2)(ii), includes, without limitation, its disclosure or use, for the purpose of, but solely to the extent necessary for, establishing or adjusting one or more anticipatory hedges or other positions intended to hedge against the market risk, liquidity risk or counterparty credit exposure to CP that is generated by a Swap or proposed Swap.
- 2.16. CP agrees that the following information is not Material Confidential Information: information that, at or prior to the time of its use or disclosure by SD, is generally available publicly other than as a result of (i) a breach by SD of its obligations to CP under Applicable U.S. Law or a written agreement relating to the non-disclosure of information regarding CP or its activities or (ii) a breach by (a) any of SD’s affiliates or third-party service providers that receive such information from SD or (b) any of SD’s affiliates that receive such information in connection

with the trading relationship between SD and CP, in either case, of corresponding restrictions on the use or disclosure of such information that are applicable to it.¹³

Part IV. Agreements and Acknowledgements of a Counterparty that is not a Regulated Swap Entity.

If CP is not a Regulated Swap Entity, it agrees and acknowledges as follows:

- 2.17. CP agrees that, with respect to each cleared Swap originally executed between CP and SD, CP will obtain any daily marks it wishes to receive for such cleared Swap from the FCM through which CP clears such cleared Swap or the relevant DCO or another third party.¹⁴
- 2.18. CP agrees that, unless otherwise agreed with SD in writing, with respect to each uncleared Swap between CP and SD, any daily marks required to be provided by SD to CP pursuant to CFTC Regulation 23.431(d) will be calculated by SD as of the close of business on the prior Business Day in the locality specified by SD in its notice of such daily mark to CP, such locality to be consistently specified with regard to a class or type of Swaps.¹⁵
- 2.19. CP acknowledges that, with respect to each Swap between CP and SD that is not “available for trading” (as that phrase is used in the CFTC Regulations), unless CP makes a request of SD prior to a Swap Transaction Event for a specific scenario analysis to which it is entitled pursuant to DF Supplement Rules or other Applicable U.S. Law (which request, if made orally, will be confirmed in writing), CP shall not be entitled to any scenario analysis unless SD otherwise agrees.¹⁶

Part V. Representation of a Hedging Entity ECP.

- 2.20. If CP is a Hedging Entity ECP, CP represents to SD (which representation is deemed repeated as of the time of each Swap Transaction Event) that for so long as CP remains a Hedging Entity ECP, each Swap entered into by it under the Agreement will be entered into in connection with the conduct of CP’s business or to manage the risk associated with an asset or liability owned or incurred or reasonably likely to be owned or incurred by CP in the conduct of CP’s business.¹⁷

¹³ CFTC Regulation 23.410(c).

¹⁴ CFTC Regulation 23.431(d).

¹⁵ CFTC Regulation 23.431(d).

¹⁶ CFTC Regulation 23.431(b).

¹⁷ See Commodity Exchange Act Section 1a(18)(A)(v)(III) and related CFTC Regulations.

Part VI. Representation of a Hedging Individual ECP.

- 2.21. If CP is a Hedging Individual ECP, CP represents to SD (which representation is deemed repeated as of the time of each Swap Transaction Event) that for so long as CP remains a Hedging Individual ECP, each Swap entered into by it under the Agreement, will be entered into in order to manage the risk associated with an asset owned or liability incurred, or reasonably likely to be owned or incurred, by CP.¹⁸

Part VII. Notifications by a Swap Dealer.

If applicable, SD hereby notifies CP that:

2.22. Scenario Analysis¹⁹

- a. If CP is not a Regulated Swap Entity, prior to any Swap Transaction Event with respect to any Swap that is not “available for trading” (as such term is defined in the CFTC Regulations) on a DCM or SEF, CP can request, and consult on the design of, a scenario analysis to allow CP to assess its potential exposure in connection with such Swap.

2.23. Daily Mark

- a. If CP is not a Regulated Swap Entity, CP has the right to receive the daily mark for cleared Swaps originally executed by CP with SD from the relevant DCO.²⁰
- b. If CP is not a Regulated Swap Entity, SD hereby discloses to CP, in respect of a daily mark for any uncleared Swap provided to CP by SD pursuant to CFTC Regulation 23.431(d)(3)(ii), that:
1. the daily mark may not necessarily be a price at which either CP or SD would agree to replace or terminate the Swap;
 2. unless otherwise expressly agreed by the parties, calls for margin may be based on considerations other than the daily mark provided to CP; and²¹
 3. the daily mark may not necessarily be the value of the Swap that is marked on the books of SD.²²

¹⁸ See Commodity Exchange Act Section 1a(18)(A)(vi)(II) and related CFTC Regulations.

¹⁹ CFTC Regulation 23.431(b).

²⁰ CFTC Regulation 23.431(d)(1).

²¹ CFTC Regulation 23.431(d)(3).

²² CFTC Regulation 23.431(d)(3).

2.24. Clearing

- a. If CP is a not a Regulated Swap Entity, with respect to any Swap entered into between CP and SD under the Agreement that is subject to the mandatory clearing requirements under Section 2(h) of the Commodity Exchange Act, CP has the sole right to select the DCO at which the Swap will be cleared.²³
- b. If CP is not a Regulated Swap Entity, with respect to any Swap entered into between CP and SD under the Agreement that is not subject to the mandatory clearing requirements under Section 2(h) of the Commodity Exchange Act, CP may elect to clear such Swap and has the sole right to select the DCO at which the Swap will be cleared.²⁴

2.25. Special Entities

- a. If CP is an employee benefit plan defined in Section 3 of ERISA that is not subject to Title I of ERISA, SD hereby notifies CP of its right to elect to be treated as a special entity pursuant to CFTC Regulation 23.430(c).²⁵

²³ CFTC Regulation 23.432(a).

²⁴ CFTC Regulation 23.432(b).

²⁵ CFTC Regulation 23.430(c)

Schedule 3
Institutional Suitability Safe Harbors for Non-Special Entities

This DF Schedule 3 may be incorporated into an agreement between a Swap Dealer and any other party that is not a Regulated Swap Entity or a Special Entity.

If the parties to an agreement have specified that this DF Schedule 3 shall be incorporated into such agreement and any conditions to such incorporation set forth in such agreement have been satisfied, this DF Schedule 3 shall be deemed to be a part of such agreement to the same extent as if this DF Schedule 3 were restated therein in its entirety. If the party that is not a Regulated Swap Entity or Special Entity has one or more Designated Evaluation Agents, this DF Schedule 3 will only be incorporated into an agreement if such party and each such Designated Evaluation Agent have agreed to make the representations and agreements in this DF Schedule 3 that are applicable to it.

Part I. Representations and Agreements Applicable if Counterparty Has One or More Designated Evaluation Agents.

- 3.1. If (i) CP has designated one or more agents as Designated Evaluation Agents and (ii) each such Designated Evaluation Agent has agreed in writing to make the representations and agreements in Sections 3.1(b) and 3.1(c):
- a. CP represents to SD (which representation is deemed repeated by CP as of the occurrence of each Swap Communication Event) that CP has complied in good faith with written policies and procedures that are reasonably designed to ensure that each of its Designated Evaluation Agents is capable of evaluating Swap Recommendations (if any) of SD and making trading decisions on behalf of CP;²⁶
 - b. Each Designated Evaluation Agent represents to SD (which representation is deemed repeated by such Designated Evaluation Agent as of the occurrence of each Swap Communication Event involving such Designated Evaluation Agent) that such Designated Evaluation Agent is exercising independent judgment in evaluating all Swap Recommendations (if any) of SD that are presented to it;²⁷ and
 - c. Each Designated Evaluation Agent agrees to promptly notify SD in writing in accordance with the Notice Procedures if any representations made by such Designated Evaluation Agent in this DF Supplement become incorrect or misleading in any material respect. For any representation that would be incorrect or misleading in any material respect if repeated on any date following the date on which the representation was last repeated, the Designated Evaluation Agent shall timely amend such representation by giving notice of such amendment to

²⁶ CFTC Regulation 23.434(c)(1).

²⁷ CFTC Regulation 23.434(b)(2).

SD in accordance with the Notice Procedures. Notwithstanding anything in the Agreement to the contrary, a notification pursuant to this Section 3.1(c) shall be effective on the Notice Effective Date and the relevant information or representation will be deemed amended as of such Notice Effective Date.²⁸

- d. CP represents (which representations are deemed repeated by CP as of the occurrence of each Swap Communication Event) that it will exercise independent judgment in consultation with a Designated Evaluation Agent, in evaluating all Swap Recommendations (if any) of SD that are presented to CP with respect to Swaps to be executed by CP on its own behalf.

Part II. Representations Applicable if Counterparty Does Not Have a Designated Evaluation Agent.

- 3.2. If CP has not designated a Designated Evaluation Agent, CP represents to SD (which representations are deemed repeated by CP as of the occurrence of each Swap Communication Event) that:
 - a. CP has complied in good faith with written policies and procedures that are reasonably designed to ensure that the persons responsible for evaluating all Swap Recommendations (if any) regarding a Swap and making trading decisions on behalf of CP are capable of doing so; and²⁹
 - b. CP is exercising independent judgment in evaluating all Swap Recommendations (if any).³⁰

Part III. Disclosures of a Swap Dealer.

- 3.3. SD hereby discloses to CP (which disclosure is deemed repeated by SD as of the occurrence of each Swap Communication Event) that SD is acting in its capacity as a counterparty and is not undertaking to assess the suitability of any Swap or trading strategy involving a Swap for CP.³¹

²⁸ CFTC Regulation 23.402(d).

²⁹ CFTC Regulation 23.434(c)(1).

³⁰ CFTC Regulation 23.434(b)(2).

³¹ CFTC Regulation 23.434(b)(3).

Schedule 4
Safe Harbors for Non-ERISA Special Entities

This DF Schedule 4 may be incorporated into an agreement between a Swap Dealer and any Special Entity that is not an ERISA Special Entity; provided that the Special Entity has one or more Designated QIRs, each of whom agrees to the provisions of Part III of this DF Schedule 4 that are applicable to it.

If the parties to an agreement have specified that this DF Schedule 4 shall be incorporated into such agreement and any conditions to such incorporation set forth in such agreement have been satisfied, this DF Schedule 4 shall be deemed to be a part of such agreement to the same extent as if this DF Schedule 4 were restated therein in its entirety. This DF Schedule 4 will only be incorporated into an agreement if the Special Entity and each Designated QIR have agreed to make the representations and agreements in this DF Schedule 4 that are applicable to it.

Part I. Representations of a Counterparty.

- 4.1. CP represents to SD (which representations are deemed repeated by CP as of the occurrence of each Swap Communication Event) that:
- a. CP will not rely on Swap Recommendations (if any) provided by SD;³²
 - b. CP will rely on advice from a Designated QIR;³³
 - c. CP has complied in good faith with written policies and procedures reasonably designed to ensure that each Designated QIR selected by CP satisfies the applicable requirements of CFTC Regulation 23.450(b)(1), and that such policies and procedures provide for ongoing monitoring of the performance of such representative consistent with the requirements of CFTC Regulation 23.450(b)(1);³⁴ and
 - d. CP will exercise independent judgment in consultation with a Designated QIR, in evaluating all Swap Recommendations (if any) of SD that are presented to CP with respect to Swaps to be executed by CP on its own behalf.

³² CFTC Regulation 23.440(b)(2)(ii)(A).

³³ CFTC Regulation 23.440(b)(2)(ii)(B).

³⁴ CFTC Regulation 23.450(d)(1)(i); 23.434(c)(ii).

Part II. Disclosures of a Swap Dealer.

- 4.2. SD discloses to CP (which disclosures are deemed repeated by SD as of the occurrence of each Swap Communication Event) that:
- a. SD is not undertaking to act in the best interests of CP;³⁵ and
 - b. SD is acting in its capacity as a counterparty and is not undertaking to assess the suitability of any Swap or trading strategy involving a Swap for CP.³⁶

Part III. Representations and Agreements of a Designated QIR.

- 4.3. Each Designated QIR represents to SD and CP (which representations are deemed repeated by such Designated QIR as of the occurrence of each Swap Communication Event involving such Designated QIR) that:
- a. Such Designated QIR has written policies and procedures reasonably designed to ensure that the Designated QIR satisfies the applicable requirements of CFTC Regulation 23.450(b)(1);³⁷
 - b. Such Designated QIR is exercising independent judgment in evaluating all Swap Recommendations (if any) of SD that are presented to it;³⁸
 - c. Unless such Designated QIR otherwise notifies SD in writing in accordance with the Notice Procedures, which notification shall become effective on the Notice Effective Date:
 - 1. Such Designated QIR is not and, within one year of representing CP in connection with the Swap has not been, an “associated person,” as such term is defined in Section 1a(4) of the Commodity Exchange Act, of SD;³⁹
 - 2. There is no “principal relationship” (as that term is defined in CFTC Regulation 23.450(a)(1)) between the Designated QIR and SD;⁴⁰

³⁵ CFTC Regulation 23.440(b)(2)(iii).

³⁶ CFTC Regulation 23.434(b)(3).

³⁷ CFTC Regulation 23.450(d)(1)(ii)(A).

³⁸ CFTC Regulation 23.434(b)(2).

³⁹ CFTC Regulation 23.450(c)(1).

⁴⁰ CFTC Regulation 23.450(c)(2).

3. Such Designated QIR (i) provides timely and effective disclosures to CP of all material conflicts of interest that could reasonably affect the judgment or decision making of such Designated QIR with respect to its obligations to CP and (ii) complies with policies and procedures reasonably designed to manage and mitigate such material conflicts of interest;⁴¹
 4. Such Designated QIR is not directly or indirectly, through one or more persons, controlled by, in control of, or under common control with SD;⁴² and
 5. To the best of such Designated QIR's knowledge, SD did not refer, recommend, or introduce such Designated QIR to CP within one year of such Designated QIR's representation of CP in connection with the Swap; and⁴³
- d. Such Designated QIR is legally obligated to comply with the applicable requirements of CFTC Regulation 23.450(b)(1) by agreement, condition of employment, law, rule, regulation, or other enforceable duty.⁴⁴
- 4.4. Each Designated QIR agrees to promptly notify SD in writing in accordance with the Notice Procedures if any representations made by such Designated QIR in this DF Supplement become incorrect or misleading in any material respect. For any representation that would be incorrect or misleading in any material respect if repeated on any date following the date on which the representation was last repeated, the Designated QIR shall timely amend such representation by giving notice of such amendment to SD in accordance with the Notice Procedures. Notwithstanding anything in the Agreement to the contrary, a notification pursuant to this Section 4.4 shall be effective on the Notice Effective Date and the relevant information or representation will be deemed amended as of such Notice Effective Date.⁴⁵

⁴¹ CFTC Regulation 23.450(c)(3).

⁴² CFTC Regulation 23.450(c)(4).

⁴³ CFTC Regulation 23.450(c)(5).

⁴⁴ CFTC Regulation 23.450(d)(1)(ii)(C).

⁴⁵ CFTC Regulation 23.402(d).

Schedule 5
Safe Harbors for ERISA Special Entities (Option 1)

This DF Schedule 5 may be incorporated into an agreement between a Swap Dealer and an ERISA Special Entity; provided that the ERISA Special Entity has one or more Designated Fiduciaries, each of whom agrees to the provisions of Part III of this DF Schedule 5 that are applicable to it. If the relevant Swap Dealer and ERISA Special Entity so agree, both DF Schedule 5 and DF Schedule 6 may be incorporated into an agreement.

If the parties to an agreement have specified that this DF Schedule 5 shall be incorporated into such agreement and any conditions to such incorporation set forth in such agreement have been satisfied, this DF Schedule 5 shall be deemed to be a part of such agreement to the same extent as if this DF Schedule 5 were restated therein in its entirety. This DF Schedule 5 will only be incorporated into an agreement if the ERISA Special Entity and each Designated Fiduciary have agreed to make the representations and agreements in this DF Schedule 5 that are applicable to it.

Part I. Representations of a Counterparty.

- 5.1. CP represents to SD (which representations are deemed repeated by CP as of the occurrence of each Swap Communication Event) that:
- a. Each of its Designated Fiduciaries is a “fiduciary” as defined in Section 3 of ERISA and a Designated Fiduciary is responsible for representing CP in connection with each Swap or trading strategy involving a Swap;⁴⁶
 - b. Either:
 - 1. CP will comply in good faith with written policies and procedures reasonably designed to ensure that any recommendation CP receives from SD materially affecting a Swap transaction is evaluated by a Designated Fiduciary before the transaction occurs; or⁴⁷
 - 2. Any recommendation CP receives from SD materially affecting a Swap transaction will be evaluated by a Designated Fiduciary before the transaction occurs;⁴⁸ and
 - c. CP will exercise independent judgment in consultation with a Designated Fiduciary, in evaluating all Swap Recommendations (if any) of SD that are presented to CP with respect to Swaps to be executed by CP on its own behalf.

⁴⁶ CFTC Regulations 23.440(b)(1)(i) and 23.450(d)(2).

⁴⁷ CFTC Regulation 23.440(b)(1)(iii)(A).

⁴⁸ CFTC Regulation 23.440(b)(1)(iii)(B).

Part II. Disclosures of a Swap Dealer.

- 5.2. SD discloses to CP (which disclosures are deemed repeated by SD as of the occurrence of each Swap Communication Event) that:
- a. SD is not undertaking to act in the best interests of CP;⁴⁹ and
 - b. SD is acting in its capacity as a counterparty and is not undertaking to assess the suitability of any Swap or trading strategy involving a Swap for CP.⁵⁰

Part III. Representations and Agreements of a Designated Fiduciary.

- 5.3. Each Designated Fiduciary represents to SD and CP (which representations are deemed repeated by such Designated Fiduciary as of the occurrence of each Swap Communication Event involving such Designated Fiduciary) that:
- a. Such Designated Fiduciary is not relying on Swap Recommendations (if any) provided by SD; and⁵¹
 - b. Such Designated Fiduciary is exercising independent judgment in evaluating all Swap Recommendations (if any) of SD that are presented to it.⁵²
- 5.4. Each Designated Fiduciary agrees to promptly notify SD in writing in accordance with the Notice Procedures if any representations made by such Designated Fiduciary in this DF Supplement become incorrect or misleading in any material respect. For any representation that would be incorrect or misleading in any material respect if repeated on any date following the date on which the representation was last repeated, the Designated Fiduciary shall timely amend such representation by giving notice of such amendment to SD in accordance with the Notice Procedures. Notwithstanding anything in the Agreement to the contrary, a notification pursuant to this Section 5.4 shall be effective on the Notice Effective Date and the relevant information or representation will be deemed amended as of such Notice Effective Date.⁵³

⁴⁹ CFTC Regulation 23.440(b)(2)(iii).

⁵⁰ CFTC Regulation 23.434(b)(3).

⁵¹ CFTC Regulation 23.440(b)(1)(ii).

⁵² CFTC Regulation 23.434(b)(2).

⁵³ CFTC Regulation 23.402(d).

Schedule 6
Safe Harbors for ERISA Special Entities (Option 2)

This DF Schedule 6 may be incorporated into an agreement between a Swap Dealer and an ERISA Special Entity; provided that the ERISA Special Entity has one or more Designated Fiduciaries, each of whom agrees to the provisions of Part III of this DF Schedule 6 that are applicable to it. If the relevant Swap Dealer and ERISA Special Entity so agree, both DF Schedule 5 and DF Schedule 6 may be incorporated into an agreement.

If the parties to an agreement have specified that this DF Schedule 6 shall be incorporated into such agreement and any conditions to such incorporation set forth in such agreement have been satisfied, this DF Schedule 6 shall be deemed to be a part of such agreement to the same extent as if this DF Schedule 6 were restated therein in its entirety. This DF Schedule 6 will only be incorporated into an agreement if the ERISA Special Entity and each Designated Fiduciary have agreed to make the representations and agreements in this DF Schedule 6 that are applicable to it.

Part I. Representations of a Counterparty.

- 6.1. CP represents to SD (which representations are deemed repeated by CP as of the occurrence of each Swap Communication Event) that:
- a. Each of its Designated Fiduciaries is a “fiduciary” as defined in Section 3 of ERISA;⁵⁴
 - b. CP will not rely on recommendations (if any) provided by SD;⁵⁵
 - c. CP will rely on advice from a Designated Fiduciary;⁵⁶ and
 - d. CP will exercise independent judgment in consultation with a Designated Fiduciary, in evaluating all Swap Recommendations (if any) of SD that are presented to CP with respect to Swaps to be executed by CP on its own behalf.

Part II. Disclosures of a Swap Dealer.

- 6.2. SD discloses to CP (which disclosures are deemed repeated by SD as of the occurrence of each Swap Communication Event) that:
- a. SD is not undertaking to act in the best interests of CP;⁵⁷ and

⁵⁴ CFTC Regulation 23.450(d)(2).

⁵⁵ CFTC Regulation 23.440(b)(2)(ii)(A).

⁵⁶ CFTC Regulation 23.440(b)(2)(ii)(B).

⁵⁷ CFTC Regulation 23.440(b)(2)(iii).

- b. SD is acting in its capacity as a counterparty and is not undertaking to assess the suitability of any Swap or trading strategy involving a Swap for CP.⁵⁸

Part III. Representations and Agreements of a Designated Fiduciary.

- 6.3. Each Designated Fiduciary represents to SD and CP (which representations are deemed repeated by such Designated Fiduciary as of the occurrence of each Swap Communication Event involving such Designated Fiduciary) that such Designated Fiduciary is exercising independent judgment in evaluating all Swap Recommendations (if any) of SD presented to it.⁵⁹
- 6.4. Each Designated Fiduciary agrees to promptly notify SD in writing in accordance with the Notice Procedures if any representations made by such Designated Fiduciary in this DF Supplement have become incorrect or misleading in any material respect. For any representation that would be incorrect or misleading in any material respect if repeated on any date following the date on which the representation was last repeated, the Designated Fiduciary shall timely amend such representation by giving notice of such amendment to SD in accordance with the Notice Procedures. Notwithstanding anything in the Agreement to the contrary, a notification pursuant to this Section 6.4 shall be effective on the Notice Effective Date and the relevant information or representation will be deemed amended as of such Notice Effective Date.⁶⁰

⁵⁸ CFTC Regulation 23.434(b)(3).

⁵⁹ CFTC Regulation 23.434(b)(2).

⁶⁰ CFTC Regulation 23.402(d).



International Swaps and Derivatives Association, Inc.

ISDA AUGUST 2012 DF PROTOCOL QUESTIONNAIRE¹

published on August 13, 2012,
by the International Swaps and Derivatives Association, Inc.

¹ This Questionnaire is intended to address requirements of the following final rules:

- (1) CFTC, Final Rule, *Business Conduct Standards for Swap Dealers and Major Swap Participants With Counterparties*, 77 Fed. Reg. 9734 (Feb. 17, 2012);
- (2) CFTC, Final Rule, *Large Trader Reporting for Physical Commodity Swaps*, 76 Fed. Reg. 43851 (July 22, 2011);
- (3) CFTC, Final Rule, *Position Limits for Futures and Swaps*, 76 Fed. Reg. 71626 (Nov. 18, 2011);
- (4) CFTC, Final Rule, *Real-Time Public Reporting of Swap Transaction Data*, 77 Fed. Reg. 1182 (Jan. 9, 2012);
- (5) CFTC, Final Rule, *Swap Data Recordkeeping and Reporting Requirements*, 77 Fed. Reg. 2136 (Jan. 13, 2012);
- (6) CFTC, Final Rule, *Swap Dealer and Major Swap Participant Recordkeeping, Reporting, and Duties Rules; Futures Commission Merchant and Introducing Broker Conflicts of Interest Rules; and Chief Compliance Officer Rules for Swap Dealers, Major Swap Participants, and Futures Commission Merchants*, 77 Fed. Reg. 20128 (Apr. 3, 2012); and
- (7) CFTC, Final Rule, *Swap Data Recordkeeping and Reporting Requirements: Pre-Enactment and Transition Swaps*, 77 Fed. Reg. 35200 (June 12, 2012).



International Swaps and Derivatives Association, Inc.

ISDA August 2012 DF Protocol Questionnaire **dated as of August 13, 2012**

Instructions: *A PCA Principal or PCA Agent that has adhered to the Protocol Agreement in the manner specified therein may complete and execute this Questionnaire and deliver it by a means specified in the Protocol Agreement in order to supplement existing Protocol Covered Agreements and/or enter into new Protocol Covered Agreements in the form of the DF Terms Agreement.*

This Questionnaire may be executed and delivered by a PCA Principal on its own behalf or by a PCA Agent on behalf of one or more PCA Principals. By delivering this Questionnaire to another PCA Principal or PCA Agent in a manner specified in the Protocol Agreement, the deliverer may agree to enter into and/or supplement Protocol Covered Agreements with such other PCA Principal or PCA Agent. Where an existing Protocol Covered Agreement was originally executed by a PCA Agent on behalf of one or more PCA Principals, only the relevant PCA Agent (and not a PCA Principal) may use this Questionnaire and the Protocol Agreement to supplement such Protocol Covered Agreement.

In the case of a PCA Principal executing and delivering this Questionnaire on its own behalf, (i) such party must identify itself as the PCA Principal in column 1 of the PCA Principal Answer Sheet, and (ii) this Questionnaire will only be effective to supplement existing Protocol Covered Agreements executed by such party on its own behalf and/or to enter into DF Terms Agreements on its own behalf. In the case of a PCA Agent executing and delivering this Questionnaire on behalf of one or more PCA Principals, (i) the PCA Agent must list the names of each such PCA Principal in column 1 of the PCA Principal Answer Sheet, and (ii) this Questionnaire will only be effective to enter into DF Terms Agreements on behalf of listed PCA Principals and/or supplement Protocol Covered Agreements executed by the PCA Agent on behalf of the listed PCA Principals. For the avoidance of doubt, if this Questionnaire is being completed by a PCA Agent on behalf of multiple PCA Principals, this Questionnaire shall be treated as if it were a separate Questionnaire with respect to each separate PCA Principal listed in column 1 of the PCA Principal Answer Sheet.

In addition, if one or more Designated Evaluation Agents, Designated QIRs or Designated Fiduciaries is identified in this Questionnaire, each such Designated Evaluation Agent, Designated QIR or Designated Fiduciary, as the case may be, must countersign this Questionnaire where indicated.

The responses to Part II (except as otherwise indicated below) and Part III, Sections 2(b)(xxii) and 10(b) of this Questionnaire may be set forth directly on this Questionnaire, or if there is insufficient space, on a separate schedule. The responses to the other sections of Part II and Part III of this Questionnaire must be set forth on the PCA Principal Answer Sheet.

Part I: Definitions

References in this Questionnaire to the following terms shall have the following meanings:

“Commodity Exchange Act” means the Commodity Exchange Act, as amended.

“CFTC” means the U.S. Commodity Futures Trading Commission.

“DF Schedule” means a schedule to the DF Supplement.

“DF Supplement” means the ISDA August 2012 DF Supplement published on August 13, 2012 by the International Swaps and Derivatives Association, Inc.

“DF Supplement Rules” means the CFTC Regulations adopted in the following Federal Register citations, as amended and supplemented from time to time: (1) *Business Conduct Standards for Swap Dealers and Major Swap Participants With Counterparties*, 77 Fed. Reg. 9734 (Feb. 17, 2012); (2) *Large Trader Reporting for Physical Commodity Swaps*, 76 Fed. Reg. 43851 (July 22, 2011); (3) *Position Limits for Futures and Swaps*, 76 Fed. Reg. 71626 (Nov. 18, 2011); (4) *Real-Time Public Reporting of Swap Transaction Data*, 77 Fed. Reg. 1182 (Jan. 9, 2012); (5) *Swap Data Recordkeeping and Reporting Requirements*, 77 Fed. Reg. 2136 (Jan. 13, 2012); (6) *Swap Dealer and Major Swap Participant Recordkeeping, Reporting, and Duties Rules; Futures Commission Merchant and Introducing Broker Conflicts of Interest Rules; and Chief Compliance Officer Rules for Swap Dealers, Major Swap Participants, and Futures Commission Merchants*, 77 Fed. Reg. 20138 (Apr. 3, 2012); (7) *Swap Data Recordkeeping and Reporting Requirements: Pre-Enactment and Transition Swaps*, 77 Fed. Reg. 35200 (June 12, 2012); and (8) any comparable non-U.S. regulations with which SD is permitted by the CFTC to comply in lieu of any of the foregoing CFTC Regulations.

“DF Terms Agreement” means the ISDA August 2012 DF Terms Agreement published by ISDA on August 13, 2012.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Special Entity” means an employee benefit plan subject to Title I of ERISA.

“LEI/CICI” means a “legal entity identifier” satisfying the requirements of CFTC Regulation 45.6 or such other entity identifier as shall be provided by the CFTC pending the availability of such legal entity identifiers.

“Major Security-Based Swap Participant” means a person registered with the SEC as a “major security-based swap participant” as defined in Section 3a(67) of the Securities Exchange Act and Rule 3a67-1 thereunder.

“Major Swap Participant” means a person registered (fully or provisionally) with the CFTC as a “major swap participant” as defined in Section 1a(33) of the Commodity Exchange Act and CFTC Regulation 1.3(hhh) thereunder.

“PCA Agent” means a party who has executed a Protocol Covered Agreement on behalf of one or more PCA Principals.

“PCA Principal” means a person who is or may become a principal to one or more Swaps under a Protocol Covered Agreement and who is identified as such in column 1 of the PCA Principal Answer Sheet.

“PCA Principal Answer Sheet” means a spreadsheet substantially in the form of Annex A to this Questionnaire.

“Protocol Agreement” means the ISDA August 2012 DF Protocol Agreement published on August 13, 2012 by the International Swaps and Derivatives Association, Inc.

“Protocol Covered Agreement” means a DF Terms Agreement or an existing written agreement between two parties that governs the terms and conditions of one or more transactions in Swaps that each such party has or may enter into as principal.

“Regulated Swap Entity” means a person that is a Swap Dealer, Security-Based Swap Dealer, Major Swap Participant or Major Security-Based Swap Participant.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Security-Based Swap Dealer” means a person registered with the SEC as a “security-based swap dealer” as defined in Section 3(a)(71) of the Securities Exchange Act and Rule 3a71-1 thereunder.

“Special Entity” means a “special entity” as defined in Section 4s(h)(2)(C) of the Commodity Exchange Act and CFTC Regulation 23.401(c) thereunder.

“Swap” means a “swap” as defined in the Section 1a(47) of the Commodity Exchange Act and CFTC Regulation 1.3(xxx). The term “Swap” also includes any foreign exchange swaps and foreign exchange forwards that may be exempted from regulation as “swaps” by the Secretary of the Treasury pursuant to authority granted by Section 1a(47)(E) of the Commodity Exchange Act.

“Swap Dealer” means a person registered (fully or provisionally) with the CFTC as a “swap dealer” as defined in Section 1a(49) of the Commodity Exchange Act and CFTC Regulation 1.3(ggg).

“Swap Recommendation” means a “recommendation” (as such term is used in CFTC Regulations 23.434 and 23.440) with respect to a Swap or a trading strategy involving a Swap that is governed by or proposed to be governed by a Matched PCA.

Capitalized terms used but not otherwise defined in this Questionnaire shall have the meanings assigned to such terms in the Protocol Agreement.

Part II: PCA Principal Information

Part II of this Questionnaire specifies information regarding a PCA Principal that may be provided by or on behalf of such PCA Principal. Provision of the information requested in Sections 2 through 5 of this Part II is not required if the specified information has already been provided to each counterparty receiving this Questionnaire. With respect to the information requested in any question in Sections 2 through 5 of this Part II, this Questionnaire provides that unless such information appears in the publicly available portion of an LEI/CICI database or is provided herein, the relevant PCA Principal represents to each counterparty receiving this Questionnaire that the specified information has already been provided to such counterparty in writing, and that it is true, correct and complete as of the date of delivery of this Questionnaire to such counterparty.

If you require additional space to answer any of the questions below (e.g., to provide information for multiple PCA Principals), you may attach a separate schedule to provide the PCA Principal information specified in this Part II.

1. LEI/CICI²

To answer this question, complete column 2 of the relevant row of the PCA Principal Answer Sheet by inserting the PCA Principal's LEI/CICI; provided that, if LEI/CICIs are not generally available or if PCA Principal is not eligible to receive an LEI/CICI from available providers, PCA Principal may answer this question by completing column 2 of the relevant row of the PCA Principal Answer Sheet by inserting “None.”

What is PCA Principal's LEI/CICI?

² CFTC Regulation 45.6.

2. True Name and Address³

The true name and address of PCA Principal is as follows:

Name: _____

Address: _____

Phone: _____

Fax: _____

E-mail: _____

3. Principal Occupation or Business⁴

The principal occupation or business of PCA Principal is as follows:

4. Guarantor Information⁵

- (a) *To answer this question, complete column 3 of the relevant row of the PCA Principal Answer Sheet by inserting a "Yes" or a "No," as appropriate:*

Is any person guarantying the performance of PCA Principal?

³ CFTC Regulation 23.402(c).

⁴ CFTC Regulation 23.402(c).

⁵ CFTC Regulation 23.402(c).

- (b) If any person is guarantying the performance of PCA Principal, the true name and address of each person providing such guaranty is as follows:

Name: _____

Address: _____

Phone: _____

Fax: _____

E-mail: _____

5. Third Party Control Person Information

- (a) *To answer this question, complete column 4 of the relevant row of the PCA Principal Answer Sheet by inserting a "Yes" or a "No," as appropriate:*

Is any person (other than an employee of PCA Principal) exercising any control with respect to the Swap positions under Protocol Covered Agreements in respect of which this Questionnaire is being executed and delivered (such person, a **"Third Party Control Person"**)?

- (b) If PCA Principal has one or more Third Party Control Person(s), the true name(s) and address(es) of such person(s) is/are as follows *(PCA Agents filling out this Questionnaire for PCA Principals should enter their own name and address if they will act as a Third Party Control Person for their PCA Principals with respect to trades under the Protocol Covered Agreements):*⁶

Name: _____

Address: _____

Phone: _____

Fax: _____

E-mail: _____

⁶ CFTC Regulation 23.402(c).

6. Designated Evaluation Agent Information

The following information must be provided for PCA Principals that are not Regulated Swap Entities or Special Entities and that wish to incorporate DF Schedule 3 (Institutional Suitability Safe Harbor for Non-Special Entities) into Matched PCAs.

- (a) *To answer this question, complete column 5 of the relevant row of the PCA Principal Answer Sheet by inserting a "Yes" or a "No," as appropriate:*

For purposes of DF Schedule 3 (Institutional Suitability Safe Harbor for Non-Special Entities), does PCA Principal have one or more agents (other than an employee of PCA Principal) that it wishes to designate as "**Designated Evaluation Agents**" and that are responsible for (i) evaluating investment risks with regard to Swaps and trading strategies involving Swaps as well as any Swap Recommendations provided to PCA Principal and (ii) making trading decisions with respect to Swaps on behalf of PCA Principal? *(Please note that it is permissible for a PCA Principal to enter into DF Schedule 3 without designating an agent as its Designated Evaluation Agent provided that the PCA Principal can make the representations provided in Part II of DF Schedule 3.)*

- (b) Please provide the true name and address of each agent that PCA Principal wishes to designate as a "Designated Evaluation Agent" for purposes of DF Schedule 3 *(if the PCA Principal has only a single Designated Evaluation Agent that is the same as its single Third Party Control Person, you may write "Same as Third Party Control Person")*.⁷

Name: _____

Address: _____

Phone: _____

Fax: _____

E-mail: _____

⁷ CFTC Regulation 23.434(b)(1).

7. **Designated QIR Information**

The following information must be provided for PCA Principals that are Special Entities other than ERISA Special Entities, and that wish to incorporate DF Schedule 4 (Safe Harbors for Non-ERISA Special Entities) into Matched PCAs.

Please provide the true name and address of each of PCA Principal's representatives selected as a "**Designated QIR**" for purposes of the DF Supplement (if the PCA Principal has only a single Designated QIR that is the same as its single Third Party Control Person, you may write "Same as Third Party Control Person").⁸

Name: _____

Address: _____

Phone: _____

Fax: _____

E-mail: _____

8. Designated Fiduciary Information

The following information must be provided for PCA Principals that are ERISA Special Entities, and that wish to incorporate DF Schedule 5 (Safe Harbors for ERISA Special Entities (Option 1)) and/or DF Schedule 6 (Safe Harbors for ERISA Special Entities (Option 2)) into Matched PCAs.

Please provide the true name and address of each of PCA Principal's "fiduciaries," as that term is defined in Section 3 of ERISA, selected as a "**Designated Fiduciary**" for purposes of the DF Supplement (*if the PCA Principal has only a single Designated Fiduciary that is the same as its single Third Party Control Person, you may write "Same as Third Party Control Person"*):⁹

Name: _____

Address: _____

Phone: _____

Fax: _____

E-mail: _____

9. Address for Complaints

If PCA Principal is a Swap Dealer or Major Swap Participant, it may, but is not required to, set forth here the physical address, email or other widely available electronic address, and telephone number of the department to which any complaints may be directed:¹⁰

Address: _____

Phone: _____

Fax: _____

E-mail: _____

⁹ CFTC Regulation 23.450(d)(2).

¹⁰ CFTC Regulation 23.201(b)(3)(ii).

10. E-mail Address for Delivery of Required Notifications and Disclosures

The following information may be provided by, or on behalf of, PCA Principals that are not Swap Dealers.

PCA Principal may provide an e-mail address that may be used for the delivery of notifications and any informational disclosures given pursuant to the DF Supplement Rules:

E-mail: _____

11. Election to Receive Oral Disclosure of Pre-Trade Mid-Market Marks and Basic Material Economic Terms

To answer this question, complete column 6 of the relevant row of the PCA Principal Answer Sheet by inserting a "Yes" or a "No," as appropriate. If PCA Principal answers this question "Yes," then it may receive oral disclosures of any pre-trade mid-market marks and basic material economic terms pursuant to CFTC Regulation 23.431(a)(2) and (3)(i).

Does PCA Principal agree to receive oral disclosure (with written confirmation to follow post-trade) of any (i) pre-trade mid-market marks pursuant to CFTC Regulation 23.431(a)(3)(i) and (ii) basic material economic terms, including price, notional amount and termination date, pursuant to CFTC Regulation 23.431(a)(2)?

Part III: PCA Principal Status Representations and Elections

Part III of this Questionnaire consists of questions that must be answered by, or on behalf of, each PCA Principal except as otherwise indicated. Answers to the questions should be provided in the PCA Principal Answer Sheet except as otherwise indicated.

1. Commodity Pool

The purpose of this question is to permit a PCA Principal who is able to specify whether it is a "commodity pool" (as further defined below) to inform its counterparty of such status. The answer to this question will assist in identifying PCA Principals who may need to make additional representations regarding their status as an "eligible contract participant" when additional CFTC regulations regarding this status go into effect on December 31, 2012.

If PCA Principal does not wish to make any representation at this time as to whether it is a "commodity pool" it may insert "No Answer." If a PCA Principal inserts "No Answer," a Swap Dealer receiving this Questionnaire may be required to inquire further and obtain additional representations prior to December 31, 2012.

To answer this question, complete column 7 of the relevant row of the PCA Principal Answer Sheet by inserting a "Yes," "No," or "No Answer," as appropriate:

Is PCA Principal a "commodity pool," as that term is defined in Section 1(a)(10) of the Commodity Exchange Act and applicable regulations thereunder (a "Commodity Pool")?

2. Eligible Contract Participant¹¹

- (a) *To answer this question, complete column 8 of the relevant row of the PCA Principal Answer Sheet by inserting a "Yes" or a "No," as appropriate:*

Other than for purposes of any agreement, contract or transaction described in Sections 2(c)(2)(B)(vi) or 2(c)(2)(C)(vii) of the Commodity Exchange Act, is PCA Principal an "eligible contract participant," as that term is defined in Section 1a(18) of the Commodity Exchange Act and applicable regulations thereunder (an "Eligible Contract Participant")?

- (b) *To respond to this instruction, complete column 9 of the relevant row of the PCA Principal Answer Sheet by inserting at least one of the subsection numbers below in column 9:*

¹¹ CFTC Regulation 23.430(a).

If PCA Principal has identified itself as an Eligible Contract Participant, please indicate at least one of the following subsections that is applicable to PCA Principal (respondents may, but are not required to, indicate more than one subsection if applicable).¹²

- (i) PCA Principal is a “swap dealer,” as defined in Section 1a(49) of the Commodity Exchange Act and CFTC Regulation 1.3(ggg).¹³
- (ii) PCA Principal is a “security-based swap dealer,” as defined in Section 3(a)(71) of the Securities Exchange Act and Rule 3a71-1 thereunder.¹⁴
- (iii) PCA Principal is a “major swap participant,” as defined in Section 1a(33) of the Commodity Exchange Act and CFTC Regulation 1.3(hhh).¹⁵
- (iv) PCA Principal is a “major security-based swap participant,” as defined in Section 3(a)(67) of the Securities Exchange Act and Rule 3a67-1 thereunder.¹⁶
- (v) PCA Principal is a “financial institution” as defined in Section 1a(21) of the Commodity Exchange Act (a “**Financial Institution**”).¹⁷
- (vi) PCA Principal is an insurance company that is regulated by a State, or that is regulated by a foreign government and is subject to comparable regulation as determined by the CFTC, including a regulated subsidiary or affiliate of such an insurance company (an “**Eligible Insurance Company**”).¹⁸
- (vii) PCA Principal is an investment company subject to regulation under the Investment Company Act of 1940, as amended, or a foreign person performing a similar role or function subject as such to foreign regulation (regardless of whether each investor in the investment company or the foreign person is itself an Eligible Contract Participant) (an “**Eligible Investment Company**”).¹⁹

¹² CFTC Regulation 23.430(a). *See* 77 Fed. Reg. 9734, 9757 (Feb. 17, 2012).

¹³ CFTC Regulation 1.3(m)(2).

¹⁴ CFTC Regulation 1.3(m)(4).

¹⁵ CFTC Regulation 1.3(m)(1).

¹⁶ CFTC Regulation 1.3(m)(3).

¹⁷ Commodity Exchange Act § 1a(18)(A)(i).

¹⁸ Commodity Exchange Act § 1a(18)(A)(ii).

¹⁹ Commodity Exchange Act § 1a(18)(A)(iii).

- (viii) PCA Principal is a Commodity Pool that (1) has total assets exceeding \$5,000,000 and (2) was formed and is operated by a person subject to regulation under the Commodity Exchange Act or a foreign person performing a similar role or function subject as such to foreign regulation (an “**Eligible Commodity Pool**”).²⁰
- (ix) PCA Principal is a corporation, partnership, proprietorship, organization, trust, or other entity (1) that has total assets exceeding \$10,000,000 or (2) the obligations of which under each Protocol Covered Agreement to which it is a party are guaranteed or otherwise supported by a letter of credit or keepwell, support, or other agreement by a corporation, partnership, proprietorship, organization, trust, or other entity that has total assets exceeding \$10,000,000, a Financial Institution, an Eligible Insurance Company, an Eligible Investment Company, an Eligible Commodity Pool, an Eligible Government Entity, or an Other Eligible Person (as defined in paragraph (xxii) below) (a “**Large Entity**”).²¹
- (x) PCA Principal is a corporation, partnership, proprietorship, organization, trust, or other entity that has a net worth exceeding \$1,000,000 and enters into Swaps in connection with the conduct of the entity’s business or to manage the risk associated with an asset or liability owned or incurred or reasonably likely to be owned or incurred by the entity in the conduct of the entity’s business (a “**Hedging Entity ECP**”).²²
- (xi) PCA Principal is an employee benefit plan subject to ERISA, a governmental employee benefit plan, or a foreign person performing a similar role or function subject as such to foreign regulation (1) that has total assets exceeding \$5,000,000; or (2) the investment decisions of which are made by (A) an investment adviser or commodity trading advisor subject to regulation under the Investment Advisers Act of 1940, as amended, or the Commodity Exchange Act; (B) a foreign person performing a similar role or function subject as such to foreign regulation; (C) a Financial Institution; or (D) an Eligible Insurance Company, or a regulated subsidiary or affiliate of such Eligible Insurance Company.²³

²⁰ Commodity Exchange Act § 1a(18)(A)(iv). The CFTC has interpreted the language “subject to regulation under the Commodity Exchange Act,” for purposes of CFTC Regulation 1.3(m)(6) (effective Dec. 31, 2012) and Commodity Exchange Act § 1a(18)(A)(iv) as requiring lawful operation of the Commodity Pool by a person excluded from the definition of “commodity pool operator,” a registered commodity pool operator or a person properly exempt from registration as a commodity pool operator. *See* 77 Fed. Reg. 30596, 30654-55 (May 23, 2012).

²¹ Commodity Exchange Act § 1a(18)(A)(v)(I)-(II).

²² Commodity Exchange Act § 1a(18)(A)(v)(III).

²³ Commodity Exchange Act § 1a(18)(A)(vi).

- (xii) PCA Principal is (1) a governmental entity (including the United States, a State, or a foreign government), or political subdivision of a governmental entity, (2) a multinational or supranational government entity, or (3) an instrumentality, agency, or department of an entity described in clause (1) or (2), and if PCA Principal is an entity described in clause (1) or (3), PCA Principal owns and invests on a discretionary basis \$50,000,000 or more in investments, or otherwise satisfies the requirements of Section 1a(18)(A)(vii)(III)(aa) or (cc) of the Commodity Exchange Act (an “**Eligible Government Entity**”).²⁴
- (xiii) PCA Principal is a broker or dealer (other than a natural person or proprietorship) subject to regulation under the Securities Exchange Act, or a foreign person (other than a natural person or proprietorship) performing a similar role or function subject as such to foreign regulation.²⁵
- (xiv) PCA Principal is (1) a broker or dealer (and is a natural person or proprietorship) subject to regulation under the Securities Exchange Act or a foreign person (that is a natural person or proprietorship) performing a similar role or function subject as such to foreign regulation and (2) qualifies as a Large Entity or Eligible Individual.²⁶
- (xv) PCA Principal is an associated person of a registered broker or dealer concerning the financial or securities activities of which the registered broker or dealer makes and keeps records under Section 15C(b) or 17(h) of the Securities Exchange Act.²⁷
- (xvi) PCA Principal is an investment bank holding company (as defined in Section 17(i) of the Securities Exchange Act).²⁸
- (xvii) PCA Principal is a futures commission merchant subject to regulation under the Commodity Exchange Act (other than a natural person or proprietorship) or a foreign person (other than a natural person or proprietorship) performing a similar role or function subject as such to foreign regulation.²⁹
- (xviii) PCA Principal (1) is a futures commission merchant subject to regulation under the Commodity Exchange Act (and is a natural

²⁴ Commodity Exchange Act § 1a(18)(A)(vii).

²⁵ Commodity Exchange Act § 1a(18)(A)(viii).

²⁶ *Id.*

²⁷ Commodity Exchange Act § 1a(18)(A)(viii)(II).

²⁸ Commodity Exchange Act § 1a(18)(A)(viii)(III).

²⁹ Commodity Exchange Act § 1a(18)(A)(ix).

person or proprietorship) or a foreign person (that is a natural person or proprietorship) performing a similar role or function subject as such to foreign regulation and (2) qualifies as a Large Entity or Eligible Individual.³⁰

- (xix) PCA Principal is a floor broker or floor trader subject to regulation under the Commodity Exchange Act in connection with any transaction that takes place on or through the facilities of a registered entity (other than an electronic trading facility with respect to a significant price discovery contract) or an exempt board of trade, or any affiliate thereof, on which such person regularly trades.³¹
- (xx) PCA Principal is an individual who has amounts invested on a discretionary basis, the aggregate of which is in excess of \$10,000,000 (an “**Eligible Individual**”).³²
- (xxi) PCA Principal is an individual who has amounts invested on a discretionary basis, the aggregate of which is in excess of \$5,000,000 and who enters into Swaps in order to manage the risk associated with an asset owned or liability incurred, or reasonably likely to be owned or incurred, by the individual (a “**Hedging Individual ECP**”).³³
- (xxii) PCA Principal is a person that the CFTC has determined to be eligible in light of the financial or other qualifications of the person (an “**Other Eligible Person**”).³⁴ *If PCA Principal inserts subsection (xxii) in column 9 of the PCA Principal Answer Sheet, PCA Principal must provide an explanation in the space below and include additional pages as necessary:*

³⁰ *Id.*

³¹ Commodity Exchange Act § 1a(18)(A)(x).

³² Commodity Exchange Act § 1a(18)(A)(xi)(I).

³³ Commodity Exchange Act § 1a(18)(A)(xi)(II).

³⁴ Commodity Exchange Act § 1a(18)(C).

3. Swap Dealers³⁵

- (a) *To answer this question, complete column 10 of the relevant row of the PCA Principal Answer Sheet by inserting a "Yes" or a "No," as appropriate:*

Is PCA Principal a Swap Dealer?

- (b) If PCA Principal is a Swap Dealer:

- (i) *To answer this question, complete column 11 of the relevant row of the PCA Principal Answer Sheet by inserting a "Yes" or a "No," as appropriate:*

With respect to a Matched PCA in respect of which this Questionnaire has been executed and delivered, if PCA Principal's counterparty to such Matched PCA is a party other than a Regulated Swap Entity or a Special Entity, does PCA Principal agree to supplement the terms of such Matched PCA by incorporating therein DF Schedule 3 (Institutional Suitability Safe Harbor for Non-Special Entities)?

- (ii) *To answer this question, complete column 12 of the relevant row of the PCA Principal Answer Sheet by inserting a "Yes" or a "No," as appropriate:*

With respect to a Matched PCA in respect of which this Questionnaire has been executed and delivered, if PCA Principal's counterparty to such Matched PCA is a Special Entity that is not an ERISA Special Entity, does PCA Principal agree to supplement the terms of such Matched PCA by incorporating therein DF Schedule 4 (Safe Harbors for Non-ERISA Special Entities)?

- (iii) *To answer this question, complete column 13 of the relevant row of the PCA Principal Answer Sheet by inserting a "Yes" or a "No," as appropriate:*

With respect to a Matched PCA in respect of which this Questionnaire has been executed and delivered, if PCA Principal's counterparty to such Matched PCA is an ERISA Special Entity, does PCA Principal agree to supplement the terms of such Matched PCA by incorporating therein DF Schedule 5 (Safe Harbors for ERISA Special Entities (Option 1))?

³⁵ CFTC Regulation 23.401(d).

- (iv) *To answer this question, complete column 14 of the relevant row of the PCA Principal Answer Sheet by inserting a "Yes" or a "No," as appropriate:*

With respect to a Matched PCA in respect of which this Questionnaire has been executed and delivered, if PCA Principal's counterparty to such Matched PCA is an ERISA Special Entity, does PCA Principal agree to supplement the terms of such Matched PCA by incorporating therein DF Schedule 6 (Safe Harbors for ERISA Special Entities (Option 2))?

- (c) *To answer this question, complete column 15 of the relevant row of the PCA Principal Answer Sheet by inserting a "Yes" or a "No," as appropriate:*

Is PCA Principal a Security-Based Swap Dealer?

4. Major Swap Participants³⁶

This Part III, Section 4 must be completed by, or on behalf of, all PCA Principals other than (i) for Section 4(a), Swap Dealers and (ii) for Section 4(b), Security-Based Swap Dealers.

- (a) *To answer this question, complete column 16 of the relevant row of the PCA Principal Answer Sheet by inserting a "Yes" or a "No," as appropriate:*

Is PCA Principal a Major Swap Participant?

- (b) *To answer this question, complete column 17 of the relevant row of the PCA Principal Answer Sheet by inserting a "Yes" or a "No," as appropriate:*

Is PCA Principal a Major Security-Based Swap Participant?

5. Financial Entity³⁷

This Part III, Section 5 must be completed by, or on behalf of, any PCA Principal that is not a Regulated Swap Entity. The purpose of this question is to permit a PCA Principal who is able to specify whether or not it is a "financial entity," as such term is defined by statute, to inform its counterparty of such status.

If PCA Principal does not wish to make any representation at this time as to whether it is a "financial entity," it may insert "No Answer." If PCA Principal responds with "No Answer," a Swap Dealer receiving this Questionnaire may be required to (i) inquire further prior to entering into Swaps with PCA Principal in order to satisfy trade reporting requirements and/or (ii) assume, for the purposes of relevant statutory and

³⁶ CFTC Regulation 23.401(d).

³⁷ Commodity Exchange Act § 2(h)(7)(C).

regulatory exclusions and safe harbors, that PCA Principal may be a “financial entity,” until PCA Principal provides sufficient evidence demonstrating that it is not a “financial entity.”

To answer this question, complete column 18 of the relevant row of the PCA Principal Answer Sheet by inserting a “Yes,” “No” or “No Answer,” as appropriate. Is PCA Principal a “financial entity,” as such term is defined in Section 2(h)(7)(C)(i) of the Commodity Exchange Act and the CFTC Regulations?

6. Special Entity

This Part III, Section 6 must be completed by, or on behalf of, all PCA Principals other than Swap Dealers and Security-Based Swap Dealers.

- (a) *To answer this question, complete column 19 of the relevant row of the PCA Principal Answer Sheet by inserting a “Yes” or a “No,” as appropriate. If PCA Principal fails to answer this question, it will be deemed to represent that it is not a Special Entity for the purposes of relevant statutory and regulatory requirements, until PCA Principal affirmatively represents to the contrary in writing.*

Is PCA Principal a Special Entity?

- (b) *To answer this question, complete column 20 of the relevant row of the PCA Principal Answer Sheet by inserting the applicable subsection number below:*

If PCA Principal has identified itself as a Special Entity, which one of the following subsections is applicable to PCA Principal?³⁸

- (i) PCA Principal is a Federal agency.³⁹
- (ii) PCA Principal is a State, State agency, city, county, municipality, other political subdivision of a State, or any instrumentality, department, or corporation of or established by a State or political subdivision of a State.⁴⁰
- (iii) PCA Principal is an ERISA Special Entity.⁴¹

³⁸ CFTC Regulation 23.430(a); see 77 Fed. Reg. 9734, 9757 (Feb. 17, 2012).

³⁹ CFTC Regulation 23.401(c)(1).

⁴⁰ CFTC Regulation 23.401(c)(2).

⁴¹ CFTC Regulation 23.401(c)(3).

- (iv) PCA Principal is a governmental plan, as defined in Section 3 of ERISA.⁴²
- (v) PCA Principal is an endowment. (For purposes of this question, an “endowment” includes an endowment that is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, 26 U.S.C. § 501(c)(3).)⁴³
- (vi) PCA Principal is an employee benefit plan defined in Section 3 of ERISA, not otherwise defined as a Special Entity (an “**Exempt Plan**”) that elects to be a Special Entity pursuant to CFTC Regulation 23.401(c)(6).⁴⁴

7. Non-ERISA Special Entity Elections

This Part III, Section 7 must be completed by, or on behalf of, all Special Entities other than ERISA Special Entities.

To answer this question, complete column 21 of the relevant row of the PCA Principal Answer Sheet by inserting a “Yes” or a “No,” as appropriate. If PCA Principal answers this question “Yes,” then each of its Designated QIRs must countersign this Questionnaire in the location indicated on the signature page to agree to make the representations and perform the agreements applicable to it in DF Schedule 4.

Does PCA Principal agree to supplement the terms of each Matched PCA in respect of which this Questionnaire has been executed and delivered by incorporating therein DF Schedule 4 (Safe Harbors for Non-ERISA Special Entities)?⁴⁵

8. ERISA Special Entity Elections

This Part III, Section 8 must be completed by, or on behalf of, all ERISA Special Entities.

- (a) *To answer this question, complete column 22 of the relevant row of the PCA Principal Answer Sheet by inserting a “Yes” or a “No,” as appropriate. If PCA Principal answers this question “Yes,” then each of its Designated Fiduciaries must countersign this Questionnaire in the location indicated on the signature page to agree to make the representations and perform the agreements applicable to it in DF Schedule 5.*

⁴² CFTC Regulation 23.401(c)(4).

⁴³ CFTC Regulation 23.401(c)(5).

⁴⁴ CFTC Regulation 23.401(c)(6).

⁴⁵ CFTC Regulation 23.430(d).

Does PCA Principal agree to supplement the terms of each Matched PCA in respect of which this Questionnaire has been executed and delivered by incorporating therein DF Schedule 5 (Safe Harbors for ERISA Special Entities (Option 1))?⁴⁶

- (b) *To answer this question, complete column 23 of the relevant row of the PCA Principal Answer Sheet by inserting a "Yes" or a "No," as appropriate. If PCA Principal answers this question "Yes," then each of its Designated Fiduciaries must countersign this Questionnaire on the location indicated on the signature page to agree to make the representations and perform the agreements applicable to it in DF Schedule 6.*

Does PCA Principal agree to supplement the terms of each Matched PCA in respect of which this Questionnaire has been executed and delivered by incorporating therein DF Schedule 6 (Safe Harbors for ERISA Special Entities (Option 2))?⁴⁷

9. Institutional Suitability Elections

This Part III, Section 9 must be completed by, or on behalf of, all PCA Principals other than Regulated Swap Entities and Special Entities.

To answer this question, complete column 24 of the relevant row of the PCA Principal Answer Sheet by inserting a "Yes" or a "No," as appropriate. If PCA Principal answers this question "Yes," then each of its Designated Evaluation Agents (if any) must countersign this Questionnaire in the location indicated on the signature page to agree to make the representations and perform the agreements applicable to it in DF Schedule 3.

Does PCA Principal agree to supplement the terms of each Matched PCA in respect of which this Questionnaire has been executed and delivered by incorporating therein DF Schedule 3 (Institutional Suitability Safe Harbor for Non-Special Entities)?

10. DF Terms Agreement Elections and Information

- (a) *To answer this question, complete column 25 of the relevant row of the PCA Principal Answer Sheet by inserting a "Yes" or a "No," as appropriate.*

Does PCA Principal agree to enter into a DF Terms Agreement with each counterparty to whom this Questionnaire has been delivered?

- (b) If PCA Principal has agreed to enter into a DF Terms Agreement with each counterparty to whom this Questionnaire has been delivered, the notice

⁴⁶ CFTC Regulation 23.430(d).

⁴⁷ CFTC Regulation 23.430(d).

information of such PCA Principal for the purposes of each such DF Terms Agreement is as follows:

Name: _____

Address: _____

Phone: _____

Fax: _____

E-mail: _____

Electronic Messaging System Details: _____

Specific Instructions: _____

By executing this Questionnaire, the signatory represents as PCA Principal or PCA Agent for specified PCA Principals that (a) all information provided by it in this Questionnaire is true, accurate and complete in every material respect as of the date hereof, and may be relied upon by each counterparty to whom this Questionnaire is delivered, (b) any information that is requested and not provided in Part II, Sections 2 through 5 of this Questionnaire, and that does not appear in the publicly available portion of an LEI/CICI database, has previously been provided in writing by the relevant PCA Principals, and all such previously provided information is true, accurate and complete in every material respect as of the date hereof, and may be relied upon by each counterparty to whom this Questionnaire is delivered, (c) if Part III, Section 6(a) has not been filled out with respect to a specified PCA Principal, such PCA Principal is not a Special Entity, and (d) it has agreed to enter into the DF Schedules indicated in the Questionnaire. For purposes of the foregoing, information appearing in the publicly available portion of the LEI/CICI database with respect to a specified PCA Principal is deemed provided to the counterparty.

[INSERT FULL LEGAL NAME OF PCA PRINCIPAL OR PCA AGENT]⁴⁸

By: _____

Name:

Title:

Date:

By executing this Questionnaire on the relevant signature block below, the signatory agrees to make the representations and agreements applicable to it in the relevant DF Schedule of the DF Supplement.

[INSERT FULL LEGAL NAME OF DESIGNATED EVALUATION AGENT],⁴⁹ solely as PCA Principal's Designated Evaluation Agent and solely to make the representations and agreements applicable to it as Designated Evaluation Agent in DF Schedule 3.

⁴⁸ If you are a PCA Agent acting on behalf of one or more PCA Principals insert the following in the signature block: “, acting on behalf of the clients, investors, funds, accounts and/or other principals listed in the column 1 of the PCA Principal Answer Sheet.”

⁴⁹ Append additional signature blocks or add signature pages as necessary if PCA Principal has multiple Designated Evaluation Agents.

By: _____
Name:
Title:
Date:

[INSERT FULL LEGAL NAME OF DESIGNATED QIR],⁵⁰
solely as PCA Principal's Designated QIR and solely to make the representations and agreements applicable to
it as Designated QIR in DF Schedule 4.

By: _____
Name:
Title:
Date:

[INSERT FULL LEGAL NAME OF DESIGNATED FIDUCIARY/FIDUCIARIES],⁵¹ solely as
PCA Principal's Designated Fiduciary and solely to make the representations and agreements applicable to it in
DF Schedule 5 and/or 6, as applicable.

By: _____
Name:
Title:
Date:

⁵⁰ Append additional signature blocks or add signature pages as necessary if PCA Principal has multiple Designated QIRs.

⁵¹ Append additional signature blocks or add signature pages as necessary if PCA Principal has multiple Designated Fiduciaries.

Exhibit II

George K. Baum & Co. Policies and Procedures

Standard Operating Procedures for GKB Interest Rate Swap Transaction Services

1. Definitions

The following terms shall have the following meanings when used in these Standard Operating Procedures for GKB Interest Rate Swap Transaction Services:

"Associated Person" means, with respect to a Swap Dealer, an person acting for or on behalf of such Swap Dealer, including an associated person as defined in Section 1a(4) of the Commodity Exchange Act.

"CFTC" means the U.S. Commodity Futures Trading Commission.

"CFTC Regulations" means the rules, regulations, orders and interpretations published or issued by the CFTC.

"Client" means a client of GKB (including any "Special Entity" defined below) receiving certain interest rate swap transaction services from GKB pursuant to a written engagement agreement and these Standard Operating Procedures for GKB Interest Rate Swap Transaction Services.

"Commodity Exchange Act" means the Commodity Exchange Act, as amended.

"Designated QIR" means a qualified independent representative designated by a Special Entity Client and meeting the applicable requirements of CFTC Regulation 23.450(b)(1), that it:

- a) Has sufficient knowledge to evaluate interest rate swap transactions and risks;
- b) Is not subject to Statutory Disqualification;
- c) Is independent of a Swap Dealer or Major Swap Participant;
- d) Undertakes a duty to act in the best interests of the Special Entity it represents;
- e) Makes appropriate and timely disclosures to the Special Entity;
- f) Evaluates, consistent with any guidelines provided by the Special Entity, fair pricing and the appropriateness of an interest rate swap transaction; and
- g) In the case of a Special Entity as defined in §23.401(c)(2) (set forth in the definition of "Special Entity" below), is subject to restrictions on certain political contributions imposed by the CFTC, the SEC, or a self-regulatory organization subject to the jurisdiction of the CFTC or the SEC; provided, however, that this paragraph (g) shall not apply if the representative is an employee of the Special Entity.

GKB is independent of swap dealers or major swap participants with whom GKB's clients may engage in interest rate swap transactions

"GKB" means George K. Baum & Company.

"GKB Swap Committee" means the committee described in Sections 2 and 5 below.

"Major Swap Participant" means a counterparty to an interest rate swap transaction with a Client and that represents to the Client in writing that it is registered with the SEC as a "major swap participant" as defined in Section 1a(33) of the Commodity Exchange Act and CFTC Regulation 1.3(hhh) thereunder.

"SEC" means the U.S. Securities and Exchange Commission.

"Short Term Desk" means the GKB Short Term Note and Derivatives Desk.

"Special Entity" means a "special entity" as defined in Section 4s(h)92)(C) of the Commodity Exchange Act and CFTC Regulation 23.401(c) thereunder, which expressly includes "A State, State agency, city, county, municipality, other political subdivision of a State, or any instrumentality, department, or a corporation of or established by a State of political subdivision of a State," as set forth in CFTC Regulation 23.401(c)(2).

"Statutory Disqualification" means a person subject to a "statutory disqualification" as defined Section 3(a)(39) of the Securities Exchange Act of 1934, as amended.

"Swap Dealer" means a counterparty to an interest rate swap transaction with a Client and that represents to the Client in writing that it is registered (fully or provisionally with the CFTC as a "swap dealer" as defined in Section 1a(49) of the Commodity Exchange Act and CFTC Regulation 1.3(ggg) thereunder.

2. Qualified Short Term Desk and GKB Swap Committee Personnel

GKB offers and provides certain interest rate swap transaction services to its clients, in the capacity as either swap advisor to a Client (including, but not limited to, acting as the Designated QIR for a Special Entity Client) or as a Client's swap bidding agent. In furtherance of providing those services to any Client, GKB has and will maintain its Short Term Desk and its GKB Swap Committee with personnel collectively possessing sufficient background, knowledge and experience for GKB to perform its duties relating to interest rate swap transaction services; and specifically for any Client that is a Special Entity, to satisfy the applicable legal and regulatory requirements to serve as a Special Entity Client's Designated QIR.

3. Structure Development

The Short Term Desk interfaces with the banker on developing the structure of a proposed interest rate swap for a Client. Short Term Desk personnel will provide price indications and assist the banker and the banker's support team with other quantitative analysis requested in order to refine the interest rate swap transaction structure. The manager of the Short Term Desk will coordinate with the banker on the role that GKB will play and the related interest rate swap services it will provide to a Client – whether GKB will be the Client's swap advisor (including, but not limited to, acting as the Designated QIR for a Special Entity Client) or bidding agent.

4. Client Education

Swap education materials are provided to each Client, including disclosure of risks, a swap sensitivity analysis, and a recommendation to discuss the legal, regulatory and accounting treatment considerations with the Client's counsel and auditors. The risk disclosure materials are either provided directly to the Client by the Short Term Desk, or are provided to the Client by the banker in a form that has been previously approved by the Short Term Desk. The banker is responsible for meeting with both Client staff and board members for swap education sessions.

5. GKB Swap Committee

A GKB Swap Committee meeting is required prior to the execution of any proposed interest rate swap, whether GKB is acting as a Client's swap advisor (including, but not limited to, acting as the Designated QIR for a Special Entity Client) or swap bidding agent. Members of the GKB Swap Committee include Bob Dalton, Bill Coughlin, Clark Shaw, Ed Steinauer, Guy Yandel, and Elizabeth Barber. The banker meets with the GKB Swap Committee and provides information about the Client, including but not limited to, the credit profile of the Client, key board members and staff who will be making the decisions regarding the swap and managing the swap going forward, and the financing with which the interest rate swap will be associated. A quorum of the GKB Swap Committee is four members. The purpose of the GKB Swap Committee is to have management vet the proposed interest rate swap transaction and approve and authorize a recommendation to the Client that it move forward with execution of the proposed interest rate swap transaction. For any such interest rate swap transaction services for a Special Entity Client, the GKB Swap Committee also will verify that GKB continues to qualify to act as a Designated QIR for the Special Entity Client and thus can make the written representations to the Special Entity Client and its Swap Dealer or Major Swap Participant counterparty that are set forth in Section 6B below.

6. GKB's Role as Fiduciary

- A. As swap advisor to a Client (including when acting as a Designated QIR for a Special Entity Client) —GKB has fiduciary obligation and must consider the suitability of the transaction based on the Client's expertise, experience, sophistication, existing liabilities and financial capability. In particular, GKB should

identify and evaluate the risks to which the Client is exposed (e.g., basis risk, termination risk including the effect on the economics of a refunding transaction, tax law change, counterparty default). GKB must make it clear to the Client that the Client and not GKB is making the final decision whether or not to proceed with a swap transaction.

- B. When acting as the Designated QIR for a Client that is a Special Entity, GKB, in addition to the provisions set forth in subparagraph A above, also shall represent in writing to its Special Entity Client and its Swap Dealer or Major Swap Participant counterparty that:
1. GKB has written policies and procedures reasonably designed to ensure that it satisfies the applicable requirements of CFTC Regulation 23.450(b)(1) to act as the Designated QIR of the Special Entity Client;
 2. As the Designated QIR, GKB is exercising independent judgment in evaluating all swap recommendations of the Special Entity Client that are presented to GKB;
 3. Unless GKB notifies its Special Entity Client in writing consistent with notice procedures agreed upon with the Special Entity Client:
 - a) GKB is not, and within one year of representing its Special Entity Client in connection with the interest rate swap has not been, an Associated Person of the applicable Swap Dealer;
 - b) There is no "principal relationship" (as that term is defined in CFTC Regulation 23.450(a)(1)) between GKB and the applicable Swap Dealer;
 - c) GKB (i) provides timely and effective disclosures to its Special Entity Client of all material conflicts of interest that could reasonably affect GKB's judgment or decision making with respect to its obligations to the Special Entity Client, and (ii) complies with policies and procedures reasonably designed to manage and mitigate such material conflicts of interest;
 - d) GKB is not directly or indirectly, through one or more persons, controlled by, in control of, or under common control with the applicable Swap Dealer;
 - e) To the best of GKB's knowledge, the applicable Swap Dealer did not refer, recommend, or introduce GKB to its Special Entity Client within one year of GKB's representation of its Special Entity Client in connection with the interest rate swap.
 4. GKB is legally obligated to comply with the applicable requirements of CFTC Regulation 23.450(b)(1) by agreement, condition of employment, law, rule, regulation or other enforceable duty.
- C. Bidding agent—GKB may or may not also be acting in a fiduciary capacity. If GKB is not advising the Client or acting as the Designated QIR of a Client that is a Special Entity, the Client should be informed in advance and in writing.
- D. As bond underwriter—GKB may act as underwriter as well as one of the roles identified above, but must make clear to the Client that these are separate responsibilities for separate transactions, may be handled by different GKB personnel, and that any duties and responsibilities as underwriter do not carry over in its providing interest rate swap transaction services.

7. Disclosure of Fees

- A. Fees should be disclosed in writing to the Client.
- B. Fees include:
1. All amounts paid, by or to GKB, to or from any third parties with respect to the transaction.

2. Any fees that GKB may be sharing with a third party and the identity of that party.
 3. Whether any fees are contingent or deferred, and whether they may be in cash or in kind (e.g., options, participations in secondary market trusts)
 4. Any fees or “imbedded loans” being paid through the swap or by the swap provider. Note that any such arrangement must be disclosed to bond/tax counsel as it has tax implications.
- C. If GKB is acting in more than one capacity, its fees or other compensation for the respective roles should be separately stated (e.g., cannot deflect underwriting compensation into the swap rate where it is reflected as a yield adjustment.)

8. Contemporaneous Written Record

- A. Meaningful conversations with the Client and third parties to the transaction regarding the structure, the bidding process, the fees and pricing should be reduced to writing and retained.
- B. Meaningful conversations are those which have legal or financial significance. Any discussion with bond/tax counsel is presumed to be significant.

9. Representations of GKB Made for Tax Purposes

- A. Whether as advisor, Designated QIR or agent, GKB may be called upon by bond/tax counsel to make certain representations on which counsel will rely in opining on the tax exemption of the bond issue or the enforceability of the swap.
- B. In general, such representations should be limited, to the extent possible, to factual statements. In particular, with respect to conclusions that a particular swap is expected to match the Client’s payment obligation, a disclaimer to the effect that such conclusion is based on a statistical analysis of identified historical data and no assurance can be given that a particular result will be obtained in the future. Further, representations made for tax purposes should be limited so that the Client or other parties cannot rely on them for other than their intended purpose. Representations being made for the first time should be reviewed by GKB’s own legal counsel.
- C. If GKB’s representations are based on information or representations of others, such reliance should be clearly stated.
- D. Representation letters or certificates can only be executed by, or on the written approval of, a member of the GKB Swap Committee.

10. Interest Rate Swap Transaction Execution

- A. GKB acting as Swap Bidding Agent
 1. Create term sheet with all material terms of the swap transaction for which GKB is soliciting bids. Circulate draft term sheet and list of bidders to the interested parties in the transaction including the Client, Client’s counsel, bond counsel and tax counsel (the “swap working group”). Receive and incorporate comments to both the term sheet and list of bidders. Circulate final term sheet and list of bidders to the swap working group.
 2. The fee that GKB will receive for Swap Bidding Agent services is disclosed in the term sheet.
 3. Send term sheet to the list of bidders simultaneously via email at least two business days’ prior to the bid date and time. Request any conditions to the term sheet by close of business the day before the bid date and time. Review these conditions and address any concerns with the swap working group

prior to the bid date and time. Report feedback from the swap working group to the bidders and accept revised conditions, if applicable.

4. Receive bids by phone at time indicated in bid specs. A single bid is taken from each potential swap counterparty and no provider is provided a last look. A faxed bid form follows to confirm each bid taken by phone. In order to prevent computational or clerical errors, in the event any best bid is significantly different than the next best bid and a reasonable person would suspect that an error has been made, GKB will call the provider of such high bid and ask the provider to review the level provided in their bid. Bid forms are accompanied by any conditions to the bid specs given by an individual provider. Bid forms and conditions from each provider are scanned and e-mailed to the working group. Call is held with the Client, Client's counsel, bond counsel, and any other necessary person or entity to review the bids and conditions. Bids and conditions are approved by the Client, Client's counsel and bond counsel. Agreement is awarded to the best bona fide bid that is not constrained by conditions deemed to be unacceptable by the Client or bond counsel. With respect to non-conforming bids either rejected or accepted, a contemporaneous "brief statement" should be created explaining the deviation, its purpose and how it was dealt with.
 5. The Short Term Desk coordinates all necessary documentation with the winning provider, the winning provider's counsel, and the swap working group. Documentation can include certificates required for integrating the swap transaction with the associated financing (if applicable), the ISDA documents and swap confirmation, authorizing resolutions, and legal opinions (if required).
- B. GKB acting as Swap Advisor (including acting as Designated QIR for a Special Entity Client)
1. Create term sheet with all material terms of the swap transaction for which GKB is swap advisor/Designated QIR. Circulate draft term sheet to the interested parties in the transaction including the Client, Client's counsel, bond counsel, tax counsel, the swap counterparty and swap counterparty's counsel (the "swap working group"). Receive and incorporate comments to the term sheet.
 2. The fee that GKB will receive for Swap Advisor/Designated QIR services is disclosed in the term sheet.
 3. Coordinate with swap counterparty and swap counterparty's counsel circulating a draft of the ISDA documents to the swap working group, based on the term sheet. Facilitate the timing of executing the ISDA documents and pricing the swap, based on the requirements of the swap counterparty.
 4. Determine independently and agree with the swap counterparty on the theoretical mid-market rate for the swap. Negotiate the spread-to-mid included in the swap transaction on behalf of the Client (see discussion below "Mid-market and spread-to-mid determination").
 5. After pricing the swap with swap counterparty and the Client, coordinate executing all necessary documentation with the swap counterparty, the swap counterparty's counsel, and the swap working group.

Mid-Market and Spread-to-Mid-Market Determinations

Mid-Market Description and Determination

Interest rate swaps are over-the-counter contracts whose prices are driven by actively traded interest rate markets. Municipal market participants have developed the convention of quoting the cost of an interest rate swap as a spread to the theoretical mid-market rate. The theoretical mid-market rate is the average of the bid- and offer- sides of the market. The bid- and offer- sides of a swap transaction are more transparent and more liquid for some types of swaps (e.g. floating-to-fixed LIBOR swaps) than others (e.g. SIFMA swaps or swaps with

forward start dates and/or embedded optionality)). Generally, GKB will model the interest rate swap contract using a pricing model generally accepted in the industry and with access to reasonably current market rates from a market-information platform such as Bloomberg, Reuters or Telerate. GKB will then confirm the level in the model with the swap counterparty, when GKB acts as swap advisor/Designated QIR. Differences in the level shown by our pricing model and the level determined by the swap counterparty and its traders will likely occur, and are acceptable as long as variances are within reason based on market conventions in calculation of the mid-market rate. If GKB's pricing model does not have the analytical capacity to determine the price of the contract, GKB will solicit indications from at least two other swap market participants in order to confirm the level calculated by the swap counterparty.

Spread-to-Mid-Market Description and Determination

GKB will negotiate with the swap counterparty the spread (in basis points) that will be added to or subtracted from the mid-market rate to determine the rate or price quoted to the Client (the "spread-to-mid"). The spread-to-mid is comprised of costs associated with hedging the various risks of the contract, credit reserves, and profit. Factors that influence the spread-to-mid include, but are not limited to, the size of the contract, credit quality of the Client, security and source of payments of the Client's obligations under the contract, type of swap contract, and duration of the contract. GKB will negotiate the spread-to-mid with the swap counterparty based on GKB's experience with comparable deals where it has acted as swap advisor/Designated QIR.

Exhibit III

Form of First Amendment to Derivatives Policy

FIRST AMENDMENT TO DERIVATIVES POLICY

The Derivatives Policy dated September 24, 2007 of the University of South Alabama is hereby amended from the date hereof to include the following:

Section 1.3 Qualified Independent Representative. The University shall use a derivative advisory firm to assist with financial analysis and price negotiation. Such derivative advisory firm shall act as the "qualified independent representative" ("QIR") of the University for purposes of CFTC Rule 23.450 (b)(1) to advise the University on swaps and derivatives. Such derivative advisory firm shall provide information to the University consistent with the rules and regulations in effect at the time, including the Business Conduct Standards for Swap Dealers and Major Swap Participants as published and enacted by the Commodity Futures Trade Commission. Whenever this policy makes reference to the use of independent advisers, analysts, or advisers, the same shall be interpreted to include the QIR.

This First Amendment to Derivatives Policy is adopted and shall be in effect the 7th day of June, 2013.



REC'D
OFFICE OF THE PRESIDENT

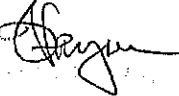
JUN 06 2013

UNIVERSITY OF SOUTH ALABAMA
Vice President for Financial Affairs
AD 170

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

TO: President John W. Smith

FROM: M. Wayne Davis 

SUBJECT: Bond Issue

DATE: June 6, 2013

On April 26, 2013, we opened bids for financing certain University-related capital projects. The most competitive proposal was from Compass Mortgage Corporation (Purchaser). The specifics of each project and bids are noted below:

Series A: 2.83%, 20-year level amortization with an optional 10-year redemption. The University has determined to obtain a loan from Purchaser in the amount of \$32,000,000 for the purpose of providing funds to pay, among other things, (1) the costs of designing, developing, acquiring, equipping, installing and constructing a physicians' office building and related capital improvements as part of the health care enterprise of the University and for primary use by the University of South Alabama Health Services Foundation, and (2) capitalized interest through February 1, 2015, referable to the Series 2013-A Bond.

Series B: 2.83%, 20-year level amortization with an optional 10-year redemption. The University has determined to obtain a loan from Purchaser in the amount of \$8,000,000 for the purpose of providing funds to pay, among other things, (1) a portion of the costs of designing, developing, acquiring, equipping, installing and constructing capital improvements to the USA Children's and Women's Hospital, and various other capital improvements and equipment of the University (the "2013-B/C Improvements"), and (2) capitalized interest through February 1, 2015, referable to the Series 2013-B Bond.

Series C: 2.78%, 15-year level amortization with an optional 10-year redemption. The University has determined to obtain a loan from Purchaser in the amount of \$10,000,000 for the purpose of providing funds to pay, among other things, (1) a portion of the costs of designing, developing, acquiring, equipping, installing and constructing the 2013-B/C Improvements, and (2) capitalized interest through February 1, 2015, referable to the Series 2013-C Bond.

With your approval, this will be presented to the Board of Trustees at its meeting on June 7, 2013.

MWD/cbm

**A RESOLUTION AUTHORIZING THE ISSUANCE
OF ONE \$32,000,000 UNIVERSITY FACILITIES REVENUE
CAPITAL IMPROVEMENT BOND
SERIES 2013-A**

**ONE \$8,000,000 UNIVERSITY FACILITIES REVENUE
CAPITAL IMPROVEMENT BOND
SERIES 2013-B**

AND

**ONE \$10,000,000 UNIVERSITY FACILITIES REVENUE
CAPITAL IMPROVEMENT BOND
SERIES 2013-C**

BE IT RESOLVED by the Board of Trustees (herein called the "Board") of the **UNIVERSITY OF SOUTH ALABAMA** (herein called the "University") as follows:

Section 1. (a) Findings. The Board has determined and hereby finds and declares that the following facts are true and correct:

(1) it is necessary, advisable, in the interest of the University and the public that the University (i) design, acquire, construct, install, furnish and equip various capital improvements and equipment on the property of the University including, without limitation, a physicians' office building and related capital improvements as part of the health care enterprise of the University and for primary use by the University of South Alabama Health Services Foundation (herein called "HSF"), an Alabama nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (herein called the "2013-A Improvements"), and (ii) design, develop, acquire, equip, install and construct capital improvements to the USA Children's and Women's Hospital, and various other capital improvements and equipment of the University (herein called the "2013-B/C Improvements"); and

(2) the University has undertaken a competitive bidding process for loans for the 2013-A Improvements and the 2013-B/C Improvements, and has received bids and proposals from various financial institutions, including Compass Mortgage Corporation, Regions Bank, SunTrust Bank, and Trustmark National Bank; and

(3) the Vice President for Financial Affairs of the University (herein called the "Vice President") has reported that the bid submitted by Compass Mortgage Corporation (herein called "Compass") is the winning bid for the 2013-A Improvements and the 2013-B/C Improvements; and

(4) pursuant to the Compass bid, the University has through June 10, 2013 to determine whether or not to accept such bid and sell the 2013-A Bond to Compass, and through June 26, 2013 to determine whether or not to accept such bid and sell the 2013-B Bond and/or 2013-C Bond to Compass; and

(5) it is necessary, advisable, in the interest of the University and the public that the Vice President be authorized, in his discretion, to accept the bid of Compass referable to the 2013-A Improvements and, in doing so, to agree, by and on behalf of the University, for the University to sell its \$32,000,000 University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013 (herein called the "2013-A Bond") to Compass to pay the costs of designing, acquiring, constructing, installing, furnishing and equipping the 2013-A Improvements, funding capitalized interest respecting the 2013-A Bond, and paying the costs of issuing the 2013-A Bond (such acceptance of the loan and commitment to sell the 2013-A Bond to be evidenced by a signed Bond Sale Commitment in the form attached as Exhibit I hereto); and

(6) it is necessary, advisable, in the interest of the University and the public that the Vice President be authorized, in his discretion, to accept the bid of Compass referable to a portion of the 2013-B/C Improvements and, in doing so, to agree, by and on behalf of the University, for the University to sell its \$8,000,000 University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013 (herein called the "2013-B Bond") to Compass to pay a portion of the costs of designing, acquiring, constructing, installing, furnishing and equipping the 2013-B/C Improvements, funding capitalized interest respecting the 2013-B Bond, and paying the costs of issuing the 2013-B Bond (such acceptance of the loan and commitment to sell the 2013-B Bond to be evidenced by a signed Bond Sale Commitment in the form attached as Exhibit II hereto); and

(7) it is necessary, advisable, in the interest of the University and the public that the Vice President be authorized, in his discretion, to accept the proposal of Compass referable to a portion of the 2013-B/C Improvements and, in doing so, to agree, by and on behalf of the University, for the University to sell its \$10,000,000 University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013 (herein called the "2013-C Bond") to Compass to pay a portion of the costs of designing, acquiring, constructing, installing, furnishing and equipping the 2013-B/C Improvements, funding capitalized interest respecting the 2013-C Bond, and paying the costs of issuing the 2013-C Bond (such acceptance of the loan and commitment to sell the 2013-C Bond to be evidenced by a signed Bond Sale Commitment in the form attached as Exhibit III hereto).

(b) 2013 Bonds to be Issued as an Additional Parity Bonds Under the Indenture; Special Findings Under Section 8.2(b) of the Indenture. Those of the 2013 Bonds determined by the Vice President to be sold by the University shall be issued as additional parity bonds under Article VIII of the Indenture hereinafter referred to. In accordance with the provisions of Section 8.2(b) of the Indenture, the Board hereby finds and declares as follows:

(1) the University is not now in default under the Indenture and no such default is imminent;

(2) the 2013-A Bond (if determined by the Vice President to be sold by the University) shall be designated Series 2013-A, the 2013-B Bond (if determined by the Vice President to be sold by the University) shall be designated Series 2013-B, and the 2013-C Bond (if determined by the Vice President to be sold by the University) shall be designated Series 2013-C;

(3) for each series of 2013 Bonds, the person or entity to whom such bond is to be delivered shall be the person or entity identified in the Bond Sale Commitment respecting such bond;

(4) the 2013 Bonds are to be issued by sale in accordance with Section 6 hereof;

(5) the sale price of each of the 2013-A Bond (if determined by the Vice President to be sold by the University), the 2013-B Bond (if determined by the Vice President to be sold by the University), and the 2013-C Bond (if determined by the Vice President to be sold by the University) shall be the initial face or par amount of such bond;

(6) (a) the only bonds that have previously been issued by the University under the Indenture are its (i) \$31,680,000 original principal amount of University Tuition Revenue Refunding and Capital Improvement Bonds, Series 1996, dated February 15, 1996 (herein called the "Series 1996 Bonds"), which were issued under and pursuant to the Trust Indenture dated as of February 15, 1996 further described in Section 2 hereof, (ii) \$7,055,000 original principal amount of University Tuition Revenue Refunding Bonds, Series 1996B, dated October 15, 1996 (herein called the "Series 1996B Bonds"), which were issued under and pursuant to the First Supplemental Trust Indenture dated as of October 15, 1996, (iii) \$40,130,000.70 original principal amount of University Tuition Revenue Bonds, Series 1999, dated March 1, 1999 (herein called the "Series 1999 Bonds"), which were issued under and pursuant to the Second Supplemental Trust Indenture dated as of October 15, 1996, (iv) \$51,080,000 original principal amount of Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004 (herein called the "Series 2004 Bonds"), which were issued under and pursuant to the Fourth Supplemental Trust Indenture dated as of March 15, 2004, (v) \$100,000,000 original principal amount University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, dated December 1, 2006 (herein called the "Series 2006 Bonds"), which were issued under and pursuant to the Fifth Supplemental Trust Indenture dated as of December 1, 2006, (vi) \$112,885,000 original principal amount University Facilities Revenue Capital Improvement Bonds, Series 2008, dated September 1, 2008 (herein called the "Series 2008 Bonds"), which were issued under and pursuant to the Sixth Supplemental Trust Indenture dated as of September 1, 2008, and (vii) \$29,750,000 University Facilities Revenue Capital Improvement Bond, Series 2010, dated June 16, 2010 (herein called the "Series 2010 Bond"), which was issued under and pursuant to the Seventh Supplemental Trust

Indenture dated as of June 16, 2010, (viii) \$25,000,000 University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012 (herein called the "Series 2012-A Bond"), which was issued under an Eighth Supplemental Trust Indenture dated as of January 4, 2012, and (ix) \$7,740,000 University Facilities Revenue Capital Improvement Bond, Series 2012-B, dated January 4, 2012 (herein called the "Series 2012-B Bond" and, together with the Series 1999 Bonds, the Series 2004 Bonds, the Series 2006 Bonds, the Series 2008 Bonds, the Series 2010 Bond, and the Series 2012-A Bond, the "Outstanding Bonds"), which was issued under and pursuant to the Eighth Supplemental Trust Indenture dated January 4, 2012; and (b) in Article VIII of the Indenture, the University has reserved the right to issue additional bonds, secured by a pledge of the Pledged Revenues on a parity with the Outstanding Bonds and with such additional bonds as shall have thereafter been issued thereunder, upon compliance with the applicable provisions of said Article VIII; and

(7) The Outstanding Bonds are the only bonds heretofore issued under the Indenture that are at this time outstanding under the Indenture.

(8) the 2013-A Bond, if determined by the Vice President to be sold by the University, will be issued for the purposes described in Section 8(a) hereof; the 2013-B Bond, if determined by the Vice President to be sold by the University, will be issued for the purposes described in Section 8(b) hereof; and the 2013-C Bond, if determined by the Vice President to be sold by the University, will be issued for the purposes described in Section 8(c) hereof.

With respect to each 2013 Bond determined by the Vice President to be sold, the Trustee is hereby requested to authenticate and deliver such 2013 Bonds to the entity designated in the Bond Sale Commitment respecting such bond.

Section 2. Authorization of 2013 Bonds. For the purposes specified in Section 1 of this resolution, the Vice President is hereby authorized, by and on behalf of the University, to commit the University to sell its (i) University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013, in a principal amount of \$32,000,000 (herein called the "2013-A Bond"), (ii) University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013, in a principal amount of \$8,000,000 (herein called the "2013-B Bond"), and (iii) University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013, in a principal amount of \$10,000,000 (herein called the "2013-C Bond" and, together with the 2013-A Bond and 2013-B Bond, the "2013 Bonds"); all under the terms, conditions and provisions set out in the Ninth Supplemental University Facilities Revenue Trust Indenture dated June 28, 2013, between the University and The Bank of New York Mellon Trust Company, N.A., as trustee (herein called the "Trustee"), which is supplemental to the University Facilities Revenue Trust Indenture between the University and the Trustee dated as of February 15, 1996 (the said Trust Indenture, as heretofore supplemented and amended and as further supplemented and amended by the said Ninth Supplemental University Facilities Revenue Trust Indenture, herein called the "Indenture"). All the provisions of the Indenture respecting the 2013 Bonds are hereby adopted as a part of this resolution as fully as if set out at length herein.

Section 3. Source of Payment of the 2013 Bonds. The principal of and the interest on the 2013 Bonds shall be payable solely from the Pledged Revenues as defined in the Indenture. Nothing contained in this resolution, in the 2013 Bonds or in the Indenture shall be deemed to impose any obligation on the University to pay the principal of or the interest on the 2013 Bonds except from and to the extent of the Pledged Revenues. The 2013 Bonds shall not represent or constitute obligations of any nature whatsoever of the State of Alabama and shall not be payable out of moneys appropriated to the University by the State of Alabama. The agreements, covenants and representations contained in this resolution, in the 2013 Bonds and in the Indenture do not and shall never constitute or give rise to any personal or pecuniary liability or charge against the general credit of the University, and in the event of a breach of any such agreement, covenant or representation, no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the University shall arise therefrom. Neither the 2013 Bonds nor the pledge or any agreement contained in the Indenture or in this resolution shall be or constitute an obligation of any nature whatsoever of the State of Alabama, and neither the 2013 Bonds nor any obligation arising from the aforesaid pledge or agreements shall be payable out of any moneys appropriated to the University by the State of Alabama. Nothing contained in this section shall, however, relieve the University from the observance and performance of the several covenants and agreements on its part herein contained and contained in the Indenture.

Section 4. 2013 Bonds Payable at Par. All remittances of principal of and interest on the 2013 Bonds to the holder thereof shall be made at par without any deduction for exchange or other cost, fees or expenses. The bank at which the 2013 Bonds shall at any time be payable shall be considered by acceptance of its duties under the Indenture to have agreed that it will make or cause to be made remittances of principal of and interest on the 2013 Bonds, out of the moneys provided for that purpose, in bankable funds at par without any deduction for exchange or other cost, fees or expenses. The University will pay to such bank or banks all reasonable charges made and expenses incurred by them in making such remittances in bankable funds at par.

Section 5. Authorization of Ninth Supplemental Indenture. The Board does hereby authorize and direct the Acting President of the University to execute and deliver, for and in the name and behalf of the University, to The Bank of New York Mellon Trust Company, N.A., as Trustee under the aforesaid Indenture, a Ninth Supplemental University Facilities Revenue Trust Indenture dated June 28, 2013, in substantially the form presented to the meeting at which this resolution is adopted and attached as Exhibit IV to the minutes of said meeting (which form is hereby adopted in all respects as if set out in full in this resolution), and does hereby authorize and direct the Secretary of the Board to affix to the Ninth Supplemental University Facilities Revenue Trust Indenture the corporate seal of the University and to attest the same. Without limiting the generality of the foregoing, in the event the Vice President determines not to elect to sell a particular series of 2013 Bonds, then all references to such series contained in the form of Ninth Supplemental University Facilities Revenue Trust Indenture shall be deleted prior to its execution.

Section 6. Sale of the 2013 Bonds. The Vice President is hereby authorized, in his sole discretion, to execute (i) a Bond Sale Commitment in the form attached as Exhibit I hereto, and upon the execution and delivery thereof by the Vice President the University shall be deemed to have agreed to sell to the person or entity identified therein the 2013-A Bond at and for a price equal to the face amount of such bond, (ii) a Bond Sale Commitment in the form

attached as Exhibit II hereto, and upon the execution and delivery thereof by the Vice President the University shall be deemed to have agreed to sell to the person or entity identified therein the 2013-B Bond at and for a price equal to the face amount of such bond, and (iii) a Bond Sale Commitment in the form attached as Exhibit III hereto, and upon the execution and delivery thereof by the Vice President the University shall be deemed to have agreed to sell to the person or entity identified therein the 2013-C Bond at and for a price equal to the face amount of such bond. With respect to each series of 2013 Bonds, such bond shall bear such date, shall mature in annual installments at such times and in such manner, shall bear such rate of interest, shall be payable at such place, shall be in such denomination, and shall be in such form and contain such provisions as are set out in the Ninth Supplemental University Facilities Revenue Trust Indenture authorized in Section 5 above.

Section 7. Execution and Delivery of the 2013 Bonds. The Board does hereby authorize the Acting President of the University to execute the 2013 Bonds, in the name and on behalf of the University, by causing a manual or facsimile of his signature to be imprinted thereon, and does hereby authorize the Secretary of the Board to cause the corporate seal of the University to be imprinted or impressed on each of the 2013 Bonds and to attest the same by causing a manual or facsimile of her signature to be imprinted thereon, all in the manner provided in the Indenture, and the Acting President of the University is hereby authorized to deliver the 2013 Bonds, subsequent to its execution as provided herein and in the Indenture, to the Trustee under the Indenture, and to direct the Trustee to authenticate the 2013 Bonds and to deliver them to the purchaser thereof.

Section 8. Application of Proceeds. (a) Should the Vice President determine, by and on behalf of the University, to sell the 2013-A Bond as herein provided, the entire proceeds derived from the sale thereof shall be paid to the University and applied as follows:

(i) the sum of \$1,424,268.65 shall be deposited into a special fund or account of the University, to be established at Compass Bank, and used to pay interest on the Series 2013-A Bond through and including February 1, 2015, and

(ii) the balance (\$30,575,731.35) shall be deposited into a special fund or account of the University, to be established at Compass Bank, and used to pay the costs of the 2013-A Improvements and the costs of bond counsel to the University, counsel to the University and HSF respecting the 501(c)(3) status of HSF, the financial advisor to the University, and the fees of the Trustee, in connection with the issuance of the Series 2013-A Bond.

(b) Should the Vice President determine, by and on behalf of the University, to sell the 2013-B Bond as herein provided, the entire proceeds derived from the sale thereof shall be paid to the University and applied as follows:

(i) the sum of \$356,067.16 shall be deposited into a special fund or account of the University, to be established at

Compass Bank, and used to pay interest on the Series 2013-B Bond through and including February 1, 2015, and

(ii) the balance (\$7,643,932.84) shall be deposited into a special fund or account of the University, to be established at Compass Bank, and used to pay a portion of the costs of the 2013-B/C Improvements and the costs of bond counsel to the University, the financial advisor to the University, and the fees of the Trustee, in connection with the issuance of the Series 2013-B Bond.

(c) Should the Vice President determine, by and on behalf of the University, to sell the 2013-C Bond as herein provided, the entire proceeds derived from the sale thereof shall be paid to the University and applied as follows:

(i) the sum of \$434,888.47 shall be deposited into a special fund or account of the University, to be established at Compass Bank, and used to pay interest on the Series 2013-C Bond through and including February 1, 2015, and

(ii) the balance (\$9,565,111.53) shall be deposited into a special fund or account of the University, to be established at Compass Bank, and used to pay a portion of the costs of the 2013-B/C Improvements and the costs of bond counsel to the University, the financial advisor to the University, and the fees of the Trustee, in connection with the issuance of the Series 2013-C Bond.

Section 9. Resolution Constitutes Contract. The provisions of this resolution shall constitute a contract between the University and the holders of the 2013 Bonds.

Section 10. Severability. The various provisions of this resolution are hereby declared to be severable. In the event any provision hereof shall be held invalid by a court of competent jurisdiction, such invalidity shall not affect any other portion of this resolution.

Section 11. General Authorization. The Acting President of the University, the Vice President and the Secretary of the Board are hereby authorized to execute such further agreements, certifications, instruments or other documents and to take such other action as any of them may deem appropriate or necessary for the consummation of the matters covered by this resolution, to the end that the 2013 Bonds may be executed and delivered as promptly as practicable.

EXHIBIT I

FORM OF BOND SALE COMMITMENT
2013-A BOND

BOND SALE COMMITMENT

\$32,000,000

University Facilities Revenue Capital Improvement Bond

Series 2013-A

Dated June 28, 2013

The undersigned, as Vice President for Financial Affairs for the University of South Alabama, hereby commits on behalf of the University to the sale and delivery by the University to Compass Mortgage Corporation of the University's \$32,000,000 University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013 (the "Bond"), in accordance with (i) the Bid Response Form submitted by Compass Mortgage Corporation, a copy of which is attached hereto, and (ii) the terms and conditions approved for the Bond as set forth in the Ninth Supplemental Indenture approved by the Board of Trustees on June 7, 2013.

SIGNED AND DELIVERED this _____ day of June, 2013.

UNIVERSITY OF SOUTH ALABAMA

By: _____
Vice President for Financial Affairs

EXHIBIT II

**FORM OF BOND SALE COMMITMENT
2013-B BOND**

BOND SALE COMMITMENT

\$8,000,000

University Facilities Revenue Capital Improvement Bond

Series 2013-B

Dated June 28, 2013

The undersigned, as Vice President for Financial Affairs for the University of South Alabama, hereby commits on behalf of the University to the sale and delivery by the University to Compass Mortgage Corporation of the University's \$8,000,000 University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013 (the "Bond"), in accordance with (i) the Bid Response Form submitted by Compass Mortgage Corporation, a copy of which is attached hereto, and (ii) the terms and conditions approved for the Bond as set forth in the Ninth Supplemental Indenture approved by the Board of Trustees on June 7, 2013.

SIGNED AND DELIVERED this _____ day of June, 2013.

UNIVERSITY OF SOUTH ALABAMA

By: _____
Vice President for Financial Affairs

EXHIBIT III

FORM OF BOND SALE COMMITMENT

2013-C BOND

BOND SALE COMMITMENT

\$10,000,000

University Facilities Revenue Capital Improvement Bond

Series 2013-C

Dated June 28, 2013

The undersigned, as Vice President for Financial Affairs for the University of South Alabama, hereby commits on behalf of the University to the sale and delivery by the University to Compass Mortgage Corporation of the University's \$10,000,000 University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013 (the "Bond"), in accordance with (i) the proposal submitted by Compass Mortgage Corporation, a copy of which is attached hereto, and (ii) the terms and conditions approved for the Bond as set forth in the Ninth Supplemental Indenture approved by the Board of Trustees on June 7, 2013.

SIGNED AND DELIVERED this _____ day of June, 2013.

UNIVERSITY OF SOUTH ALABAMA

By: _____
Vice President for Financial Affairs

EXHIBIT IV

**FORM OF NINTH SUPPLEMENTAL
UNIVERSITY FACILITIES REVENUE TRUST INDENTURE**

**NINTH SUPPLEMENTAL UNIVERSITY FACILITIES
REVENUE TRUST INDENTURE**

between

UNIVERSITY OF SOUTH ALABAMA

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

Dated June 28, 2013

NINTH SUPPLEMENTAL UNIVERSITY FACILITIES REVENUE TRUST INDENTURE between the **UNIVERSITY OF SOUTH ALABAMA**, a public body corporate under the laws of the State of Alabama (herein called the "University"), and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** (as successor Trustee to AmSouth Bank of Alabama and being herein called the "Trustee"), a national banking association in its capacity as Trustee under the Trust Indenture of the University dated as of February 15, 1996, as heretofore supplemented and amended (herein called the "Indenture")

RECITALS

The University makes the following findings as a basis for the undertakings herein contained:

(a) Pursuant to the provisions of the aforesaid Indenture (herein called the "Indenture"), the University has issued and sold its (i) \$31,680,000 original principal amount of University Tuition Revenue Refunding and Capital Improvement Bonds, Series 1996, dated February 15, 1996, which are no longer outstanding, (ii) \$7,055,000 University Tuition Revenue Refunding Bonds, Series 1996B, dated October 15, 1996, which are no longer outstanding, (iii) \$40,130,000.70 University Tuition Revenue Bonds, Series 1999, dated March 1, 1999 (the "Series 1999 Bonds"), (iv) \$51,080,000 Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004 (the "Series 2004 Bonds"), (v) \$100,000,000 University Tuition Refunding and Capital Improvement Bonds, Series 2006, dated December 1, 2006 (the "Series 2006 Bonds"), (vi) \$112,885,000 University Facilities Revenue Capital Improvement Bonds, Series 2008, dated September 1, 2008 (the "Series 2008 Bonds"); (vii) \$29,750,000 University Facilities Revenue Capital Improvement Bond, Series 2010, dated June 16, 2010 (the "Series 2010 Bond"), (viii) \$25,000,000 University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012 (the "Series 2012-A Bond"), and (ix) \$7,740,000 University Facilities Revenue Capital Improvement Bond, Series 2012-B, dated January 4, 2012 (the "Series 2012-B Bond").

(b) In Article VIII of the Indenture, the University has reserved the right to issue Additional Bonds, secured by a pledge of the Pledged Revenues on a parity with all Additional Bonds outstanding under the Indenture, including the Series 1999 Bonds, the Series 2004 Bonds, the Series 2006 Bonds, the Series 2008 Bonds, the Series 2010 Bond, the Series 2012-A Bond, and the Series 2012-B Bond (collectively, the Outstanding Bonds"), and with such Additional Bonds as shall hereafter be issued upon compliance with the applicable provisions of said Article VIII.

(c) The University has determined to obtain a loan from Compass Mortgage Corporation ("Purchaser") in the amount of \$32,000,000 for the purpose of providing funds to pay, among other things, (1) the costs of designing, developing, acquiring, equipping, installing and constructing a physicians' office

building and related capital improvements as part of the health care enterprise of the University and for primary use by the University of South Alabama Health Services Foundation ("HSF"), an Alabama nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "2013-A Improvements"), (2) capitalized interest through February 1, 2015, referable to the Series 2013-A Bond defined below, and (3) the costs of issuing the Series 2013-A Bond, and as evidence of the obligation of the University to repay such loan the University now desires to issue an Additional Bond in the principal amount of \$32,000,000.

(d) The University has determined to obtain a loan from Purchaser in the amount of \$8,000,000 for the purpose of providing funds to pay, among other things, (1) a portion of the costs of designing, developing, acquiring, equipping, installing and constructing capital improvements to the USA Children's and Women's Hospital, and various other capital improvements and equipment of the University (the "2013-B/C Improvements"), (2) capitalized interest through February 1, 2015, referable to the Series 2013-B Bond defined below, and (3) the costs of issuing the Series 2013-B Bond, and as evidence of the obligation of the University to repay such loan, the University now desires to issue an Additional Bond in the principal amount of \$8,000,000.

(e) The University has determined to obtain a loan from Purchaser in the amount of \$10,000,000 for the purpose of providing funds to pay, among other things, (1) a portion of the costs of designing, developing, acquiring, equipping, installing and constructing the 2013-B/C Improvements, (2) capitalized interest through February 1, 2015, referable to the Series 2013-C Bond defined below, and (3) the costs of issuing the Series 2013-C Bond, and as evidence of the obligation of the University to repay such loan, the University now desires to issue an Additional Bond in the principal amount of \$10,000,000.

(f) The University has duly adopted a resolution authorizing the issuance of such aforesaid Additional Bonds, and this Ninth Supplemental University Facilities Revenue Trust Indenture is being executed in order to specify the details with respect to such Additional Bonds.

(g) This Ninth Supplemental University Facilities Revenue Trust Indenture is being executed to provide for the issuance of the Series 2013-A Bond, the Series 2013-B Bond, and the Series 2013-C Bond as Additional Bonds under the Indenture.

Additional Definitions

The following definitions are in addition to those contained in the Indenture:

"Interest Payment Date" means, with respect to any Bond, each August 1 and February 1, commencing August 1, 2013.

"Purchaser" means Compass Mortgage Corporation, the purchaser of the Series 2013 Bonds.

"Series 2013 Bonds" means the Series 2013-A Bond, the Series 2013-B Bond, and the Series 2013-C Bond.

"Series 2013-A Bond" means the \$32,000,000 University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013, and sold to the Purchaser on June 7, 2013.

"Series 2013-B Bond" means the \$8,000,000 University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013, and sold to the Purchaser on [June 26, 2013].

"Series 2013-C Bond" means the \$10,000,000 University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013, and sold to the Purchaser on [June 26, 2013].

"2013-A Improvements" shall have the meaning given to such term in the recitals hereof.

"2013-B/C Improvements" shall have the meaning given to such term in the recitals hereof.

**NOW, THEREFORE, THIS NINTH SUPPLEMENTAL UNIVERSITY FACILITIES
REVENUE TRUST INDENTURE**

WITNESSETH:

It is hereby agreed among the University, the Trustee and its successors in trust under the Indenture and the holder at any time of the Series 2013-A Bond, Series 2013-B Bond, and Series 2013-C Bond hereinafter referred to and the Outstanding Bonds each with each of the others, as follows:

**ARTICLE I
SERIES 2013-A BOND**

Section 1.1 Description of the Series 2013-A Bond. (a) **Authorization and General Description.** There is hereby authorized to be issued and delivered by the University under the Indenture one University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013, in the principal amount of \$32,000,000. Principal installments of the Series 2013-A Bond shall mature and become payable on August 1 in the years and amounts shown below, and interest shall be payable on August 1, 2013, and on each Interest Payment Date thereafter, at the per annum rate equal to 2.830%, computed on a 360 day year of 12 consecutive 30-day months, all as set forth in the following amortization schedule:

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
08/01/2013			83,013.33	83,013.33	83,013.33
02/01/2014			452,800.00	452,800.00	
08/01/2014	1,211,638.50	2.830%	452,800.00	1,664,438.50	2,117,238.50
02/01/2015			435,655.32	435,655.32	
08/01/2015	1,245,927.90	2.830%	435,655.32	1,681,583.22	2,117,238.54
02/01/2016			418,025.44	418,025.44	
08/01/2016	1,281,187.60	2.830%	418,025.44	1,699,213.04	2,117,238.48
02/01/2017			399,896.63	399,896.63	
08/01/2017	1,317,445.30	2.830%	399,896.63	1,717,341.93	2,117,238.56
02/01/2018			381,254.78	381,254.78	
08/01/2018	1,354,729.00	2.830%	381,254.78	1,735,983.78	2,117,238.56
02/01/2019			362,085.36	362,085.36	
08/01/2019	1,393,067.80	2.830%	362,085.36	1,755,153.16	2,117,238.52
02/01/2020			342,373.46	342,373.46	
08/01/2020	1,432,491.60	2.830%	342,373.46	1,774,865.06	2,117,238.52
02/01/2021			322,103.70	322,103.70	
08/01/2021	1,473,031.10	2.830%	322,103.70	1,795,134.80	2,117,238.50
02/01/2022			301,260.31	301,260.31	
08/01/2022	1,514,717.90	2.830%	301,260.31	1,815,978.21	2,117,238.52
02/01/2023			279,827.05	279,827.05	
08/01/2023	1,557,584.40	2.830%	279,827.05	1,837,411.45	2,117,238.50
02/01/2024			257,787.23	257,787.23	
08/01/2024	1,601,664.00	2.830%	257,787.23	1,859,451.23	2,117,238.46
02/01/2025			235,123.69	235,123.69	
08/01/2025	1,646,991.10	2.830%	235,123.69	1,882,114.79	2,117,238.48
02/01/2026			211,818.76	211,818.76	
08/01/2026	1,693,601.00	2.830%	211,818.76	1,905,419.76	2,117,238.52
02/01/2027			187,854.31	187,854.31	
08/01/2027	1,741,529.90	2.830%	187,854.31	1,929,384.21	2,117,238.52
02/01/2028			163,211.66	163,211.66	
08/01/2028	1,790,815.20	2.830%	163,211.66	1,954,026.86	2,117,238.52
02/01/2029			137,871.62	137,871.62	
08/01/2029	1,841,495.30	2.830%	137,871.62	1,979,366.92	2,117,238.54
02/01/2030			111,814.47	111,814.47	
08/01/2030	1,893,609.60	2.830%	111,814.47	2,005,424.07	2,117,238.54
02/01/2031			85,019.89	85,019.89	
08/01/2031	1,947,198.70	2.830%	85,019.89	2,032,218.59	2,117,238.48
02/01/2032			57,467.03	57,467.03	
08/01/2032	2,002,304.40	2.830%	57,467.03	2,059,771.43	2,117,238.46
02/01/2033			29,134.42	29,134.42	
08/01/2033	2,058,969.70	2.830%	29,134.42	2,088,104.12	2,117,238.54
TOTAL	32,000,000.00		10,427,783.59	42,427,783.59	42,427,783.59

In the event of a discrepancy between the computation of interest on the Series 2013-A Bond as described above and the amortization schedule set forth above, the payments due under the amortization schedule shall control.

(b) **Interest Payment Dates.** In the event an Interest Payment Date is not a Business Day, the principal or interest due on such date shall be payable on the then next succeeding Business Day.

Section 1.2 Optional Redemption. The University shall have the right to redeem and retire the Series 2013-A Bond, in whole or in part (but, if in part, in multiples of \$5,000 with those installments of principal to be redeemed to be selected by the University at its discretion)

without penalty or premium on June 1, 2023, and on any date thereafter, upon not less than 10 days' prior written notice to the Purchaser (with a copy to the Trustee), at and for a price equal to 100% of the principal of the Series 2013-A Bond to be redeemed plus accrued interest to the date set for redemption.

Section 1.3 Method of Payment. Principal installments of the Series 2013-A Bond shall be payable when due at the designated corporate trust office of the Trustee in the City of Birmingham, Alabama. Interest on the Series 2013-A Bond shall be payable by check or draft mailed or otherwise delivered by the Trustee to the Purchaser at its addresses as it appears on the registry books of the Trustee pertaining to the registration of the Series 2013-A Bond; provided, that the final payment of such principal and interest that is due on August 1, 2033, shall be made only upon surrender of the Series 2013-A Bond to the Trustee. All installments of principal of and interest on the Series 2013-A Bond shall bear interest after the respective maturities of such principal and interest until paid or until moneys sufficient for payment thereof shall have been deposited for that purpose with the Trustee, whichever first occurs, at the rate of interest borne by the Series 2013-A Bond.

Section 1.4 Form of Series 2013-A Bond. The Series 2013-A Bond and the Trustee's Authentication Certificate shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

THIS SERIES 2013-A BOND MAY BE TRANSFERRED ONLY TO AN "ACCREDITED INVESTOR" AS DEFINED IN THE SECURITIES AND EXCHANGE ACT OF 1933 AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER AND ONLY UPON COMPLIANCE WITH APPLICABLE STATE AND FEDERAL SECURITIES LAWS AND WITH THE INDENTURE REFERRED TO HEREIN.

UNITED STATES OF AMERICA

STATE OF ALABAMA

UNIVERSITY OF SOUTH ALABAMA

**University Facilities Revenue Capital Improvement Bond
Series 2013-A**

For value received, the **UNIVERSITY OF SOUTH ALABAMA**, a public body corporate under the laws of the State of Alabama (herein called the "University"), will pay, solely from the sources hereinafter referred to, to **COMPASS MORTGAGE CORPORATION** (the "Purchaser"), the principal sum of **THIRTY-TWO MILLION DOLLARS (\$32,000,000)**, in annual installments at the times, in the amounts and as set forth below.

The principal hereof shall mature and become payable in annual installments on August 1 in the years and amounts shown below, and interest shall be payable on August 1, 2013, and on each February 1 and August 1 thereafter (each, an Interest Payment Date") (provided, however, that the final payment of the principal hereof and interest hereon due on

August 1, 2033, shall be made only upon the surrender of this bond at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., in the City of Birmingham, Alabama, or its successor as trustee under the Indenture), at the per annum rate equal to 2.830%, computed on a 360 day year of 12 consecutive 30-day months, all as set forth in the following amortization schedule:

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
08/01/2013			83,013.33	83,013.33	83,013.33
02/01/2014			452,800.00	452,800.00	
08/01/2014	1,211,638.50	2.830%	452,800.00	1,664,438.50	2,117,238.50
02/01/2015			435,655.32	435,655.32	
08/01/2015	1,245,927.90	2.830%	435,655.32	1,681,583.22	2,117,238.54
02/01/2016			418,025.44	418,025.44	
08/01/2016	1,281,187.60	2.830%	418,025.44	1,699,213.04	2,117,238.48
02/01/2017			399,896.63	399,896.63	
08/01/2017	1,317,445.30	2.830%	399,896.63	1,717,341.93	2,117,238.56
02/01/2018			381,254.78	381,254.78	
08/01/2018	1,354,729.00	2.830%	381,254.78	1,735,983.78	2,117,238.56
02/01/2019			362,085.36	362,085.36	
08/01/2019	1,393,067.80	2.830%	362,085.36	1,755,153.16	2,117,238.52
02/01/2020			342,373.46	342,373.46	
08/01/2020	1,432,491.60	2.830%	342,373.46	1,774,865.06	2,117,238.52
02/01/2021			322,103.70	322,103.70	
08/01/2021	1,473,031.10	2.830%	322,103.70	1,795,134.80	2,117,238.50
02/01/2022			301,260.31	301,260.31	
08/01/2022	1,514,717.90	2.830%	301,260.31	1,815,978.21	2,117,238.52
02/01/2023			279,827.05	279,827.05	
08/01/2023	1,557,584.40	2.830%	279,827.05	1,837,411.45	2,117,238.50
02/01/2024			257,787.23	257,787.23	
08/01/2024	1,601,664.00	2.830%	257,787.23	1,859,451.23	2,117,238.46
02/01/2025			235,123.69	235,123.69	
08/01/2025	1,646,991.10	2.830%	235,123.69	1,882,114.79	2,117,238.48
02/01/2026			211,818.76	211,818.76	
08/01/2026	1,693,601.00	2.830%	211,818.76	1,905,419.76	2,117,238.52
02/01/2027			187,854.31	187,854.31	
08/01/2027	1,741,529.90	2.830%	187,854.31	1,929,384.21	2,117,238.52
02/01/2028			163,211.66	163,211.66	
08/01/2028	1,790,815.20	2.830%	163,211.66	1,954,026.86	2,117,238.52
02/01/2029			137,871.62	137,871.62	
08/01/2029	1,841,495.30	2.830%	137,871.62	1,979,366.92	2,117,238.54
02/01/2030			111,814.47	111,814.47	
08/01/2030	1,893,609.60	2.830%	111,814.47	2,005,424.07	2,117,238.54
02/01/2031			85,019.89	85,019.89	
08/01/2031	1,947,198.70	2.830%	85,019.89	2,032,218.59	2,117,238.48
02/01/2032			57,467.03	57,467.03	
08/01/2032	2,002,304.40	2.830%	57,467.03	2,059,771.43	2,117,238.46
02/01/2033			29,134.42	29,134.42	
08/01/2033	2,058,969.70	2.830%	29,134.42	2,088,104.12	2,117,238.54
TOTAL	32,000,000.00		10,427,783.59	42,427,783.59	42,427,783.59

In the event of a discrepancy between the computation of interest as described above and this amortization schedule, the payments due under this amortization schedule shall control.

Principal and interest on this bond are payable by check or draft mailed by the Trustee to the Purchaser on the applicable Interest Payment Date and at the address of the

Purchaser shown on the registry books of the Trustee pertaining to this bond as of the close of business on the July 15 or January 15, as the case may be, next preceding the date of payment of such principal or interest; provided, if an Interest Payment Date is not a Business Day (as defined in the Indenture), the interest or principal due on such date shall be payable on the next succeeding Business Day.

Principal and interest payments that are due with respect to this bond and that are made by check or draft shall be deemed timely made if such check or draft is mailed by the Trustee on or before the due date of such principal or interest. Both the principal of and the interest on this bond shall bear interest after their respective maturities until paid or until moneys sufficient for payment thereof have been deposited with the Trustee at the per annum rate stated above. The Indenture provides that all payments by the University or the Trustee to the Purchaser at the address for the Purchaser shown on the registry books of the Trustee shall to the extent thereof fully discharge and satisfy all liability for the same. Any permitted transferee of this bond takes it subject to all payments of principal and interest in fact made with respect hereto.

This bond is herein entitled "University Facilities Revenue Capital Improvement Bond, Series 2013-A" and has been issued under a University Facilities Revenue Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended and as further supplemented and amended by a Ninth Supplemental University Facilities Revenue Trust Indenture dated June 28, 2013 (the said Trust Indenture, as so supplemented and amended, being herein called the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A. (herein called the "Trustee"). The principal of and the interest on this bond are payable solely out of and are secured by a lien upon and pledge of (a) certain fees from students levied by the University, (b) the gross revenues derived from certain auxiliary enterprises services furnished by the University, including, food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University, and (c) an amount not exceeding \$10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's and Women's Hospital (herein called the "Pledged Revenues"), and shall not be payable from any other funds or revenues, on a parity of lien with (1) the University's (a) \$40,130,000.70 original principal amount University Tuition Revenue Bonds, Series 1999, dated March 1, 1999, (b) \$51,080,000 original principal amount Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004, (c) \$100,000,000 original principal amount University Tuition Refunding and Capital Improvement Bonds, Series 2006, dated December 1, 2006, (d) \$112,885,000 original principal amount University Facilities Revenue Capital Improvement Bonds, Series 2008, dated September 1, 2008, (e) \$29,750,000 University Facilities Revenue Capital Improvement Bond, Series 2010, dated June 16, 2010, (f) \$25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012, (g) \$7,740,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-B, dated January 4, 2012, (h) \$8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, to be dated June 28, 2013, which the University will issue and deliver on the date on which this bond is issued and delivered, and (i) \$10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, to be dated June 28, 2013, which the

University will issue and deliver on the date on which this bond is issued and delivered; and (2) any Additional Bonds hereafter issued pursuant to Article VIII of the Indenture.

Reference is hereby made to the Indenture for a description of the nature and extent of the security afforded thereby, the rights and duties of the University and the Trustee with respect thereto, the rights of the Purchaser of this bond and the terms and conditions on which additional series of bonds may be issued on a parity of lien with this bond. The Indenture provides, inter alia, (a) that in the event of default by the University in the manner and for the time therein provided, the Trustee may declare the principal of and the interest accrued on this bond immediately due and payable, whereupon the same shall thereupon become immediately due and payable and the Trustee shall be entitled to pursue the remedies provided in the Indenture, (b) that the holder of this bond shall have no right to enforce the provisions of the Indenture except as provided therein and then only for the equal and pro rata benefit of the holders of all the Bonds, and (c) that if this bond shall not be presented for payment when due (whether by maturity or otherwise) and if funds sufficient for such payment shall have been made available to the Trustee therefore, all liability of the University to the holder of such bond and all rights of such holder against the University under such bond or under the Indenture shall cease and terminate and that the sole right of such holder shall thereafter be against the said funds so made available, which the Trustee is required to set aside and hold, subject to any applicable escheat or other similar law, for the benefit of such holder. The Indenture also provides that the University and the Trustee, with the written consent of the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding under the Indenture, may at any time and from time to time amend the Indenture or any indenture supplemental thereto, provided that no such amendment shall (1) without the consent of the holder of each Bond affected, reduce the principal of, the rate of interest on any Bond, or (2) without the consent of the holders of all the Bonds then outstanding under the Indenture, extend the maturity of any installment of principal or interest on any of the Bonds, make any change in the schedule of required sinking fund or other similar payments with respect to any series of the Bonds, create a lien or charge on the Pledged Revenues ranking prior to or (except in connection with the issuance of additional parity bonds under the Indenture) on a parity with the lien or charge thereon contained in the Indenture, effect a preference or priority of any Bond over any other Bond or reduce the aggregate principal amount of Bonds the holders of which are required to consent to any such amendment.

The principal of this bond shall be subject to redemption and payment by the University, at the option of the University, as a whole or in part without penalty or premium, on June 1, 2023, and on any date thereafter (but, if in part, in multiples of \$5,000 with those installments of principal to be redeemed to be selected by the University at its discretion), upon not less than 10 days' prior written notice to the Purchaser (with a copy to the Trustee), at and for a redemption price equal to 100% of the principal hereof to be redeemed plus accrued interest to the date fixed for redemption.

This bond is not a general obligation of the University, and the covenants and representations herein contained or contained in the Indenture do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the University. This bond is not an obligation or debt of the State of Alabama nor are the faith and credit of said state pledged for payment thereof, and neither the principal of nor interest on this bond is payable out of any moneys provided for or appropriated to the University by the State of Alabama.

It is hereby certified that all conditions, actions and things required by the Constitution and laws of Alabama to exist, be performed and happen precedent to or in the issuance of this bond do exist, have been performed and have happened in due and legal form.

The Trustee shall not be required so to transfer or exchange this bond during the period of fifteen days next preceding any interest payment date with respect thereto.

Execution by the Trustee of its authentication certificate hereon is essential to the validity hereof and is conclusive of the due issue hereof under the Indenture.

IN WITNESS WHEREOF, the University has caused this bond to be executed in its name and behalf with the signature of its Acting President, has caused a facsimile of its corporate seal to be hereunto imprinted, has caused this bond to be attested by the signature of the Secretary of its Board of Trustees, and has caused this bond to be dated June 28, 2013.

UNIVERSITY OF SOUTH ALABAMA

By: _____
Acting President
University of South Alabama

[S E A L]

Attest:

Secretary of the
Board of Trustees

Form of Trustee's Authentication Certificate

Date of Authentication and Registration:

The within bond is one of those described in the within-mentioned Trust Indenture.

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
Trustee**

By: _____
Its Authorized Officer

Section 1.5 Execution and Delivery of the Series 2013-A Bond. The Series 2013-A Bond shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the University by its President or Acting President, as the case may be, requesting such authentication and delivery and designating the person or persons to receive the same or any part thereof.

Section 1.6 Application of Proceeds from the Sale of the Series 2013-A Bond. The entire proceeds from the sale of the Series 2013-A Bond shall be applied as follows:

(i) the sum of \$1,424,268.65 shall be deposited into a special fund or account of the University and used to pay interest on the Series 2013-A Bond through and including February 1, 2015, and

(ii) the balance (\$30,575,731.35) shall be deposited into a special fund or account of the University and used to pay the costs of the 2013-A Improvements and the costs of bond counsel to the University, counsel to the University and HSF respecting the 501(c)(3) status of HSF, the financial advisor to the University, and the fees of the Trustee, in connection with the issuance of the Series 2013-A Bond.

ARTICLE II SERIES 2013-B BOND

Section 2.1 Description of the Series 2013-B Bond. (a) **Authorization and General Description.** There is hereby authorized to be issued and delivered by the University under the Indenture one University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013, in the principal amount of \$8,000,000. Principal installments of the Series 2013-B Bond shall mature and become payable on August 1 in the years and amounts shown below, and interest shall be payable on August 1, 2013, and on each Interest Payment Date thereafter, at the per annum rate equal to 2.830%, computed on a 360 day year of 12 consecutive 30-day months, all as set forth in the following amortization schedule:

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
08/01/2013			20,753.33	20,753.33	20,753.33
02/01/2014			113,200.00	113,200.00	
08/01/2014	302,909.60	2.830%	113,200.00	416,109.60	529,309.60
02/01/2015			108,913.83	108,913.83	
08/01/2015	311,482.00	2.830%	108,913.83	420,395.83	529,309.66
02/01/2016			104,506.36	104,506.36	
08/01/2016	320,296.90	2.830%	104,506.36	424,803.26	529,309.62
02/01/2017			99,974.16	99,974.16	
08/01/2017	329,361.30	2.830%	99,974.16	429,335.46	529,309.62
02/01/2018			95,313.70	95,313.70	
08/01/2018	338,682.20	2.830%	95,313.70	433,995.90	529,309.60
02/01/2019			90,521.34	90,521.34	

08/01/2019	348,266.90	2.830%	90,521.34	438,788.24	529,309.58
02/01/2020			85,593.37	85,593.37	
08/01/2020	358,122.90	2.830%	85,593.37	443,716.27	529,309.64
02/01/2021			80,525.93	80,525.93	
08/01/2021	368,257.80	2.830%	80,525.93	448,783.73	529,309.66
02/01/2022			75,315.08	75,315.08	
08/01/2022	378,679.50	2.830%	75,315.08	453,994.58	529,309.66
02/01/2023			69,956.76	69,956.76	
08/01/2023	389,396.10	2.830%	69,956.76	459,352.86	529,309.62
02/01/2024			64,446.81	64,446.81	
08/01/2024	400,416.00	2.830%	64,446.81	464,862.81	529,309.62
02/01/2025			58,780.92	58,780.92	
08/01/2025	411,747.80	2.830%	58,780.92	470,528.72	529,309.64
02/01/2026			52,954.69	52,954.69	
08/01/2026	423,400.30	2.830%	52,954.69	476,354.99	529,309.68
02/01/2027			46,963.58	46,963.58	
08/01/2027	435,382.50	2.830%	46,963.58	482,346.08	529,309.66
02/01/2028			40,802.91	40,802.91	
08/01/2028	447,703.80	2.830%	40,802.91	488,506.71	529,309.62
02/01/2029			34,467.91	34,467.91	
08/01/2029	460,373.80	2.830%	34,467.91	494,841.71	529,309.62
02/01/2030			27,953.62	27,953.62	
08/01/2030	473,402.40	2.830%	27,953.62	501,356.02	529,309.64
02/01/2031			21,254.97	21,254.97	
08/01/2031	486,799.70	2.830%	21,254.97	508,054.67	529,309.64
02/01/2032			14,366.76	14,366.76	
08/01/2032	500,576.10	2.830%	14,366.76	514,942.86	529,309.62
02/01/2033			7,283.60	7,283.60	
08/01/2033	514,742.40	2.830%	7,283.60	522,026.00	529,309.60
TOTAL	8,000,000.00		2,606,945.93	10,606,945.93	10,606,945.93

In the event of a discrepancy between the computation of interest on the Series 2013-B Bond as described above and the amortization schedule set forth above, the payments due under the amortization schedule shall control.

(b) **Interest Payment Dates.** In the event an Interest Payment Date is not a Business Day, the principal or interest due on such date shall be payable on the then next succeeding Business Day.

Section 2.2 Optional Redemption. The University shall have the right to redeem and retire the Series 2013-B Bond, in whole or in part (but, if in part, in multiples of \$5,000 with those installments of principal to be redeemed to be selected by the University at its discretion), on June 1, 2023, and on any date thereafter, upon not less than 10 days' prior written notice to the Purchaser (with a copy to the Trustee), at and for a redemption price equal to 100% of the principal hereof to be redeemed plus accrued interest to the date set for redemption.

Section 2.3 Method of Payment. Principal installments of the Series 2013-B Bond shall be payable when due at the designated corporate trust office of the Trustee in the City of Birmingham, Alabama. Interest on the Series 2013-B Bond shall be payable by check or draft mailed or otherwise delivered by the Trustee to the Purchaser at its addresses as it appears on the registry books of the Trustee pertaining to the registration of the Series 2013-B Bond; provided, that the final payment of such principal and interest that is due on August 1, 2033, shall be made only upon surrender of the Series 2013-B Bond to the Trustee. All installments of principal of

and interest on the Series 2013-B Bond shall bear interest after the respective maturities of such principal and interest until paid or until moneys sufficient for payment thereof shall have been deposited for that purpose with the Trustee, whichever first occurs, at the rate of interest borne by the Series 2013-B Bond.

Section 2.4 Form of Series 2013-B Bond. The Series 2013-B Bond and the Trustee's Authentication Certificate shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

THIS SERIES 2013-B BOND MAY BE TRANSFERRED ONLY TO AN "ACCREDITED INVESTOR" AS DEFINED IN THE SECURITIES AND EXCHANGE ACT OF 1933 AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER AND ONLY UPON COMPLIANCE WITH APPLICABLE STATE AND FEDERAL SECURITIES LAWS AND WITH THE INDENTURE REFERRED TO HEREIN.

UNITED STATES OF AMERICA

STATE OF ALABAMA

UNIVERSITY OF SOUTH ALABAMA

**University Facilities Revenue Capital Improvement Bond
Series 2013-B**

For value received, the **UNIVERSITY OF SOUTH ALABAMA**, a public body corporate under the laws of the State of Alabama (herein called the "University"), will pay, solely from the sources hereinafter referred to, to **COMPASS MORTGAGE CORPORATION** (the "Purchaser"), the principal sum of **EIGHT MILLION DOLLARS (\$8,000,000)**, in annual installments at the times, in the amounts and as set forth below.

The principal hereof shall mature and become payable in annual installments on August 1 in the years and amounts shown below, and interest shall be payable on August 1, 2013, and on each February 1 and August 1 thereafter (each, an "Interest Payment Date") (provided, however, that the final payment of the principal hereof and interest hereon due on August 1, 2033, shall be made only upon the surrender of this bond at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., in the City of Birmingham, Alabama, or its successor as trustee under the Indenture), at the per annum rate equal to 2.830%, computed on a 360 day year of 12 consecutive 30-day months, all as set forth in the following amortization schedule:

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
08/01/2013			20,753.33	20,753.33	20,753.33
02/01/2014			113,200.00	113,200.00	
08/01/2014	302,909.60	2.830%	113,200.00	416,109.60	529,309.60
02/01/2015			108,913.83	108,913.83	
08/01/2015	311,482.00	2.830%	108,913.83	420,395.83	529,309.66

02/01/2016			104,506.36	104,506.36	
08/01/2016	320,296.90	2.830%	104,506.36	424,803.26	529,309.62
02/01/2017			99,974.16	99,974.16	
08/01/2017	329,361.30	2.830%	99,974.16	429,335.46	529,309.62
02/01/2018			95,313.70	95,313.70	
08/01/2018	338,682.20	2.830%	95,313.70	433,995.90	529,309.60
02/01/2019			90,521.34	90,521.34	
08/01/2019	348,266.90	2.830%	90,521.34	438,788.24	529,309.58
02/01/2020			85,593.37	85,593.37	
08/01/2020	358,122.90	2.830%	85,593.37	443,716.27	529,309.64
02/01/2021			80,525.93	80,525.93	
08/01/2021	368,257.80	2.830%	80,525.93	448,783.73	529,309.66
02/01/2022			75,315.08	75,315.08	
08/01/2022	378,679.50	2.830%	75,315.08	453,994.58	529,309.66
02/01/2023			69,956.76	69,956.76	
08/01/2023	389,396.10	2.830%	69,956.76	459,352.86	529,309.62
02/01/2024			64,446.81	64,446.81	
08/01/2024	400,416.00	2.830%	64,446.81	464,862.81	529,309.62
02/01/2025			58,780.92	58,780.92	
08/01/2025	411,747.80	2.830%	58,780.92	470,528.72	529,309.64
02/01/2026			52,954.69	52,954.69	
08/01/2026	423,400.30	2.830%	52,954.69	476,354.99	529,309.68
02/01/2027			46,963.58	46,963.58	
08/01/2027	435,382.50	2.830%	46,963.58	482,346.08	529,309.66
02/01/2028			40,802.91	40,802.91	
08/01/2028	447,703.80	2.830%	40,802.91	488,506.71	529,309.62
02/01/2029			34,467.91	34,467.91	
08/01/2029	460,373.80	2.830%	34,467.91	494,841.71	529,309.62
02/01/2030			27,953.62	27,953.62	
08/01/2030	473,402.40	2.830%	27,953.62	501,356.02	529,309.64
02/01/2031			21,254.97	21,254.97	
08/01/2031	486,799.70	2.830%	21,254.97	508,054.67	529,309.64
02/01/2032			14,366.76	14,366.76	
08/01/2032	500,576.10	2.830%	14,366.76	514,942.86	529,309.62
02/01/2033			7,283.60	7,283.60	
08/01/2033	514,742.40	2.830%	7,283.60	522,026.00	529,309.60
TOTAL	8,000,000.00		2,606,945.93	10,606,945.93	10,606,945.93

In the event of a discrepancy between the computation of interest as described above and this amortization schedule, the payments due under this amortization schedule shall control.

Principal and interest on this bond are payable by check or draft mailed by the Trustee to the Purchaser on the applicable Interest Payment Date and at the address of the Purchaser shown on the registry books of the Trustee pertaining to this bond as of the close of business on the July 15 or January 15, as the case may be, next preceding the date of payment of such principal or interest; provided, if an Interest Payment Date is not a Business Day (as defined in the Indenture), the interest or principal due on such date shall be payable on the next succeeding Business Day.

Principal and interest payments that are due with respect to this bond and that are made by check or draft shall be deemed timely made if such check or draft is mailed by the Trustee on or before the due date of such principal or interest. Both the principal of and the interest on this bond shall bear interest after their respective maturities until paid or until moneys sufficient for payment thereof have been deposited with the Trustee at the per annum rate stated above. The Indenture provides that all payments by the University or the Trustee to the

Purchaser at the address for the Purchaser shown on the registry books of the Trustee shall to the extent thereof fully discharge and satisfy all liability for the same. Any permitted transferee of this bond takes it subject to all payments of principal and interest in fact made with respect hereto.

This bond is herein entitled "University Facilities Revenue Capital Improvement Bond, Series 2013-B" and has been issued under a University Facilities Revenue Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended and as further supplemented and amended by a Ninth Supplemental University Facilities Revenue Trust Indenture dated June 28, 2013 (the said Trust Indenture, as so supplemented and amended, being herein called the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A. (herein called the "Trustee"). The principal of and the interest on this bond are payable solely out of and are secured by a lien upon and pledge of (a) certain fees from students levied by the University, (b) the gross revenues derived from certain auxiliary enterprises services furnished by the University, including, food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University, and (c) an amount not exceeding \$10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's and Women's Hospital (herein called the "Pledged Revenues"), and shall not be payable from any other funds or revenues, on a parity of lien with (1) the University's (a) \$40,130,000.70 original principal amount University Tuition Revenue Bonds, Series 1999, dated March 1, 1999, (b) \$51,080,000 original principal amount Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004, (c) \$100,000,000 original principal amount University Tuition Refunding and Capital Improvement Bonds, Series 2006, dated December 1, 2006, (d) \$112,885,000 original principal amount University Facilities Revenue Capital Improvement Bonds, Series 2008, dated September 1, 2008, (e) \$29,750,000 University Facilities Revenue Capital Improvement Bond, Series 2010, dated June 16, 2010, (f) \$25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012, (g) \$7,740,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-B, dated January 4, 2012, (h) \$32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, to be dated June 28, 2013, and (i) \$10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, to be dated June 28, 2013, which the University will issue and deliver on the date on which this bond is issued and delivered; and (2) any Additional Bonds hereafter issued pursuant to Article VIII of the Indenture.

Reference is hereby made to the Indenture for a description of the nature and extent of the security afforded thereby, the rights and duties of the University and the Trustee with respect thereto, the rights of the Purchaser of this bond and the terms and conditions on which additional series of bonds may be issued on a parity of lien with this bond. The Indenture provides, inter alia, (a) that in the event of default by the University in the manner and for the time therein provided, the Trustee may declare the principal of and the interest accrued on this bond immediately due and payable, whereupon the same shall thereupon become immediately due and payable and the Trustee shall be entitled to pursue the remedies provided in the Indenture, (b) that the holder of this bond shall have no right to enforce the provisions of the Indenture except as provided therein and then only for the equal and pro rata benefit of the holders of all the Bonds, and (c) that if this bond shall not be presented for payment when due

(whether by maturity or otherwise) and if funds sufficient for such payment shall have been made available to the Trustee therefore, all liability of the University to the holder of such bond and all rights of such holder against the University under such bond or under the Indenture shall cease and terminate and that the sole right of such holder shall thereafter be against the said funds so made available, which the Trustee is required to set aside and hold, subject to any applicable escheat or other similar law, for the benefit of such holder. The Indenture also provides that the University and the Trustee, with the written consent of the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding under the Indenture, may at any time and from time to time amend the Indenture or any indenture supplemental thereto, provided that no such amendment shall (1) without the consent of the holder of each Bond affected, reduce the principal of, the rate of interest on any Bond, or (2) without the consent of the holders of all the Bonds then outstanding under the Indenture, extend the maturity of any installment of principal or interest on any of the Bonds, make any change in the schedule of required sinking fund or other similar payments with respect to any series of the Bonds, create a lien or charge on the Pledged Revenues ranking prior to or (except in connection with the issuance of additional parity bonds under the Indenture) on a parity with the lien or charge thereon contained in the Indenture, effect a preference or priority of any Bond over any other Bond or reduce the aggregate principal amount of Bonds the holders of which are required to consent to any such amendment.

The principal of this bond shall be subject to redemption and payment by the University, at the option of the University, as a whole or in part, on June 1, 2023, and on any date thereafter (but, if in part, in multiples of \$5,000 with those installments of principal to be redeemed to be selected by the University at its discretion), upon not less than 10 days' prior written notice to the Purchaser (with a copy to the Trustee), at and for a redemption price equal to 100% of the principal hereof to be redeemed plus accrued interest to the date fixed for redemption.

This bond is not a general obligation of the University, and the covenants and representations herein contained or contained in the Indenture do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the University. This bond is not an obligation or debt of the State of Alabama nor are the faith and credit of said state pledged for payment thereof, and neither the principal of nor interest on this bond is payable out of any moneys provided for or appropriated to the University by the State of Alabama.

It is hereby certified that all conditions, actions and things required by the Constitution and laws of Alabama to exist, be performed and happen precedent to or in the issuance of this bond do exist, have been performed and have happened in due and legal form.

The Trustee shall not be required so to transfer or exchange this bond during the period of fifteen days next preceding any interest payment date with respect thereto.

Execution by the Trustee of its authentication certificate hereon is essential to the validity hereof and is conclusive of the due issue hereof under the Indenture.

IN WITNESS WHEREOF, the University has caused this bond to be executed in its name and behalf with the signature of its Acting President, has caused a facsimile of its

corporate seal to be hereunto imprinted, has caused this bond to be attested by the signature of the Secretary of its Board of Trustees, and has caused this bond to be dated June 28, 2013.

UNIVERSITY OF SOUTH ALABAMA

By: _____
Acting President
University of South Alabama

[SEAL]

Attest:

Secretary of the
Board of Trustees

Form of Trustee's Authentication Certificate

Date of Authentication and Registration:

The within bond is one of those described in the within-mentioned Trust Indenture.

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,**
Trustee

By: _____
Its Authorized Officer

Section 2.5 Execution and Delivery of the Series 2013-B Bond. The Series 2013-B Bond shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the University by its President or Acting President, as the case may be, requesting such authentication and delivery and designating the person or persons to receive the same or any part thereof.

Section 2.6 Application of Proceeds from the Sale of the Series 2013-B Bond. The entire proceeds from the sale of the Series 2013-B Bond shall be applied as follows:

(i) the sum of \$356,067.16 shall be deposited into a special fund or account of the University and used to pay interest on the Series 2013-B Bond through and including February 1, 2015, and

(ii) the balance (\$7,643,932.84) shall be deposited into a special fund or account of the University and used to pay a portion of the costs of the 2013-B/C Improvements and the costs of bond counsel to the University, the financial advisor to the University, and the fees of the Trustee, in connection with the issuance of the Series 2013-B Bond.

ARTICLE III SERIES 2013-C BOND

Section 3.1 Description of the Series 2013-C Bond. (a) Authorization and General Description. There is hereby authorized to be issued and delivered by the University under the Indenture one University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013, in the principal amount of \$10,000,000. Principal installments of the Series 2013-C Bond shall mature and become payable on August 1 in the years and amounts shown below, and interest shall be payable on August 1, 2013, and on each Interest Payment Date thereafter, at the per annum rate equal to 2.780%, computed on a 360 day year of 12 consecutive 30-day months, all as set forth in the following amortization schedule:

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
08/01/2013			\$25,483.33	\$25,483.33	\$25,483.33
02/01/2014			139,000.00	139,000.00	
08/01/2014	\$546,392.90	2.780%	139,000.00	685,392.90	824,392.90
02/01/2015			131,405.14	131,405.14	
08/01/2015	561,582.60	2.780%	131,405.14	692,987.74	824,392.88
02/01/2016			123,599.14	123,599.14	
08/01/2016	577,194.60	2.780%	123,599.14	700,793.74	824,392.88
02/01/2017			115,576.14	115,576.14	
08/01/2017	593,240.60	2.780%	115,576.14	708,816.74	824,392.88
02/01/2018			107,330.09	107,330.09	
08/01/2018	609,732.70	2.780%	107,330.09	717,062.79	824,392.88
02/01/2019			98,854.81	98,854.81	
08/01/2019	626,683.30	2.780%	98,854.81	725,538.11	824,392.92

02/01/2020			90,143.91	90,143.91	
08/01/2020	644,105.10	2.780%	90,143.91	734,249.01	824,392.92
02/01/2021			81,190.85	81,190.85	
08/01/2021	662,011.20	2.780%	81,190.85	743,202.05	824,392.90
02/01/2022			71,988.89	71,988.89	
08/01/2022	680,415.10	2.780%	71,988.89	752,403.99	824,392.88
02/01/2023			62,531.12	62,531.12	
08/01/2023	699,330.60	2.780%	62,531.12	761,861.72	824,392.84
02/01/2024			52,810.43	52,810.43	
08/01/2024	718,772.00	2.780%	52,810.43	771,582.43	824,392.86
02/01/2025			42,819.50	42,819.50	
08/01/2025	738,753.90	2.780%	42,819.50	781,573.40	824,392.90
02/01/2026			32,550.82	32,550.82	
08/01/2026	759,291.20	2.780%	32,550.82	791,842.02	824,392.84
02/01/2027			21,996.67	21,996.67	
08/01/2027	780,399.50	2.780%	21,996.67	802,396.17	824,392.84
02/01/2028			11,149.12	11,149.12	
08/01/2028	802,094.70	2.780%	11,149.12	813,243.82	824,392.94
10,000,000.00			2,391,376.59	12,391,376.59	12,391,376.59

In the event of a discrepancy between the computation of interest on the Series 2013-C Bond as described above and the amortization schedule set forth above, the payments due under the amortization schedule shall control.

(b) **Interest Payment Dates.** In the event an Interest Payment Date is not a Business Day, the principal or interest due on such date shall be payable on the then next succeeding Business Day.

Section 3.2 Optional Redemption. The University shall have the right to redeem and retire the Series 2013-C Bond, in whole or in part (but, if in part, in multiples of \$5,000 with those installments of principal to be redeemed to be selected by the University at its discretion), on June 1, 2023, and on any date thereafter, upon not less than 10 days' prior written notice to the Purchaser (with a copy to the Trustee), at and for a redemption price equal to 100% of the principal hereof to be redeemed plus accrued interest to the date set for redemption.

Section 3.3 Method of Payment. Principal installments of the Series 2013-C Bond shall be payable when due at the designated corporate trust office of the Trustee in the City of Birmingham, Alabama. Interest on the Series 2013-C Bond shall be payable by check or draft mailed or otherwise delivered by the Trustee to the Purchaser at its addresses as it appears on the registry books of the Trustee pertaining to the registration of the Series 2013-C Bond; provided, that the final payment of such principal and interest that is due on August 1, 2033, shall be made only upon surrender of the Series 2013-C Bond to the Trustee. All installments of principal of and interest on the Series 2013-C Bond shall bear interest after the respective maturities of such principal and interest until paid or until moneys sufficient for payment thereof shall have been deposited for that purpose with the Trustee, whichever first occurs, at the rate of interest borne by the Series 2013-C Bond.

Section 3.4 Form of Series 2013-C Bond. The Series 2013-C Bond and the Trustee's Authentication Certificate shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

THIS SERIES 2013-C BOND MAY BE TRANSFERRED ONLY TO AN "ACCREDITED INVESTOR" AS DEFINED IN THE SECURITIES AND EXCHANGE ACT OF 1933 AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER AND ONLY UPON COMPLIANCE WITH APPLICABLE STATE AND FEDERAL SECURITIES LAWS AND WITH THE INDENTURE REFERRED TO HEREIN.

UNITED STATES OF AMERICA

STATE OF ALABAMA

UNIVERSITY OF SOUTH ALABAMA

**University Facilities Revenue Capital Improvement Bond
Series 2013-C**

For value received, the **UNIVERSITY OF SOUTH ALABAMA**, a public body corporate under the laws of the State of Alabama (herein called the "University"), will pay, solely from the sources hereinafter referred to, to **COMPASS MORTGAGE CORPORATION** (the "Purchaser"), the principal sum of **TEN MILLION DOLLARS (\$10,000,000)**, in annual installments at the times, in the amounts and as set forth below.

The principal hereof shall mature and become payable in annual installments on August 1 in the years and amounts shown below, and interest shall be payable on August 1, 2013, and on each February 1 and August 1 thereafter (each, a "Interest Payment Date") (provided, however, that the final payment of the principal hereof and interest hereon due on August 1, 2028, shall be made only upon the surrender of this bond at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., in the City of Birmingham, Alabama, or its successor as trustee under the Indenture), at the per annum rate equal to 2.780%, computed on a 360 day year of 12 consecutive 30-day months, all as set forth in the following amortization schedule:

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
08/01/2013			\$25,483.33	\$25,483.33	\$25,483.33
02/01/2014			139,000.00	139,000.00	
08/01/2014	\$546,392.90	2.780%	139,000.00	685,392.90	824,392.90
02/01/2015			131,405.14	131,405.14	
08/01/2015	561,582.60	2.780%	131,405.14	692,987.74	824,392.88
02/01/2016			123,599.14	123,599.14	
08/01/2016	577,194.60	2.780%	123,599.14	700,793.74	824,392.88
02/01/2017			115,576.14	115,576.14	
08/01/2017	593,240.60	2.780%	115,576.14	708,816.74	824,392.88
02/01/2018			107,330.09	107,330.09	
08/01/2018	609,732.70	2.780%	107,330.09	717,062.79	824,392.88

02/01/2019			98,854.81	98,854.81	
08/01/2019	626,683.30	2.780%	98,854.81	725,538.11	824,392.92
02/01/2020			90,143.91	90,143.91	
08/01/2020	644,105.10	2.780%	90,143.91	734,249.01	824,392.92
02/01/2021			81,190.85	81,190.85	
08/01/2021	662,011.20	2.780%	81,190.85	743,202.05	824,392.90
02/01/2022			71,988.89	71,988.89	
08/01/2022	680,415.10	2.780%	71,988.89	752,403.99	824,392.88
02/01/2023			62,531.12	62,531.12	
08/01/2023	699,330.60	2.780%	62,531.12	761,861.72	824,392.84
02/01/2024			52,810.43	52,810.43	
08/01/2024	718,772.00	2.780%	52,810.43	771,582.43	824,392.86
02/01/2025			42,819.50	42,819.50	
08/01/2025	738,753.90	2.780%	42,819.50	781,573.40	824,392.90
02/01/2026			32,550.82	32,550.82	
08/01/2026	759,291.20	2.780%	32,550.82	791,842.02	824,392.84
02/01/2027			21,996.67	21,996.67	
08/01/2027	780,399.50	2.780%	21,996.67	802,396.17	824,392.84
02/01/2028			11,149.12	11,149.12	
08/01/2028	802,094.70	2.780%	11,149.12	813,243.82	824,392.94
10,000,000.00			2,391,376.59	12,391,376.59	12,391,376.59

In the event of a discrepancy between the computation of interest as described above and this amortization schedule, the payments due under this amortization schedule shall control.

Principal and interest on this bond are payable by check or draft mailed by the Trustee to the Purchaser on the applicable Interest Payment Date and at the address of the Purchaser shown on the registry books of the Trustee pertaining to this bond as of the close of business on the July 15 or January 15, as the case may be, next preceding the date of payment of such principal or interest; provided, if an Interest Payment Date is not a Business Day (as defined in the Indenture), the interest or principal due on such date shall be payable on the next succeeding Business Day.

Principal and interest payments that are due with respect to this bond and that are made by check or draft shall be deemed timely made if such check or draft is mailed by the Trustee on or before the due date of such principal or interest. Both the principal of and the interest on this bond shall bear interest after their respective maturities until paid or until moneys sufficient for payment thereof have been deposited with the Trustee at the per annum rate stated above. The Indenture provides that all payments by the University or the Trustee to the Purchaser at the address for the Purchaser shown on the registry books of the Trustee shall to the extent thereof fully discharge and satisfy all liability for the same. Any permitted transferee of this bond takes it subject to all payments of principal and interest in fact made with respect hereto.

This bond is herein entitled "University Facilities Revenue Capital Improvement Bond, Series 2013-C" and has been issued under a University Facilities Revenue Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended and as further supplemented and amended by a Ninth Supplemental University Facilities Revenue Trust Indenture dated June 28, 2013 (the said Trust Indenture, as so supplemented and amended, being herein called the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A. (herein called the "Trustee"). The principal of and the interest on this bond are

payable solely out of and are secured by a lien upon and pledge of (a) certain fees from students levied by the University, (b) the gross revenues derived from certain auxiliary enterprises services furnished by the University, including, food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University, and (c) an amount not exceeding \$10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's and Women's Hospital (herein called the "Pledged Revenues"), and shall not be payable from any other funds or revenues, on a parity of lien with (1) the University's (a) \$40,130,000.70 original principal amount University Tuition Revenue Bonds, Series 1999, dated March 1, 1999, (b) \$51,080,000 original principal amount Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004, (c) \$100,000,000 original principal amount University Tuition Refunding and Capital Improvement Bonds, Series 2006, dated December 1, 2006, (d) \$112,885,000 original principal amount University Facilities Revenue Capital Improvement Bonds, Series 2008, dated September 1, 2008, (e) \$29,750,000 University Facilities Revenue Capital Improvement Bond, Series 2010, dated June 16, 2010, (f) \$25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012, (g) \$7,740,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-B, dated January 4, 2012, (h) \$32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, to be dated June 28, 2013, and (i) \$8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, to be dated June 28, 2013, which the University will issue and deliver on the date on which this bond is issued and delivered; and (2) any Additional Bonds hereafter issued pursuant to Article VIII of the Indenture.

Reference is hereby made to the Indenture for a description of the nature and extent of the security afforded thereby, the rights and duties of the University and the Trustee with respect thereto, the rights of the Purchaser of this bond and the terms and conditions on which additional series of bonds may be issued on a parity of lien with this bond. The Indenture provides, inter alia, (a) that in the event of default by the University in the manner and for the time therein provided, the Trustee may declare the principal of and the interest accrued on this bond immediately due and payable, whereupon the same shall thereupon become immediately due and payable and the Trustee shall be entitled to pursue the remedies provided in the Indenture, (b) that the holder of this bond shall have no right to enforce the provisions of the Indenture except as provided therein and then only for the equal and pro rata benefit of the holders of all the Bonds, and (c) that if this bond shall not be presented for payment when due (whether by maturity or otherwise) and if funds sufficient for such payment shall have been made available to the Trustee therefore, all liability of the University to the holder of such bond and all rights of such holder against the University under such bond or under the Indenture shall cease and terminate and that the sole right of such holder shall thereafter be against the said funds so made available, which the Trustee is required to set aside and hold, subject to any applicable escheat or other similar law, for the benefit of such holder. The Indenture also provides that the University and the Trustee, with the written consent of the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding under the Indenture, may at any time and from time to time amend the Indenture or any indenture supplemental thereto, provided that no such amendment shall (1) without the consent of the holder of each Bond affected, reduce the principal of, the rate of interest on any Bond, or (2) without the consent of the holders of all the Bonds then outstanding under the Indenture, extend the maturity

of any installment of principal or interest on any of the Bonds, make any change in the schedule of required sinking fund or other similar payments with respect to any series of the Bonds, create a lien or charge on the Pledged Revenues ranking prior to or (except in connection with the issuance of additional parity bonds under the Indenture) on a parity with the lien or charge thereon contained in the Indenture, effect a preference or priority of any Bond over any other Bond or reduce the aggregate principal amount of Bonds the holders of which are required to consent to any such amendment.

The principal of this bond shall be subject to redemption and payment by the University, at the option of the University, as a whole or in part, on June 1, 2023, and on any date thereafter (but, if in part, in multiples of \$5,000 with those installments of principal to be redeemed to be selected by the University at its discretion), upon not less than 10 days' prior written notice to the Purchaser (with a copy to the Trustee), at and for a redemption price equal to 100% of the principal hereof to be redeemed plus accrued interest to the date fixed for redemption.

This bond is not a general obligation of the University, and the covenants and representations herein contained or contained in the Indenture do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the University. This bond is not an obligation or debt of the State of Alabama nor are the faith and credit of said state pledged for payment thereof, and neither the principal of nor interest on this bond is payable out of any moneys provided for or appropriated to the University by the State of Alabama.

It is hereby certified that all conditions, actions and things required by the Constitution and laws of Alabama to exist, be performed and happen precedent to or in the issuance of this bond do exist, have been performed and have happened in due and legal form.

The Trustee shall not be required so to transfer or exchange this bond during the period of fifteen days next preceding any interest payment date with respect thereto.

Execution by the Trustee of its authentication certificate hereon is essential to the validity hereof and is conclusive of the due issue hereof under the Indenture.

IN WITNESS WHEREOF, the University has caused this bond to be executed in its name and behalf with the signature of its Acting President, has caused a facsimile of its corporate seal to be hereunto imprinted, has caused this bond to be attested by the signature of the Secretary of its Board of Trustees, and has caused this bond to be dated June 28, 2013.

UNIVERSITY OF SOUTH ALABAMA

By: _____

Acting President
University of South Alabama

[SEAL]

Attest:

Secretary of the
Board of Trustees

Form of Trustee's Authentication Certificate

Date of Authentication and Registration:

The within bond is one of those described in the within-mentioned Trust Indenture.

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
Trustee**

By: _____
Its Authorized Officer

Section 3.5 Execution and Delivery of the Series 2013-C Bond. The Series 2013-C Bond shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the University by its President or Acting President, as the case may be, requesting such authentication and delivery and designating the person or persons to receive the same or any part thereof.

Section 3.6 Application of Proceeds from the Sale of the Series 2013-C Bond. The entire proceeds from the sale of the Series 2013-C Bond shall be applied as follows:

(i) the sum of \$434,888.47 shall be deposited into a special fund or account of the University and used to pay interest on the Series 2013-C Bond through and including February 1, 2015, and

(ii) the balance (\$9,565,111.53) shall be deposited into a special fund or account of the University and used to pay a portion of the costs of the 2013-B/C Improvements and the costs of bond counsel to the University, the financial advisor to the University, and the fees of the Trustee, in connection with the issuance of the Series 2013-C Bond.

ARTICLE IV CONCERNING THE CODE

Section 4.1 Concerning the Code. (a) General. The University recognizes that the Code imposes certain conditions to the exemption from federal income taxation of interest income on the Series 2013 Bonds. Accordingly, the University agrees that it will continually comply with all requirements imposed by the Code as a condition to the exemption from federal income taxation of the interest income on the Series 2013 Bonds. With respect to any question arising under this Section 4.1, the University may rely upon an opinion of nationally recognized bond counsel acceptable to it.

(b) Series 2013-A Bond not to fail to be a "Qualified 501(c)(3) Bond". The University will not apply the proceeds of the Series 2013-A Bond or permit any use of the 2013-A Improvements in any manner that would cause the Series 2013-A Bond to fail to be a "qualified 501(c)(3) bond" within the meaning of Section 145(a) of the Code, unless the University has delivered to the holder of the Series 2013-A Bond an opinion of bond counsel to the University to the effect that such application will not cause interest on the Series 2013-A Bond to become included in gross income of the recipient thereof for federal or State of Alabama income tax purposes.

(c) Series 2013-B Bond and Series 2013-C Bond not to be "Private Activity Bonds". The University will not apply the proceeds of the Series 2013-B Bond and the Series 2013-C Bond in any manner that would cause the Series 2013-B Bond or the Series 2013-C Bond to be a "private activity bond" within the meaning of Section 141(a) of the Code.

(d) Concerning the Arbitrage Provisions of the Code. The University agrees that it will comply with all provisions of the Code necessary to preclude each series of the Series 2013 Bonds being considered an "arbitrage bond" within the meaning of Section 148 of the Code.

(e) Provisions Respecting Registration of Series 2013 Bonds to Comply with Provisions of Code. The University and the Trustee recognize that the provisions of the Code require that each of the Series 2013 Bonds be in "registered form" and that, in general, each of the Series 2013 Bonds must be registered as to both principal and interest and any transfer of the Series 2013 Bonds, or any of them, must be effected only by the surrender of the old bond and either by the reissuance of the old bond to a new Holder or the issuance of a new bond of the same series to a new Holder. The Trustee may conclusively rely upon an opinion of nationally recognized bond counsel with respect to any question which may arise pertaining to the transfer, exchange or reissuance of the Series 2013 Bonds, or any of them.

ARTICLE V CONCERNING PLEDGED REVENUES; CONFIRMATION OF INDENTURE, AS SUPPLEMENTED; OTHER

Section 5.1 Confirmation of Indenture. All the terms, covenants and conditions of the Indenture, as supplemented hereby, are hereby in all respects ratified and confirmed, and the Indenture as so supplemented shall continue in full force and effect. In addition, each of the Trustee and the University confirms that the Trustee shall have no duties, express or implied, respecting the proceeds of the Series 2013 Bonds during any time when the Trustee is not the depository of such amounts or respecting any other construction funds established under the Indenture for which the Trustee is not the depository.

Section 5.2 Confirmation of Pledges. The provisions of the Indenture, wherein the Pledged Revenues are pledged for payment of all Bonds issued under the Indenture, are hereby ratified and confirmed.

Section 5.3 Construction of Ninth Supplemental University Facilities Revenue Trust Indenture. No provisions of this Ninth Supplemental University Facilities Revenue Trust Indenture shall be construed to limit or restrict, either expressly or impliedly, the obligations of the University contained in the Indenture or the powers of the Trustee thereunder, nor shall the provisions of this Ninth Supplemental University Facilities Revenue Trust Indenture be construed in any manner inconsistent with the provisions of the Indenture or in any manner that would adversely affect the interest of the Purchaser as holder of the Series 2013 Bonds.

Section 5.4 Authorized Denominations. Each of the Series 2013 Bonds may have principal maturities in denominations of any amount.

Section 5.5 Special Covenants In Favor of Purchaser. (a) So long as any of the 2013 Bonds remain outstanding, the University shall provide the Purchaser the following:

(i) Audited financial statements of the University within 150 days following the close of each fiscal year of the University, commencing with the fiscal year ending September 30, 2013;

(ii) quarterly financial statements of the University within 90 days following the close of each fiscal quarter of the University, commencing with the fiscal quarter ending June 30, 2013; and

(iii) the annual budget for the University by October 31 of each year, commencing October 31, 2013.

(b) The special funds and accounts of the University described in Section 1.6, Section 2.6, and Section 3.6 hereof shall be established and held with the Purchaser.

Section 5.6 Severability. In the event that any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

IN WITNESS WHEREOF, the University has caused this Ninth Supplemental University Facilities Revenue Trust Indenture to be executed in its name and behalf by the Acting President of the University, has caused its corporate seal to be hereunto affixed, and has caused this Ninth Supplemental University Facilities Revenue Trust Indenture to be attested by the Secretary of its Board of Trustees, and the Trustee has caused this Ninth Supplemental University Facilities Revenue Trust Indenture to be executed in its name and behalf, has caused its corporate seal to be hereunto affixed and has caused this Ninth Supplemental University Facilities Revenue Trust Indenture to be attested, all by its duly authorized officers, and the University and the Trustee have caused this Ninth Supplemental University Facilities Revenue Trust Indenture to be so executed in several counterparts, each of which shall be deemed an original, and have caused this Ninth Supplemental University Facilities Revenue Trust Indenture to be dated June 28, 2013.

UNIVERSITY OF SOUTH ALABAMA

By: _____
Acting President

[S E A L]

Attest:

Secretary of the Board of Trustees

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.**

By: _____

Its: _____

[S E A L]

Attest:

Its: _____

STATE OF ALABAMA

COUNTY OF MOBILE

I, _____, a Notary Public in and for said county in said state, hereby certify that Dr. John W. Smith, whose name as the Acting President of the **UNIVERSITY OF SOUTH ALABAMA**, a public body corporate under the laws of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said public corporation.

GIVEN under my hand and official seal of office, this 28th day of June, 2013.

Notary Public

[NOTARIAL SEAL]

STATE OF ALABAMA)
 :
COUNTY OF MOBILE)

I, _____, a Notary Public in and for said county in said state, hereby certify that Stuart Statham, whose name as Vice President of **THE BANK OF NEW YORK MELLON TRUST COMPANY, N. A.**, in its capacity as Trustee under that certain Trust Indenture dated as of February 15, 1996, between it and the University of South Alabama, as supplemented, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, as such officer and with full authority, executed the same voluntarily for and as the act of said bank, in its capacity as trustee as aforesaid.

GIVEN under my hand and official seal of office, this 28th day of June, 2013.

Notary Public

[NOTARIAL SEAL]

Report on the

University of South Alabama

Mobile, Alabama

October 1, 2008 through September 30, 2011

Filed: May 31, 2013



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Examiners of Public Accounts
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Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

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Honorable Ronald L. Jones
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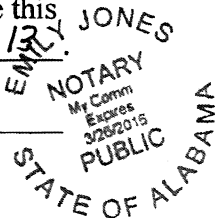
Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, I submit this report on the results of the examination of the University of South Alabama, Mobile, Alabama, for the period October 1, 2008 through September 30, 2011.

Sworn to and subscribed before me this
the 10 day of May, 2012.

Hilario O. Lim

Notary Public



Respectfully submitted,

Hilario O. Lim

Hilario O. Lim
Examiner of Public Accounts

rb

Table of Contents

	<i>Page</i>
Summary	A
Contains items pertaining to state compliance, University operations and other matters.	
Comments	D
Contains information pertaining to the history of the University.	
Schedule of State Compliance and Other Findings	E
Contains detailed information about findings pertaining to state legal compliance and other findings.	
<u>Additional Information</u>	1
Exhibit #1 Board Members and Officials – a listing of the University board members and officials.	2



Department of
Examiners of Public Accounts

SUMMARY

**University of South Alabama
October 1, 2008 through September 30, 2011**

The University of South Alabama (the "University") is a public institution of higher learning and awards baccalaureate, masters, doctor of philosophy and doctor of medicine degrees. The University offers studies in ten colleges: Allied Health Professions, Arts and Sciences, Business, Education, Engineering, Medicine, Nursing, Computer and Information Sciences, Continuing Education and Special Programs, and Graduate School. A joint pharmacy program between the University and Auburn University has also been established. The University owns and operates the University of South Alabama Medical Center, University of South Alabama Children's and Women's Hospital, and University of South Alabama Mitchell Cancer Institute. Additional information on the history of the University is included in the Comments section of this report.

The Coastal Recovery Commission

On June 11, 2010, BP Exploration and Production, Inc. (BP) and the State entered into an agreement whereby BP provided \$25 million to assist in paying costs incurred related to the oil spill. The agreement mentioned anticipated uses, but gave the designated agency full discretion to determine the appropriate use of the payment. The agreement included a requirement that the funds would be disbursed in a manner that complied with state laws and regulations. On September 21, 2010, the Alabama Emergency Management Agency (AEMA) and the University entered into an agreement whereby the University would function as the fiscal and contracting agent of the Coastal Recovery Commission (CRC). This agreement would end on June 30, 2011. Under this agreement the AEMA would transfer \$1,000,000.00 to the University to be used for services performed after the date of the agreement. The vendors were to be chosen by the CRC. On September 27, 2010, the Governor issued Executive Order #52 to create the CRC. On October 18, 2010, the University entered into an agreement with the CRC to function as fiscal and contracting agent for the CRC. According to the agreement all expenditures were to be approved by the Executive Director of the CRC and the University. The CRC was governed by an executive committee composed of a Chairman and ten members appointed by the Governor. There would also be advisory members nominated by the executive committee and appointed by the Governor (the Commission).

The CRC was to analyze the impacts of the spill and develop and organize recommendations, projects and programs for the restoration of public health, the economy and environment and issue a Resiliency Plan. The Resiliency Plan was to be provided to the Governor by December 15, 2010. On January 12, 2011, the Governor authorized the CRC to utilize the remaining funds to implement recommendations in the Resiliency Plan and authorized the transfer of the remaining funds to a private foundation. The CRC expended \$621,185.18 through August 2011 and the University refunded the remaining \$378,814.82 to the AEMA. The following is a summary of the expenditures incurred.

Description	Amount
<u>Professional Service Contracts</u>	
Administrative Staff	\$247,089.96
Writers	64,465.69
Public Relations Team	149,957.17
Digital Production Services	91,870.00
Press Conference Consultant	12,000.00
Total Professional Services	565,382.82
<u>Other Goods and Services</u>	
Meeting Venues	3,530.50
Meeting Meals/Refreshments	7,345.05
Meeting Equipment Rental	29,925.00
Printing	10,048.75
Miscellaneous	4,953.06
Total Other	55,802.36
Total Expenditures	\$621,185.18

The firm of KPMG, LLP conducted the financial audit of the University for the fiscal years ended September 30, 2009, 2010 and 2011.

This report presents the results of an examination of the University and a review of compliance by the University with applicable laws and regulations of the State of Alabama in accordance with the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5-14.

There were no findings in the prior audit.

Findings relating to the University and the CRC are numbered and reported by the fiscal year in which the finding originally occurred.

The following instances of noncompliance with state laws and regulations and other matters was found during the audit as shown on the Schedule of State Compliance and Other Findings and is summarized below.

CURRENT FINDINGS – University of South Alabama

- ◆ 2011-01 Construction project changes authorized by the University do not appear to comply with the *Code of Alabama 1975*, Section 39-2-2.
- ◆ 2011-02 Controls were not adequate to ensure compliance with the Alabama Open Meetings Act.

CURRENT FINDINGS – Coastal Recovery Commission

- ◆ 2011-03 Purchase orders were not obtained prior to purchasing goods and services as required by University policy. In two instances equipment was rented without letting bids as required by the *Code of Alabama 1975*, Section 41-16-20.
- ◆ 2011-04 Contracts exceeding \$5,000.00 were executed with sixteen vendors without obtaining disclosures as required by Act 2001-955.

A review by an employee of the USA Children's and Women's Hospital gift shop disclosed some cash discrepancies involving a former employee. The University internal auditors conducted an investigation of this matter and other activities of a former employee. In a report issued on June 20, 2011 the internal auditors identified \$31,736.90 in missing funds, improper use of the Universities sales tax exemption, and a fictitious \$600.00 invoice. Without admitting any liability for any or all of the \$31,736.90 the former employee agreed to pay the University the \$31,736.90 according to a prescribed schedule. As of the date of this report the \$31,736.90 had been paid to the University.

The following officials/employees were invited to an exit conference to discuss the findings and recommendations appearing in the report: V. Gordon Moulton, President; M. Wayne Davis, Vice-President for Financial Affairs; Scott Weldon, Assistant Vice-President for Financial Affairs. The following individuals attended the exit conference: M. Wayne Davis, Vice-President for Financial Affairs; Scott Weldon, Assistant Vice-President for Financial Affairs; Steve Simmons, Associate Vice-President for Financial Affairs; Kelly Peters, Controller; and Ben Tipton, Associate Controller. Representing the Department of Examiners of Public Accounts were Hal Bradsher, Audit Manager; and Hilario Lim, Examiner-in-Charge.



Department of
Examiners of Public Accounts

COMMENTS

**University of South Alabama
October 1, 2008 through September 30, 2011**

The University of South Alabama (the "University") was created in May 1963 by act of the Alabama Legislature. The Board of Trustees held their first meeting in October 1963. In April 1964 the University moved from 154 St. Louis Street to its present location at 307 University Boulevard. The first classes began June 1964. In 1968 the University was admitted membership in the Southern Association of Colleges and Schools. The University established a medical school in 1969, which was supported by the Alabama Legislature. Mobile General Hospital was transferred to the University in 1970 and was later renamed University of South Alabama Medical Center. The University's first doctoral program was established in 1978. The University of South Alabama Children's and Women's Hospital was established in 1983. The University established a branch in Baldwin County in 1984. Relocation of the Providence Hospital in 1987 led to the acquisition of the former Providence Hospital, now known as the University of South Alabama Springhill Avenue Campus. The University acquired Doctors Hospital and Knollwood Park Hospital in 1990. The former Doctors Hospital currently houses the University of South Alabama Children's and Women's Hospital. In 2002, the University of South Alabama Cancer Research Institute was established. In 2005, the University and Infirmity Health System announced a strategic health care alliance to enhance health care in the region and provide innovative cancer treatment and research through the University of South Alabama Cancer Research Institute. As part of this alliance the University agreed to acquire 6.7 acres from Infirmity Health System as a site for a new Cancer Research facility. In 2006, the University of South Alabama Cancer Research Institute became the University of South Alabama Mitchell Cancer Institute and in late fiscal year 2008, the Institute moved into a new facility on the property formerly owned by the Infirmity Health System and contiguous with the Mobile Infirmity and University of South Alabama Children's and Women's Hospital. In 2006, the Infirmity Health System leased the former Knollwood Park Hospital from the University.

*Schedule of State Compliance
and Other Findings*

Schedule of State Compliance and Other Findings

For the Year Ended September 30, 2011

FINDINGS – UNIVERSITY OF SOUTH ALABAMA

Ref. No.	Finding/Noncompliance
2011-01	<u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 39-2-2, requires awarding authorities to advertise for sealed bids before entering into any contract for a public works involving an amount in excess of fifty thousand dollars (\$50,000). Public Works contracts are sometimes adjusted during the course of construction due to unforeseen circumstances not contemplated by the owner when bid specifications were prepared. These adjustments are referred to as change orders. The Attorney General, in Opinion 79-313, set out the types of change orders to be allowed on public works projects as follows: 1. Minor changes for a total monetary value less than required for competitive bidding; 2. Changes for matters relatively minor and incidental to the original contract necessitated by unforeseeable circumstances arising during the course of the work; 3. Emergencies arising during the course of the work on the contract; 4. Changes or alternates provided for in the original bidding where there is no difference in the price of the change order from the original best bid on the alternate; 5. Changes of relatively minor items not contemplated when the plans and specifications were prepared and the project was bid which are in the public interest and which do not exceed 10% of the contract price. The opinion also required that a signed statement from the architect be attached to each change order containing the following: 1. A statement of what the change order covers and who instituted the change order and why it is necessary or desired; 2. There must be a statement stating the reasons for using the change order method rather than competitive bids; 3. There must be a statement that all prices have been reviewed and found reasonable, fair and equitable and recommending approval of the same; 4. The local owner shall either endorse the architects statement and recommendations or submit a separate statement covering the foregoing items. The Alabama Building Commission has developed forms to be used to process project changes. These forms require the Owner and Architect to supply information needed to fulfill the requirements of Attorney General Opinion 1979-313 that lists the guidelines relating to Change Orders.

Schedule of State Compliance and Other Findings

For the Year Ended September 30, 2011

Ref. No.	Finding/Noncompliance
	<u>Finding Continued:</u> Bid specifications for the Engineering and Computer Science Building required contractors to include \$400,000 in their bids to cover unforeseen conditions or minor changes that are necessary to correct or supplement the work as detailed in the contract documents as an Owners Contingency. Contractors were also required to include \$550,000 for a proposed fountain based on an estimate of the cost. According to the specifications, the \$400,000 would be removed from the contract with a deductive change order if not used to cover contract changes. The Engineering and Computer Science Building project was awarded to a General Contractor for \$28,854,000 which included the \$400,000 and the \$550,000. The contract allowed the Subcontractors and General Contractor to add 10% and 15%, respectively, to costs relating to any project change orders to cover overhead and profit. The building was dedicated in September 2012. As of December 17, 2012, the last payment to the contractor was based on a billing for the period ended December 31, 2011, at which time: ✓ six Change Orders had been processed, adding a net total of \$3,728,940 (13%) to the original \$28,854,000 contract, bringing the total to \$32,582,940; ✓ a balance of \$1,970,323.36 remained to be paid; ✓ \$384,156.13 of the \$400,000 allowance had been awarded to the General Contractor to cover project changes; ✓ and, \$522,500 of the \$550,000 Fountain Allowance had been awarded to the General Contractor without taking competitive bids in accordance with the <i>Code of Alabama 1975</i>, Section 39-2-2. Our examination included a review of five project changes totaling \$144,851 that were charged to the \$400,000 allowance and included in the \$384,156.13 above. One of the changes, in the amount of \$40,662, was for the installation of drainage and waterproofing on elevator shafts. The architect would not approve the proposal as submitted due to the fact that a portion of the amount requested was to cover work already included in the original contract specifications. The documentation for two of the changes totaling \$39,855 did not include any certifications from the architect. Two of the changes initiated by the owner, totaling \$64,334, included architect certifications relating to the cost. It was noted that the 15% addition for the General Contractors overhead and profit was not added to costs funded by the allowance. Funding of the three changes from the allowance without a statement from the architect that all prices have been reviewed and found reasonable, fair and equitable did not appear to comply with the guidance issued in Attorney General Opinion 1979-313.

Schedule of State Compliance and Other Findings

For the Year Ended September 30, 2011

Ref. No.	Finding/Noncompliance
	<u>Finding Continued:</u> Change Order number five resulted in cumulative changes that exceeded the 10% recommendation mentioned in Attorney General Opinion 1979-313. Attached to this change order was a letter from the University's Program Manager to the University's Legal Counsel. According to this letter, owner scope changes incorporated into Change Orders added at least 9% to the contract at this point. Numerous Change Order Proposals (COPs) are processed relating to items of concern that arise during a construction project. Periodically approved COPs are included in a single Change Order. Our examination of COPs revealed the following: COP #13b was the addition of \$212,992 for an 18 foot space frame sphere to hang in the atrium of the building. The sphere was not in the specifications when the project was bid. Although an Illinois company installed the sphere, the \$212,992 included \$27,782 (15%) for overhead and profit of the General Contractor. COP #10 was the addition of \$159,934 for enhanced computer lab casework. The additional cost consisted of \$186,491 charged by the casework supplier, \$20,861 (15%) for overhead and profit of the General Contractor, and a \$47,418 reduction for elimination of the casework in the original specifications. COP #82 was the addition of \$58,471 for eight reception desks. The additional cost consisted of \$50,844 charged by the furniture supplier and \$7,627 (15%) for overhead and profit of the General Contractor. Since there was no deduction for work relating to reception desks, it appears the reception desks were not included in the contract specifications. It was determined the laboratory casework and furniture supplied for COP #10 and COP #82 was provided by the supplier at the state contract price which calls for installation by the supplier. In a statement stating the reasons for using the change order method rather than competitive bids relating to these COPs, the architect stated "tradesmen not already on the job will be reluctant to undertake the work, and to do so only for premium profit". However, it appears tradesmen not already on the job installed the materials in the three COPs mentioned above. This appears to be contradictory to the architect's certification. Another Change Order included 9 COPs relating to achievement of Leadership in Energy and Environmental Design (LEED) certification totaling \$453,231. This total included \$409,268 in cost and \$43,963.00 for overhead and profit for the General Contractor. LEED certified buildings are more energy efficient and environmentally friendly. The certification can provide up to a \$1.80 per square foot tax deduction for the designing architect. Although the attainment of LEED certification in this and previously constructed buildings was discussed in a Board meeting on March 13, 2009, none of these changes were incorporated in the specifications when the project was bid and awarded in September 2009.

Schedule of State Compliance and Other Findings

For the Year Ended September 30, 2011

Ref. No.	Finding/Noncompliance
	<u>Finding Continued:</u> It appears all these changes were foreseeable or contemplated prior to the bid of the project. Approval of these changes may not comply with the types of changes to be allowed on public works projects mentioned in Attorney General Opinion 1979-313. According to the Architect, COP# 54 and 83 were processed to install zone valves and repair existing hydronic piping. The work included the installation of valves, location of leaks, and replacement of pipes. The total cost added for this work was \$224,656 which included \$22,960 for overhead and profit of the General Contractor. The architect deferred approval of the costs associated with these COPs to the owner. According to Attorney General Opinion 1979-313, there must be a statement that all prices have been reviewed and found reasonable, fair and equitable and recommending approval of the same by the architect. Since there was no such statement by the architect, the addition of the \$224,656 change may not comply with procedures outlined by the Attorney General. <u>Recommendation:</u> The University should develop controls to ensure compliance with the <i>Code of Alabama 1975</i>, Section 39-2-2 and Attorney General Opinion 1979-313.
2011-02	<u>Finding:</u> The University records meetings of Board and Committee meetings for use in compiling the minutes that are adopted by the Board. The <i>Code of Alabama 1975</i>, Section 36-25A-1 through 11 lists the requirements of the Alabama Open Meetings Act. The Board is required to maintain accurate records of its meetings. In order to convene an executive session, the governmental body must adopt, by recorded vote, a motion calling for the executive session and setting out the purpose of the executive session. The presiding officer shall state whether the governmental body will reconvene after the executive session and, if so, the approximate time the body expects to reconvene. A review of minutes of the Board of Trustees and Committee meetings held from March 2010 to September 2011 revealed the following: ✓ Two instances where items were discussed on the audio file but were not recorded in the official minutes. ✓ Two instances where executive sessions were called, but the purpose was not listed in the minutes. <u>Recommendation:</u> The University should develop procedures to ensure the accuracy of the Board minutes and compliance with the Alabama Open Meetings Act.

Schedule of State Compliance and Other Findings
For the Year Ended September 30, 2011

FINDINGS – COASTAL RECOVERY COMMISSION

Ref. No.	Finding/Noncompliance
2011-03	<u>Finding:</u> To ensure compliance with budget restrictions and regulations, University policy requires departments to submit requisitions and obtain purchase orders to obtain goods and services. During our examination period, the <i>Code of Alabama 1975</i>, Section 41-16-20, stated that all contracts of whatever nature for labor, services, work, or for the purchase or lease of materials, equipment, supplies, other personal property or other nonprofessional services, involving \$7,500 or more, made by or on behalf of any state department, board, bureau, commission, committee, institution, corporation, authority, or office shall, except as otherwise provided in this article, be let by free and open competitive bidding, on sealed bids, to the lowest responsible bidder. The agreement between BP and the State of Alabama included a requirement that the funds provided to the State would be disbursed in a manner that complied with state laws and regulations. The Coastal Recovery Commission did not submit requisitions or obtain purchase orders prior to obligating the University for goods and services and entered into two contracts for the rental of equipment totaling \$28,420.00 without taking bids. <u>Recommendation:</u> Controls should be developed to ensure the University's purchasing procedures are used in order to comply with the regulations.
2011-04	<u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 41-16-82, requires a disclosure statement be completed and filed with all proposals, bids, contracts, or grant proposals to the State of Alabama in excess of \$5,000. Pursuant to the <i>Code of Alabama 1975</i>, Section 41-16-84 (b), the State of Alabama shall not enter into any contract or appropriate any public funds with any person who refuses to provide information as required. The Coastal Recovery Commission entered into contracts with sixteen entities that received contracts in excess of \$5,000.00. Disclosure Statements were not available relating to these contracts. <u>Recommendation:</u> Controls should be developed to ensure that University approved purchasing procedures are used in order to comply with the regulations.

Additional Information

Board Members and Officials
October 1, 2008 through September 30, 2011

Board Members		Term Expires
Hon. Robert Bentley, Governor (Sworn in 01/2011)	President, Ex-Officio	
Hon. Bob Riley, Governor (Replaced 01/2011)	President, Ex-Officio	
Hon. Larry E. Craven, J.D., Interim State Superintendent of Education (Effective 09/2011)	Member Ex-Officio	
Dr. Joseph B. Morton, State Superintendent of Education (Retired 09/2011)	Member Ex-Officio	
Hon. James A. Yance	Chair Pro Tempore	2021
Hon. Steven P. Furr, M.D.	Vice-Chair	2017
Hon. Bettye R. Maye	Secretary	2017
Hon. Donald L. Langham	Member	2009
Hon. James P. Nix	Member	2009
Hon. J. Cecil Gardner	Member	2013
Hon. Samuel L. Jones	Member	2013
Hon. Christie D. Miree	Member	2013
Hon. Bryant Mixon	Member	2013
Hon. Kenneth O. Simon	Member	2013
University of South Alabama Mobile, Alabama	2	Exhibit #1

Board Members and Officials
October 1, 2008 through September 30, 2011

Board Members		Term Expires
Hon. John M. Peek	Member	2017
Hon. Steven H. Stokes, M.D.	Member	2017
Hon. Larry D. Striplin, Jr.	Member	2017
Hon. Scott A. Charlton, M.D.	Member	2021
Hon. E. Thomas Corcoran	Member	2021
Hon. Arlene Mitchell	Member	2021
Hon. James H. Shumock	Member	2021

Officials

Mr. V. Gordon Moulton	President
Mr. M. Wayne Davis	Vice-President for Finance
Mr. William Bush	Assistant Vice-President for Hospital Financial Affairs

RESOLUTION
COMMENDATION OF V. GORDON MOULTON
AS PRESIDENT EMERITUS

WHEREAS, President Gordon Moulton has given 47 years of unwavering service to the University of South Alabama, and

WHEREAS, President Moulton joined USA in its infancy as one of the institution's early faculty members in business and computing, and

WHEREAS, in addition to his career as an educator that began at USA in 1966, Gordon Moulton has served in numerous leadership roles at the University, including director of the computer center, founding dean of the School of Computing, vice president for services and planning, and, for the past 15 years, as USA's second president, and

WHEREAS, long before being named president, Gordon Moulton was a vital force in the growth and progress of the University as a senior member of USA's central leadership team and a vital asset to the University's first president, and

WHEREAS, President Moulton, as USA's chief executive officer, has provided exceptional leadership to the University, raising it to unprecedented levels of accomplishment in all of its missions – teaching, research, service, and health care – and touching the lives of countless people served by the institution, and

WHEREAS, under the leadership of President Moulton, the University has achieved significant milestones in every area, including student enrollment and graduation, academic program development, health care delivery, enhancement of student life and the campus environment, research funding, private sector giving, community involvement and economic enhancement, and

WHEREAS, during President Moulton's tenure, the University has experienced unprecedented growth as demonstrated by the 15,000 students enrolled at the institution, 75,000 degrees awarded throughout its history, and 250,000 patients treated each year by the USA Health System, and

WHEREAS, this region has been forever enhanced by the many innovations championed by President Moulton, including the creation and development of the USA Mitchell Cancer Institute and the USA Technology and Research Park, as well as a major expansion of the USA Children's and Women's Hospital, along with many other contributions to education, health care, art and cultural opportunities, economic development, and an enhanced quality of life for all citizens, and

WHEREAS, under the direction of President Moulton, the University has been transformed by \$500 million in campus construction, physical improvements, and beautification projects that have touched every academic area and mission of USA, and

WHEREAS, Mrs. Geri Moulton likewise has contributed generously of her many talents, time, and energy to countless University projects, including the Geri Moulton Children's Park, and has advocated for many worthy causes on behalf of both the University and the Mobile community, and

WHEREAS, in addition to their years of service, the Moultons have supported USA with more than \$7 million in gifts toward numerous institutional priorities, including the USA Mitchell Cancer Institute, Moulton Tower and Alumni Plaza, Geri Moulton Children's Park at USA Children's and Women's Hospital, student scholarships, faculty support, USA's creative writing program, athletics and many others, and

WHEREAS, President Moulton is one of Alabama's leading champions of higher education, whose advocacy for advanced learning has made a transformational positive impact on the quality of life of countless people across the state of Alabama, the Gulf Coast region, and the nation, and

WHEREAS, the Civitan Club of Mobile has recognized President Moulton by naming him the 2002 Mobilian of the Year on the basis of his efforts to maximize the University's positive impact on meeting the needs of the Mobile region, and

WHEREAS, the Moultons' service was forever commemorated in 2009 with the naming by USA's Board of Trustees of the new landmark Gordon and Geri Moulton Bell Tower and Alumni Plaza, and

WHEREAS, President Moulton's longtime commitment to the University and to enhancing higher education opportunities has been acknowledged by Mobile businessman and philanthropist Abraham "Abe" Mitchell, whose state record-setting \$50 million gift during USA's 50th Anniversary celebration in 2013 will be used in part to provide support for thousands of students now and in the future through the Mitchell-Moulton Scholarship Initiative, and

WHEREAS, President Moulton has been a worthy steward of the public trust in steering the University on a positive course for 15 years and leaving it well prepared for the future, as acknowledged by numerous outside observers, including a recent and highly successful 10-year accreditation review by the Southern Association of Colleges and Schools, and

WHEREAS, President Moulton has announced his retirement from the University effective July 1, 2013,

NOW, THEREFORE, BE IT RESOLVED that the Board of Trustees extends its utmost appreciation to President Moulton for his leadership and outstanding service to the University of South Alabama, and extends its sincere and heartfelt best wishes to him and his wife, Geri, in their retirement, and

BE IT FURTHER RESOLVED that this Board wishes to acknowledge the transformational positive impact President Moulton has made on the quality of life of countless people across the Gulf Coast region, the nation, and the world by conferring upon him the title, President Emeritus of the University of South Alabama, with all the privileges pertaining thereto, effective July 1, 2013.