

UNIVERSITY OF SOUTH ALABAMA BOARD OF TRUSTEES



MARCH 7, 2014

UNIVERSITY OF SOUTH ALABAMA BOARD OF TRUSTEES



SCHEDULE

FRIDAY, MARCH 7, 2014:

10:30 A.M. BOARD OF TRUSTEES MEETING, FOLLOWED BY LUNCH

ADMINISTRATION BLDG., RM. 130

6:00 P.M. DISTINGUISHED ALUMNI AND SERVICE AWARDS PROGRAM

MITCHELL CENTER

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

STANDING COMMITTEES

EXECUTIVE COMMITTEE (SEPTEMBER 2013-2017):

Dr. Steven P. Furr, **Chair pro tempore**
Hon. Kenneth O. Simon, **Vice Chair**
Mr. James H. Shumock, **Secretary**
Mr. E. Thomas Corcoran
Ms. Arlene Mitchell
Mr. John M. Peek
Mr. James A. Yance, Past Chair

HEALTH AFFAIRS COMMITTEE:

Dr. Steven H. Stokes, **Chair**
Dr. Scott A. Charlton
Ms. Bettye R. Maye
Ms. Arlene Mitchell
Mr. John M. Peek
Hon. Kenneth O. Simon

ACADEMIC AND STUDENT AFFAIRS COMMITTEE:

Ms. Christie D. Miree, **Chair**
Dr. Scott A. Charlton
Ms. Bettye R. Maye
Hon. Bryant Mixon
Mr. John M. Peek
Mr. James H. Shumock

LONG-RANGE PLANNING COMMITTEE:

Hon. Samuel L. Jones, **Chair**
Mr. E. Thomas Corcoran
Ms. Arlene Mitchell
Hon. Bryant Mixon
Mr. James H. Shumock

BUDGET AND FINANCE COMMITTEE/AUDIT CTE.:

Mr. E. Thomas Corcoran, **Chair**
Mr. J. Cecil Gardner
Hon. Samuel L. Jones
Ms. Christie D. Miree
Mr. James H. Shumock
Dr. Steven H. Stokes
Mr. James A. Yance

DEVELOPMENT, ENDOWMENT & INVESTMENTS CTE.:

Mr. James A. Yance, **Chair**
Mr. E. Thomas Corcoran
Mr. J. Cecil Gardner
Hon. Kenneth O. Simon
Dr. Steven H. Stokes

NOTE: With the exception of the Executive Committee, appointments are temporary.

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

**March 7, 2014
10:30 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, 17, 19 and 21
2 Report: President=s Report	<i>Presentation at Meeting</i>
* 2.A Approve: Amendments to Bylaws of the Board of Trustees	25
* 2.B Approve: Presidential Contract.....	41
HEALTH AFFAIRS:	
3 Approve: USA Hospitals Credentials – November and December 2013, and January 2014.....	1
4 Report: Health System and Health Sciences	<i>Presentation at Meeting</i>
5 Report: USA Mitchell Cancer Institute	<i>Presentation at Meeting</i>
ACADEMIC AND STUDENT AFFAIRS:	
6 Report: Academic Affairs	<i>Presentation at Meeting</i>
* 7 Approve: Honorary Doctorate Degree.....	1
8 Report: Student Affairs.....	<i>Presentation at Meeting</i>
BUDGET AND FINANCE:	
9 Report: Quarterly GASB Financial Statements, Three Months ended December 2013.....	1
* 9.A Approve: Sale of Real Property	34
* 9.B Approve: Affiliation Agreement between the University of South Alabama and the University of South Alabama Foundation for Research and Commercialization....	37
* 10 Approve: Refunding of Bond Issue	45
AUDIT:	
11 Report: KPMG Report on USA Intercollegiate Athletics, Year ended September 30, 2013	1
DEVELOPMENT, ENDOWMENT AND INVESTMENTS:	
12 Report: Endowment and Investments.....	<i>Presentation at Meeting</i>
* 13 Approve: Amended Bylaws of the Jaguar Athletic Fund, Inc.	1
14 Report: Mitchell-Moulton Scholarship Initiative	<i>Presentation at Meeting</i>
* 15 Approve: Commendation of the Poarch Band of Creek Indians for Gift.....	10
* <i>Items added or revised</i>	<i>i</i>



MEMORANDUM

UNIVERSITY OF SOUTH ALABAMA

February 25, 2014

TO: USA Board of Trustees

FROM: James H. Shumock
Secretary, Board of Trustees

A handwritten signature in black ink, appearing to be 'JH Shumock', written over the printed name.

Included herein are the unapproved minutes of the Board meeting held on December 6. Others are in production and will be provided as completed. Please review these documents for amendment or approval at the March 7 meeting of the Board of Trustees.

JHS:mgc

Enclosures

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

**December 6, 2013
10:30 a.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr, Chair *pro tempore*, on Friday, December 6, 2013, at 10:33 a.m. in the Board Room of the Frederick P. Whiddon Administration Building.

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

Members Absent: Trustees Robert Bentley, Tommy Bice and Scott Charlton.

Administration and Others: Acting President Dr. John Smith; Drs. Joe Busta, Angela Coleman, Phil Carr/Julie Estis/Doug Marshall/ Kelly Woodford (Faculty Senate), Joel Erdmann, Ron Franks, Charlie Guest, Krista Harrell, David Johnson, Arnold Luterman, Kimberly Littlefield, Mike Mitchell, Sam Strada and Mark Weaver; Messrs. Keith Ayers, Owen Bailey, Jo Bonner, Brian Catlin, Wayne Davis, Ker Ferguson, Stan Hammack, Jason Kelly, Don Langham, Mark Lauteren, Bob Lowry, Daniel McCarthy, Abe Mitchell, James Palomo, Steve Simmons, Craig Stephan and Ben Tipton; and Mss. Beth Anderson, Donna Ayers, Lynne Chronister, Riley Davis (SGA), Joanne Luterman, Ann Sirmon (NAA) and Jean Tucker.

Press: Messrs. Blake Brown (WKRG) and Chris Hobden (WPML); and Mss. Christian Jennings (WPML), Sally Ericson (*Press-Register/al.com*) and Samantha Andrews (*Vanguard*).

Upon the call to order, Chairman Furr quoted the late Nelson Mandela. He called for adoption of the revised agenda. On motion by Mr. Peek, seconded by Mr. Shumock, the revised agenda was approved unanimously. Chairman Furr called for approval of **ITEM 1**, the minutes of the Board of Trustees meetings held during 2013 on September 13, 19 and 28; October 3 and 28; and November 6; as well as the minutes of a Committee of the Whole meeting on September 12 and an *ad hoc* Bylaws Committee meeting on September 13. On motion by Ms. Mitchell, seconded by Mr. Corcoran, the minutes were approved unanimously.

Chairman Furr called upon President Smith for presentation of **ITEM 2**, the President's Report. President Smith introduced Faculty Senate President Dr. Doug Marshall, Student Government Association President Ms. Riley Davis, and former U. S. Congressman Jo Bonner, who he thanked publicly for donating his collection of congressional papers to USA's McCall Library, which will relocate to the Marx Library. As part of his remarks, Mr. Bonner noted a parallel

between his work in Congress and the University's mission. Dr. Busta commented on the significance of Mr. Bonner's gift. President Smith discussed the reorganization of USA's Web Services under the management of the Computer Services Center, as well as the redesign of the University's home page. A sample of the new design was viewed. President Smith called upon Ms. Chronister to give an update on the USA Coastal Innovation Hub, an incubator for start-up technology businesses, which opened on November 6, and on collaborative meetings between Airbus leaders and USA faculty, which Ms. Chronister described as the beginning of a productive relationship. Concerning the Coastal Innovation Hub, she reported that seven tenants occupy 10,000 square feet of office space adjacent to Building III of USA's Technology & Research Park complex. President Smith stated that Dr. Jean Botti, Chief Technical Officer of EADS, would deliver the address at Spring Commencement on May 10, 2014.

President Smith introduced Ms. Ann Sirmon, President of the National Alumni Association (NAA), who announced that, in honor of the late President *Emeritus* Gordon Moulton, the NAA Board of Directors passed a resolution designating the Distinguished Service Award in the non-alumni category as the *V. Gordon Moulton Distinguished Service Award*, to be presented at the Distinguished Alumni and Service Awards ceremony on March 7, 2014.

President Smith noted that Trustees had toured the Laboratory of Infectious Diseases prior to the Board meeting. A photo of the structure was shown.

President Smith reported on *Celebrate Hope*, the Mitchell Cancer Institute's premiere annual fundraising event held on November 21. He said event proceeds would be used towards the purchase of a mass spectrometer for the early detection of cancer. He congratulated Dr. Busta and the Development staff for the success of Celebrate Hope, and for the 50th Anniversary Campaign, which ended on September 30 with more than 55,000 gifts pledged over a three-year period. He recognized Dr. Busta for his appointment by Mayor Jones to serve on the Mobile/Baldwin Task Force to End Chronic Homelessness.

President Smith remarked on the Holiday Concert held at the Mitchell Center the evening of December 5. He thanked Dr. Greg Gruner, Chair of the Music Department, the music students, Ms. Frances Henson, Special Events Coordinator, and Mr. Bob Lowry, Interim Director of Public Relations, for their hard work on the event. He said the annual tree lighting ceremony at Children's and Women's Hospital would take place on December 10.

President Smith updated Board members on athletics activities, noting that the Jags would face the University of Louisiana at Lafayette on December 7 for the final home football game of the season, and that a win would allow USA to be bowl eligible. He complimented Head Football Coach Joey Jones and the team for an exciting year on the field. He advised that the Lady Jags won their first Sun Belt Soccer Championship, but lost to Florida State in the first round of NCAA competition. He called upon Dr. Erdmann for a report on USA's academic progress rate (APR). As Trustees viewed a graph showing marked improvements over a five-year period

ending 2011-2012, Dr. Erdmann discussed USA's approach to an NCAA directive to improve academic success among athletes in all sports. He conveyed pride that USA athletes earned the second highest scores among Sun Belt Conference schools this year. He introduced Mr. Daniel McCarthy, Assistant Athletics Director for Compliance and Student Services, and Mr. Jason Kelly, Director of Athletic Academic Services, and he credited this positive momentum to their dedicated efforts.

President Smith stated that Mr. Abe Mitchell would be the keynote speaker at Fall Commencement on December 14.

Chairman Furr called upon Judge Simon, Chair of the Presidential Search Committee (PSC), for an update on the search process, **ITEM 3**. Judge Simon advised that, with the first phase of search activities complete, on November 6, the Board of Trustees directed the PSC to continue the search for the purpose of identifying additional candidates. He said that, going forward, the PSC would focus on the University's identity and culture, and seek knowledge from the vice presidents on the presidential attributes needed in a candidate to assure a good match with the University. Chairman Furr thanked the PSC for their dedication to the process.

Chairman Furr presented **ITEM 4** as follows (for copies of policies and other authorized documents, refer to **APPENDIX A**). He noted that, on December 5, the Committee of the Whole agreed unanimously to recommend approval by the Board of Trustees. He called for a vote, and the resolution was approved unanimously:

**RESOLUTION
AMENDMENTS TO BYLAWS OF THE BOARD OF TRUSTEES
AND TO CHAPTER 55 OF THE CODE OF ALABAMA**

WHEREAS, Article VII of the Bylaws of the University of South Alabama Board of Trustees provides that "the bylaws may be amended or repealed at any meeting of the Board by eight members of the Board voting in favor of same, but no such action shall be taken unless notice of the substance of such proposed adoption, amendment or repeal shall have been given at a previous meeting or notice in writing of the substance of the proposed change shall have been served upon each member of the Board at least thirty (30) days in advance of the final vote upon such change," and

WHEREAS, a copy of the proposed amended bylaws (a copy of which is attached hereto as Exhibit A and incorporated by reference herein) was mailed or hand delivered to each member of the Board on November 6, 2013, and

WHEREAS, the proposed amended bylaws having been presented for consideration with the above-referenced mailing, and presented for deliberation and a vote of the Board at its meeting on this day, December 6, 2013, a vote of eight members being necessary to adopt such amendments, and

WHEREAS, the foregoing actions comply with the requirements of Article VII, pertaining to amendment of the bylaws, and

WHEREAS, because the proposed amendments to the Bylaws outlined in Exhibit A concern previous statutory provisions regarding the University, the Board will seek legislative revision to certain sections of Chapter 55 of the Code of Alabama to be consistent with these proposed amendments, as illustrated on Exhibit B (attached hereto and incorporated by reference herein), and

WHEREAS, the Board, after due consideration and deliberation, has determined that the proposed amendments are in the best interest of the efficient operation of the Board in carrying out its role and responsibilities to the University,

THEREFORE, BE IT RESOLVED that the Board of Trustees approves the amendments to the Bylaws as set forth on Exhibits A and B that are attached, which are subject to the corresponding amendments being made to Chapter 55 of the Code of Alabama.

Chairman Furr called for a report of health affairs items. Dr. Stokes, Chair of the Health Affairs Committee, moved approval of **ITEM 5** as follows. Mr. Peek seconded and the resolution was approved unanimously:

RESOLUTION
USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR SEPTEMBER AND OCTOBER 2013

WHEREAS, the Medical Staff appointments and reappointments for September and October 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. Stokes presented **ITEM 6** as follows, and moved approval. Mr. Peek seconded and the resolution was approved unanimously:

RESOLUTION
USA HOSPITALS MEDICAL STAFF BYLAWS
REVISION OF OCTOBER 29, 2013

WHEREAS, the revision to USA Hospitals Medical Staff Bylaws approved at the October 29, 2013, Medical Staff meeting and attached hereto, is 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 revision as submitted.

Dr. Stokes moved approval of **ITEM 7** as follows. Mr. Peek seconded and the resolution was approved unanimously:

RESOLUTION
USA HOSPITALS GENERAL MEDICAL STAFF MEETING
NOMINATION OF OFFICERS - CALENDAR YEARS 2014 - 2015

WHEREAS, the following slate of officers approved at the General Medical Staff meeting on October 29, 2013, are recommended for approval by the General Medical Staff and the Executive Committee of the University of South Alabama Hospitals,

USA Children's and Women's Hospital:

Chair, Medical Executive Committee	D. Lynn Dyess, M.D.
Chair-elect/Secretary, Medical Executive Committee	C. Eric McCathran, M.D.

USA Medical Center:

Chair, Medical Executive Committee	William O. Richards, M.D.
Chair-elect/Secretary, Medical Executive Committee	Clara V. Massey, M.D.

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

Dr. Stokes presented **ITEM 8** as follows. Consequent to the unanimous agreement of the Committee of the Whole on December 5 to recommend approval by the Board of Trustees, a vote was called and the resolution passed unanimously. Judge Simon commended the Medical Center community and Ms. Beth Anderson, Hospital Administrator, for the Medical Center's designation by The Joint Commission as a *Top Performer on Key Quality Measures* for 2012, which is earned for exemplary performance in the application of evidence-based clinical processes to improve care. Ms. Anderson attributed this achievement to the outstanding physicians and leaders of the Medical Center. She explained the value-based care concept for which the Hospital was recognized for excellence in the areas of heart failure, heart attack, pneumonia and surgical care. She gave examples of other honors earned that reflect the Hospital's high performance standards, including the selection of six USA physicians to appear in the June issue of *U.S. News and World Report's* "Top Doctors Directory." She added that all components of the USA Health System work together to improve patient care.

RESOLUTION
USA HOSPITALS COMMUNITY HEALTH NEEDS ASSESSMENT AND IMPLEMENTATION STRATEGIES

WHEREAS, the Patient Protection and Affordable Care Act requires that not-for-profit hospitals conduct community health needs assessments, and

WHEREAS, the USA Hospitals have conducted the above-referenced assessment for 2013, and

WHEREAS, the USA Hospitals have developed implementation strategies based on the findings of the 2013 community health needs assessment, and

WHEREAS, the Patient Protection and Affordable Care Act further requires that hospital governing bodies adopt those implementation strategies developed by the hospitals to meet the community needs identified through such assessment,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama accepts the community health needs assessment conducted by the USA Hospitals and adopts the implementation strategies developed by the USA Hospitals as a result, both of which are attached hereto and incorporated herein.

Dr. Stokes called for presentation of **ITEM 9**, a report on the activities of the USA Health System and the Division of Health Sciences. Echoing the strength of the hospital management team, Mr. Hammack stated that information systems is a major component of hospital operations, and introduced Mr. Mark Lauteren, Chief Information Officer for the USA Health System. Dr. Franks remarked on the prestige of the Medical Center's *Top Performer* distinction. He stated a search is underway for a Director of the Mitchell Cancer Institute and added that USA's relationship with UAB continues to strengthen. He called upon Dr. Strada for a report on the 40th anniversary of the College of Medicine. Dr. Strada presented a visual history of USA's medical school, which has produced 2,336 physicians and 200 scientists. Mayor Jones complimented the College's commemorative publication.

With regard to **ITEM 12** as follows, artist renderings of the proposed facility and an aerial map showing the location were shown. Consequent to the unanimous agreement of the Committee of the Whole on December 5 to recommend approval by the Board of Trustees, a vote was called and the resolution was approved unanimously:

**RESOLUTION
AUTHORIZATION FOR CONSTRUCTION CONTRACT FOR PHYSICIAN OFFICE BUILDING**

WHEREAS, the University of South Alabama Board of Trustees, at its meeting on June 7, 2013, approved the plans for a Physician Office Building to be located near its Spring Hill Avenue Campus, Mitchell Cancer Institute and Children's & Women's Hospital, and

WHEREAS, this approval was preceded by the selection of an architect for this facility at the March 8, 2013, Board meeting, and

WHEREAS, the Physician Office Building will house the College of Medicine's and the University of South Alabama Health Services Foundation's outpatient clinics for pediatrics, family medicine, obstetrics/gynecology, orthopedics, neurology, pediatric surgery and neurosurgery, and

WHEREAS, it is the intent of the University that the construction of this facility be completed by February 28, 2016, and

WHEREAS, the University is preparing bid documents for the construction of this project which meet all requirements of the Alabama bid law,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama hereby authorizes the President to award the construction bid to the lowest qualified, responsible and responsive bidder for the Physician Office Building project, pursuant to the bid process as required by applicable Alabama law, subject to this bid being within the budgeted funds available for this project.

Mr. Wayne Davis addressed **ITEM 10**, a report on the USA Mitchell Cancer Institute. He advised that the Administration is currently assessing space needs and options for future expansion. He added that property west of the existing MCI structure is being considered as a possible site for new facilities.

Chairman Furr 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 13**, a report on the activities of the Division of Academic Affairs. He introduced Dr. Angela Coleman, Associate Vice President for Institutional Effectiveness, and Dr. Charlie Guest, Associate Vice President for Academic Affairs. He stated an announcement from the Southern Association of Colleges and Schools on the reaffirmation of the University's accreditation is expected within the week. He reported that *Affordable Colleges Online*, a national organization that evaluates online educational programs, has ranked USA seventh in terms of offering high-quality, reasonably-priced programs. The University of South Alabama is the only school in Alabama to be recognized. Dr. Johnson discussed the Innovation in Learning Center, which provides professional development support to faculty with an emphasis on electronic learning. He reported that, in a National Science Foundation survey, USA's Department of Earth Sciences was recognized as one of the top 25 programs that produce the highest number of graduates in the sciences. He gave an update on efforts to increase enrollment through newspaper and televised ads in all major markets in Alabama, and in Biloxi and Pensacola, and through the addition of recruiters. He said applications received to date exceed those received this time last year. A video featuring a 360-degree virtual tour of campus was shown. Dr. Johnson introduced USA student Mr. James Palomo, creator of this recruitment tool that is posted to the University Web site.

Ms. Miree moved approval of **ITEM 14** as follows. Mr. Corcoran seconded, and the resolution was approved unanimously:

**RESOLUTION
SABBATICAL AWARDS**

WHEREAS, in accordance with University policy, proposals for Sabbatical Awards have been reviewed and recommended by the respective faculty committees, Departmental Chair, College Dean, and by the Senior Vice President for Academic Affairs and President,

THEREFORE, BE IT RESOLVED that the University of South Alabama Board of Trustees approves said Sabbatical Awards on this date, December 6, 2013, for the 2014-2015 academic year.

<u>NAME</u>	<u>DISCIPLINE</u>	<u>TIME PERIOD</u>
Dr. Martha Jane Brazy	History	Spring 2015
Dr. Isabel Brown	Foreign Languages & Literatures	Spring 2015
Dr. Philip Carr	Sociology, Anthropology, Social Work	Spring 2015
Dr. David Forbes	Chemistry	Spring 2015
Ms. Carolyn Haines	English	Academic Year 2014-15
Dr. Juan Mata	Biology	Fall 2014

Dr. Elizabeth Rivenbark	Visual Arts	Spring 2015
Dr. Harry Louis Roddy	Foreign Languages & Literatures	Spring 2015
Dr. Justin St. Clair	English	Academic Year 2014-15
Dr. Rebecca Williams	History	Spring 2015

With regard to **ITEM 15**, a report on innovation and entrepreneurship, Ms. Chronister said a strong foundation for innovation and entrepreneurship began a decade ago with establishment of the USA Technology & Research Park. She detailed a chart of current programs, and introduced Mr. Ker Ferguson, Assistant Vice President for Research and Industry Liaison, and Dr. Mark Weaver, Ben May Chair of Entrepreneurship at the Mitchell College of Business and Director of the Melton Center for Entrepreneurship and Innovation. Dr. Weaver shared information about the program and answered questions. Graphics featuring USA's Coastal Innovation Hub, Melton Center and Student Hatchery were viewed. Judge Simon inquired about the potential for a partnership with Bishop State Community College. Dr. Weaver stated USA is willing to consult with any party that expresses interest. Ms. Chronister added that the University is active in seeking opportunities to collaborate.

Ms. Miree called upon Dr. Krista Harrell, Assistant Dean of Students, for presentation of **ITEM 16**, a report on Title IX, a legislative edict prohibiting sexual discrimination in educational programs operated by recipients of federal funding. President Smith stated that the report to the Board is in response to an Association of Governing Boards' directive. Dr. Harrell, as USA's Title IX Coordinator, outlined Title IX provisions, as well as USA's process for training, investigation and enforcement. President Smith stressed that the University takes complaints very seriously. Dr. Harrell added all individuals share in the responsibility to uphold Title IX principles.

Ms. Miree called upon Dr. Mitchell to address **ITEM 17**, a report on the activities of the Division of Student Affairs. Accompanied by logo graphics and photos, Dr. Mitchell reported that the University Bookstore has become an authorized retailer of Apple computer products. He discussed the Bookstore's *JagTECH* program and introduced Mr. Brian Catlin, Bookstore Manager. He announced that the Marx Library is the site of a full-service Starbucks cafe. For his role in bringing Starbucks to campus, he recognized Mr. Craig Stephan, Director of Dining Services. Judge Simon remarked on the extraordinary customer service offered by the staff of the Bookstore.

Regarding **ITEM 18** as follows, consequent to the unanimous agreement of the Committee of the Whole on December 5 to recommend approval by the Board of Trustees, a vote was called and the resolution passed unanimously:

**RESOLUTION
DEMOLITION OF DELTA 2 RESIDENCE HALL**

WHEREAS, Delta 2 Residence Hall was constructed in 1983 and has served as a student housing facility for thirty years, and

WHEREAS, the University evaluated the option of renovating the building to provide improved housing accommodations, but deemed the cost to renovate and repair prohibitive, and

WHEREAS, the site of future residence hall construction is on the Delta 2 Residence Hall location, and

WHEREAS, the estimated cost of \$50,000 for the demolition of Delta 2 Residence Hall and temporary landscaping will be funded by the Department of Housing, and

WHEREAS, overall campus housing capacity will not be reduced by the demolition of Delta 2 Residence Hall,

THEREFORE, BE IT RESOLVED that the University of South Alabama Board of Trustees approves the demolition of Delta 2 Residence Hall during summer 2014 and the site to be temporarily landscaped after demolition.

Chairman Furr called for consideration of budget and finance items. Mr. Corcoran, Budget and Finance Committee Chair, introduced **ITEM 19**, a report on the exterior restoration of the Chemistry Building. Mr. Simmons reported that deterioration of the mortar is causing bricks to fall off the exterior wall. He stated that the facility, constructed in 1982, will soon need a new roof as well, and that repairs may include the replacement of windows. He said President Smith has given authority to proceed with repairs, and he noted that the color of the new brick will be red, following University standards for uniformity.

Ms. Chronister presented **ITEM 20**, an annual review of research activity. She introduced Dr. Kimberly Littlefield, who was recruited from the University of Washington to serve as Assistant Vice President for Research Development and Learning. Dr. Littlefield will work with the faculty to enhance competitiveness in seeking federal extramural dollars. Ms. Chronister summarized a handout detailing sponsored activity. She pointed out that, while most universities have lost funding due to decreases in federal assistance from Washington, D.C., USA has experienced a slight gain in funded assistance.

Concerning **ITEM 21** as follows, consequent to the unanimous agreement of the Committee of the Whole on December 5 to recommend approval by the Board of Trustees, a vote was called and the resolution was approved unanimously:

**RESOLUTION
AUTHORIZATION TO EXPLORE FEASIBILITY OF SELLING REFUNDING BONDS
THROUGH A COMPETITIVE PROCESS**

WHEREAS, the University heretofore issued its \$51,080,000 University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004 (the "Series 2004 Bonds"), which are presently outstanding in the aggregate principal amount of \$41,690,000, and

WHEREAS, the Series 2004 Bonds bear interest at fixed rates and may be redeemed and prepaid by the University anytime on or after March 15, 2014, and

WHEREAS, on January 2, 2008, the University entered a transaction (the "Swaption Transaction") with Wells Fargo Bank National Association (formerly known as "Wachovia Bank, National Association") ("Wells Fargo"), and

WHEREAS, as contemplated by the Swaption Transaction, it will be necessary for the University to refinance the Series 2004 Bonds with a series of variable rate bonds containing the same current outstanding principal amortization schedule as the Series 2004 Bonds (the "Refunding Bonds"), and

WHEREAS, it is necessary, desirable and in the best interest of the University that the University explore the feasibility of selling the Refunding Bonds to one or more financial institutions through a competitive process,

THEREFORE, BE IT RESOLVED that the Vice President for Financial Affairs of the University is hereby authorized and directed to explore the feasibility of selling the Refunding Bonds to one or more financial institutions through a competitive process, provided that the sale of Refunding Bonds shall be subject to approval and authorization by the Board of Trustees.

With regard to the dual role served by the Budget and Finance Committee as the Audit Committee, Mr. Corcoran, Audit Committee Chair, advised that information on the **ITEM 22** report titled *Monthly Fund Financial Reports for July, August and September 2013*, and **ITEM 23**, the KPMG audit reports and letter for the year ended September 2013, was delivered to the Committee of the Whole on December 5.

Mr. Corcoran called upon Mr. Simmons for presentation of **ITEM 24**, a report on internal audit activities. Mr. Simmons introduced Mr. Ben Tipton, Executive Director of USA's Office of Internal Audit. Mr. Tipton discussed briefly the role of Internal Audit. He stated there were no items that need to be brought to the Board's attention at this time. He added that the Internal Audit Department has a separate fiduciary responsibility to the Board of Trustees. This responsibility includes reporting anything discovered, in audits or otherwise, that should be brought to the Board's attention.

Chairman Furr called for a report from Mr. Yance, Chair of the Development, Endowment and Investments Committee. Mr. Yance stated that a report of endowment and investment performance, **ITEM 25**, was delivered to the Committee of the Whole on December 5.

Regarding **ITEM 26** as follows, Mr. Yance stated that the Committee of the Whole agreed unanimously to recommend approval by the Board of Trustees. A vote was called and the resolution was approved unanimously:

RESOLUTION
EVALUATION OF THE UNIVERSITY'S ENDOWMENT AND NON-ENDOWMENT INVESTMENT POLICIES

WHEREAS, the Southern Association of Colleges and Schools (SACS) requires that investment policies must be evaluated regularly, and

WHEREAS, the Board of Trustees has previously approved the University's endowment funds policies and guidelines and the University's non-endowment cash pool investment policy,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama hereby acknowledges the current year annual evaluation of both policies by the Endowment and Investments Committee.

Mr. Yance called upon Dr. Busta to discuss **ITEM 26.A** as follows. Dr. Busta stated that the owner, an alumnus, inherited a lot on Dog River that he desires to donate to the University. President Smith said approval of the resolution would give authority to the University President to sell the land. On motion by Mr. Yance, seconded by Mr. Corcoran, the resolution was approved unanimously:

**RESOLUTION
ACCEPTANCE OF A GIFT OF REAL ESTATE**

WHEREAS, the University of South Alabama is actively engaged in a campaign to raise scholarship gifts to meet the Mitchell-Moulton Scholarship Initiative, and

WHEREAS, Mr. and Mrs. Sean Price wish to create an endowed scholarship utilizing the matching gift funds available through the program to endow a scholarship in accounting, and

WHEREAS, in order to fund the scholarship, Mr. and Mrs. Price wish to give to the University of South Alabama a residential lot with a request that it be sold by the University and the proceeds used to fund said scholarship, and

WHEREAS, as outlined on the memorandum attached hereto and incorporated by reference herein, the President of the University believes it to be economically justified and in the best interest of the University and the State of Alabama to place the property with a duly licensed real estate broker as provided for in the Code of Alabama as well as the University's Land Sale/Lease Policy and Procedure,

THEREFORE, BE IT RESOLVED, the University of South Alabama's Board of Trustees, on recommendation of its Development, Endowment and Investment Committee, completion of appropriate due diligence and approval of the President, authorizes the University to accept the gift of real estate for this purpose, and

BE IT FURTHER RESOLVED, the University of South Alabama Board of Trustees hereby ratifies the President's approval of the use of a duly licensed real estate broker for the sale of this real estate as being economically justified and in the best interest of the State of Alabama and the University, and

BE IT FURTHER RESOLVED, the University of South Alabama Board of Trustees expresses its deep appreciation to Mr. and Mrs. Price for this gift to endow a scholarship to support Accounting students in the Mitchell College of Business.

Joined by numerous colleagues and friends, Dr. Arnold Luterman, retired Ripps-Meisler Professor of Surgery and former Director of USA's Regional Burn Center, and his wife, Mrs. Joanne Luterman, were asked to stand for the reading of **ITEM 27** as follows by Mr. Hammack. On motion by Mr. Corcoran, seconded by Ms. Mitchell, the resolution was approved unanimously. Dr. Luterman conveyed thanks to the Board for creating an environment befitting the accomplishments achieved under his leadership. He recognized the College of

Medicine leadership and introduced the team that would carry on the mission of the *Arnold Luterman Regional Burn Center*. Mr. Yance said he saw firsthand the incredible dedication to patients who, without the care of the Regional Burn Center, would not have survived their injuries:

**RESOLUTION
NAMING OF THE USA MEDICAL CENTER REGIONAL BURN CENTER**

WHEREAS, Dr. Arnold Luterman has demonstrated servant leadership through his steadfast dedication to the University of South Alabama over the past three decades, and

WHEREAS, Dr. Luterman was instrumental in developing the Level I Trauma Center at the USA Medical Center and served as its first director from 1981-1985, and

WHEREAS, Dr. Luterman served as chief of surgery at USA Medical Center and chair of the Department of Surgery at the USA College of Medicine from 1994-2002, and

WHEREAS, Dr. Luterman played a significant leadership role as surgery post-graduate training program director and assistant dean for graduate medical education in the USA College of Medicine, and

WHEREAS, Dr. Luterman has been honored 20 times with a Red Sash Faculty award, which is given to outstanding faculty members by graduating medical students, and

WHEREAS, Dr. Luterman, a nationally-known expert on the treatment of burn injuries, played a major role in developing the Regional Burn Center and served as its director until 2012, and

WHEREAS, Dr. Luterman has served diligently, contributing in multiple ways to the advancement of the USA College of Medicine and USA Medical Center on a national, regional and community level,

THEREFORE, BE IT RESOLVED that, due to the many achievements and contributions by Dr. Arnold Luterman to the USA Health System and the College of Medicine, and, particularly, the vital role he has played in the care of burn patients in our region, the University of South Alabama's Board of Trustees declares the USA Medical Center's Regional Burn Center will now be known as the ***Arnold Luterman Regional Burn Center***, and

BE IT FURTHER RESOLVED that the Board of Trustees, administration, faculty, staff, alumni and students of the University of South Alabama express sincere gratitude to Dr. Arnold Luterman for his devotion to the University's College of Medicine and Health System.

Mr. Keith Ayers, retired Director of Public Relations, and his wife, MRs. Donna Ayers, were asked to stand for the reading of **ITEM 28** as follows by Mr. Bob Lowry. On motion by Mr. Peek, seconded by Ms. Miree, the resolution was approved unanimously. President Smith recognized the mark of Mr. Ayers on the face of the University, noting his service in the trenches. He congratulated Mr. Ayers on his retirement. Mr. Ayers shared heartfelt remarks about his tenure and the people with which he had served. He recognized the staff of the Office of Public Relations, and thanked Mrs. Ayers for her support:

**RESOLUTION
COMMENDATION OF MR. KEITH AYERS**

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

WHEREAS, Mr. Franklin Keith Ayers has provided nearly 15 years of dedicated service to the University of South Alabama since his appointment as public relations director, and

WHEREAS, Mr. Ayers was appointed to his position in March 1999 by President V. Gordon Moulton, bringing needed stability during a time of transition for the new administration, and

WHEREAS, enhancing the University's public image was instrumental in growing enrollment and increasing USA's community, philanthropic and political support, and

WHEREAS, Mr. Ayers was both passionate and resolute in promoting the University's many accomplishments, including faculty, staff, student, and alumni achievements; building projects; enhanced health care; the formation of the Jaguar NCAA Division I football and marching band programs; enrollment that topped 15,000; the awarding of USA's 75,000th degree; and USA's 50th Anniversary, and

WHEREAS, Mr. Ayers was a trusted advisor to President Moulton and his wife, Geri; faculty; administrators; and members of the Board of Trustees, and

WHEREAS, Mr. Ayers has an impressive 30-year history of raising awareness, appreciation and support for higher education in Alabama, and

WHEREAS, the impressive body of work performed by Mr. Ayers and his staff will benefit the University for years to come,

THEREFORE, BE IT RESOLVED that the Board of Trustees expresses its appreciation to Mr. Keith Ayers for his many contributions to the University of South Alabama and offers its best wishes upon his retirement from the Institution and in all future endeavors.

There being no further business, the meeting was adjourned at 12:25 p.m.

Attest to:

Respectfully submitted:

James H. Shumock, Secretary

Steven P. Furr, M.D., Chair *pro tempore*

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

COMMITTEE OF THE WHOLE

**December 5, 2013
2:30 p.m.**

A meeting of the Committee of the Whole of the USA Board of Trustees was duly convened by Dr. Steve Furr, Chair *pro tempore*, on Thursday, December 5, 2013, at 2:59 p.m. in the Administrative Board Room at USA Children's and Women's Hospital.

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

Members Absent: Trustees Robert Bentley, Tommy Bice and Scott Charlton.

Administration and Others: Acting President Dr. John Smith; Drs. Joe Busta, Phil Carr/ Julie Estis/Doug Marshall/Kelly Woodford (Faculty Senate), Ron Franks, David Johnson, and Mike Mitchell; Messrs. Bill Bush, Wayne Davis, Happy Fulford, Stan Hammack, Mark Peach (KPMG) and Steve Simmons; and Mss. Lynne Chronister, Riley Davis (SGA), Jean Tucker and Ashley Willson (KPMG).

Press: Ms. Sally Ericson (*Press-Register/al.com*).

Upon the call to order, Chairman Furr called on Mr. Simmons, who introduced Mr. Mark Peach and Ms. Ashley Willson, KPMG partners, for the presentation of audit results for the fiscal year ended September 2013, **ITEM 23**. Ms. Willson and Mr. Peach discussed the audit process, as summarized in a written report, and delivered the required communications to the Audit Committee. It was noted that KPMG was provided full access to the University's accounting records, and that internal controls are routinely relied upon to test for deficiencies. The findings showed no indication of material weakness, nor were there significant concerns as a result of the A-133 audit on federal grant expenditures. In all, KPMG rendered an unqualified opinion on the University's financial statements. Mr. Peach conveyed appreciation to Mr. Simmons and USA staff for their cooperation.

Chairman Furr called upon Mr. Albano to discuss **ITEM 26**, a resolution acknowledging the Board's annual evaluation of the University's endowment and non-endowment investment policies (for copies of resolutions, policies and other authorized documents, refer to the Board of Trustees meeting minutes dated December 6, 2013). President Smith stated this action is required by the Southern Association of Colleges and Schools (SACS). Mr. Albano said revision of the policies is not recommended at this time. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

With regard to **ITEM 4**, a resolution authorizing amendments to the bylaws of the Board of Trustees, which are subject to the corresponding amendments being made to Chapter 55 of the

Code of Alabama, Chairman Furr recognized the individuals involved in the bylaws update process, which included an analysis of data gathered from other universities. He called on Ms. Tucker, who discussed the rationale for rearranging districts and changing the duration of terms from twelve years to six years. It was noted that materials detailing the revisions were provided to Trustees for examination prior to the meeting, and that execution is subject to the approval of the Alabama legislature. Dr. Furr advised that the Association of Governing Boards reports the average board term for public institutions is six years, which the Governor has stated he prefers. Other suggested revisions are the extension of authority to the Chair *pro tempore* to call special meetings and the removal of the *ex officio* position reserved for the Alabama Superintendent of Education. Concerns about the impact of redistricting were expressed. Relative to political implications, Chairman Furr advised Mr. Happy Fulford, Executive Director of Governmental Relations, had spent a good deal of time communicating with legislators. He added that the combining of districts with consideration of alumni concentration would give the Governor greater flexibility in making Board appointments. Dr. Busta stated the National Alumni Association has long desired any opportunity to increase alumni representation on the Board. Mr. Yance commended Dr. Furr for the time and thought he put into creating the proposal. Mr. Fulford said the Governor is genuinely interested in supporting the University of South Alabama, and that he had engaged in this process. Mr. Peek commented on the great work of all Trustees, alumni and non-alumni alike. Dr. Stokes asked that Mr. Fulford assure awareness among legislators. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

Chairman Furr called upon Mr. Bill Bush, Assistant Vice President for Hospital Financial Affairs/CFO, for presentation of **ITEM 8**, a resolution to accept the community health needs assessment conducted by the USA Hospitals, and to adopt the implementation strategies developed as a result of the assessment. Mr. Bush explained that hospitals subject to the Patient Protection and Affordable Care Act are required to complete a community health needs assessment every three years. With Mobile County residents constituting 80 percent of the patients served by the USA Health System, constituents from Mobile County were surveyed, and the results were prioritized and documented. The resulting assessment was used to devise implementation strategies for improving the quality of patient care. Judge Simon agreed the study would have a positive impact on the health of the community, and he encouraged the Administration to explore opportunities for research collaboration. Mayor Jones inquired about legislation to improve indigent care funding. Mr. Hammack asserted that efforts to effect legislation are ongoing. He talked about the challenges pertaining to the Affordable Care Act. Mayor Jones expressed appreciation for enhancements in emergency room management at the Medical Center. Judge Simon remarked on the level of excellence demonstrated by the USA Health System. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

President Smith addressed **ITEM 12**, a resolution authorizing the President to award the contract for construction of the physician office building to the lowest qualified, responsible and

responsive bidder, provided that the bid process meets the provisos of applicable Alabama law and the bid does not exceed the available funds budgeted for the project. For practicality purposes, he said, with a strict construction timeline, approval would prevent the need for a special meeting of the Board. Mr. Wayne Davis said proceeds from the June 2013 sale of bonds would fund the project. Drawings of the structure were shown, and the location and surroundings were discussed. Mr. Davis named which clinical services would move into the building and projected relocation in early 2016. Mr. Hammack noted that placing like services in a central location is advantageous with respect to identity, commonality and coordination. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

President Smith introduced **ITEM 18**, a resolution authorizing the demolition of Delta 2 Residence Hall during summer 2014, and the site to be temporarily landscaped after demolition. President Smith advised that the University's master plan calls for the eventual elimination of all Delta residence halls. He added that Delta 2, in particular, needs a tremendous amount of work. Dr. Mitchell agreed, saying that, of the significant work completed thus far in all Delta facilities, Delta 2 is in the greatest need of repair, which would come at a significant cost increase to students, whereas the cost to demolish the structure is estimated at \$50,000. Dr. Mitchell addressed briefly future plans to build a freshman complex, and he noted the Delta 2 site would be available for future construction when warranted. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

Mr. Simmons detailed **ITEM 21**, a resolution authorizing and directing the Vice President for Financial Affairs to explore the feasibility of selling the refunding bonds to one or more private placement financial institutions through a competitive process, subject to Board approval. He equated the transaction to the refinancing of existing debt, and stated the strategy would allow the University to eliminate the smallest swaption, implemented in 2004, in a safe and effective manner without loss to the University. He noted one other swaption must eventually be dealt with when it reaches maturity, and stated approval at this juncture would permit the Administration to conduct the necessary due diligence that would entail issuing a request for proposals on December 16, with specification of a 10-year debt service, and the analysis of responses for a possible recommendation at the March 2014 Board meeting. On motion duly made and seconded, the Committee agreed unanimously to recommend approval by the Board of Trustees.

Following a discussion on travel policies, and there being no further business, the meeting was adjourned at 4:15 p.m.

Attest to:

Respectfully submitted:

James H. Shumock, Secretary

Steven P. Furr, M.D., Chair *pro tempore*

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE

December 5, 2013

2:00 p.m.

A meeting of the Development, Endowment and Investments Committee of the USA Board of Trustees was duly convened by Committee Chair Mr. Jim Yance on Thursday, December 5, 2013, at 2:10 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Tom Corcoran, Ken Simon, Steve Stokes and Jim Yance.

Member Absent: Trustee Cecil Gardner.

Other Trustees: Trustees Steve Furr, Sam Jones, Bettye Maye, Christie Miree and John Peek.

Administration and Others Acting President Dr. John Smith; Drs. Joseph Busta, Julie Estis and Kelly Woodford (Faculty Senate) and David Johnson; Messrs. Terry Albano, Wayne Davis, Stan Hammack, Brian Horner (Private Advisors), Matt Kinnear (Gerber/Taylor), Christopher Odyniec (Commonfund), Norman Pitman, Steve Simmons and Douglas Lane (Douglas C. Lane); and Mss. Riley Davis (SGA), Gay Lane (Douglas Lane) and Jean Tucker.

Upon the call to order, Chairman Yance asked Mr. Albano to introduce the endowment managers for annual performance reports, **ITEM 25**. Mr. Albano recognized investment managers Mr. Christopher Odyniec representing Commonfund, Mr. Matt Kinnear representing Gerber/Taylor, Mr. Douglas Lane and his wife Mrs. Gay Lane representing Douglas C. Lane and Associates, and Mr. Brian Horner representing Private Advisors. Each was given an opportunity to review performance results, share perspective and give an economic outlook, and to address questions and comments from Board members.

Mr. Albano introduced Mr. Norman Pitman, who discussed international and small-cap investment performance. Mr. Albano presented endowment performance for fiscal year 2013, noting that the return outperformed the relative index by .16 percent. The return through September 2013 was 14.17 percent versus a relative index of 14.01 percent. Mr. Albano discussed performance since inception, stating that the endowment outperformed the benchmark of .67 percent with a return of 4.85 percent versus 4.18 percent.

As to **ITEM 26**, a resolution acknowledging the annual evaluation of USA's endowment and non-endowment investment policies (for copies of resolutions, policies and other authorized documents, refer to the Board of Trustees meeting minutes dated December 6, 2013), Mr. Albano

stated that revision of the policies is not necessary at this time. The Committee agreed to defer action to the Committee of the Whole.

There being no further business, the meeting was adjourned at 2:56 p.m.

Respectfully submitted:

James A. Yance, Chair

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

**January 27, 2014
3:00 p.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr, Chair *pro tempore*, on Monday, January 27, 2014, at 3:06 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Scott Charlton (phone), Tom Corcoran, Steve Furr, Cecil Gardner, Bettye Maye (phone), Christie Miree, Arlene Mitchell, John Peek, Jimmy Shumock, Ken Simon and Jim Yance.

Members Absent: Trustees Robert Bentley, Tommy Bice, Sam Jones, Bryant Mixon and Steve Stokes.

Administration and Others: Drs. Bob Shearer and Tony Waldrop (University of Central Florida); and Ms. Jean Tucker.

Press: Ms. Sally Ericson (*Press-Register/al.com*) and Samantha Andrews (*Vanguard*).

Upon the call to order, Chairman Furr thanked everyone for being present. Referencing a recommendation from the Presidential Search Committee (PSC), he called for a motion to convene an executive session for a duration of up to 20 minutes. Judge Simon added that the purpose of the executive session was for discussion of good name and character of an individual. On motion by Ms. Miree, seconded by Ms. Mitchell, the Board voted unanimously to convene an executive session.

Upon reconvening the meeting at 3:23 p.m., Chairman Furr called upon Judge Simon, PSC Chair, who advised of an opportunity for the PSC to consider the candidacy of Dr. Tony G. Waldrop, Provost and Executive Vice President at the University of Central Florida. He talked about Dr. Waldrop's well-rounded credentials. On behalf of the PSC, he made a motion that the Board of Trustees accept Dr. Waldrop as a finalist for the position of University President. The motion was approved unanimously.

Chairman Furr called for a motion to convene an executive session until approximately 5:15 p.m., a duration of up to 1 hour and 50 minutes, for the purpose of conducting an interview with Dr. Waldrop, and Judge Simon noted the provision for discussion of good name and character. On motion by Mr. Peek, seconded by Mr. Shumock, the motion passed unanimously.

Upon reconvening the meeting at 5:10 p.m., Chairman Furr announced that Dr. Waldrop would return for campus interviews and a public forum on January 30 and 31, and he reminded the

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Trustees of the Board meeting scheduled for Thursday, February 6, at 3:00 p.m. He suggested that the process be moved forward as expeditiously as possible.

There being no further business, the meeting was adjourned at 5:17 p.m.

Attest to:

Respectfully submitted:

James H. Shumock, Secretary

Steven P. Furr, M.D., Chair *pro tempore*

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

**February 6, 2014
3:00 p.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr, Chair *pro tempore*, on Thursday, February 6, 2014, at 3:09 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Trustees Scott Charlton (phone), Tom Corcoran (phone), Steve Furr, Sam Jones, Bettye Maye, Christie Miree, Arlene Mitchell, John Peek, Jimmy Shumock, Ken Simon and Jim Yance.

Members Absent: Trustees Robert Bentley, Tommy Bice, Cecil Gardner, Bryant Mixon and Steve Stokes.

Administration and Others: Acting President Dr. John Smith; Drs. Joe Busta, Phil Carr/Julie Estis/Doug Marshall/ Kelly Woodford (Faculty Senate), Pat Covey, Joel Erdmann, David Johnson, Mike Mitchell, Bob Shearer, Allan Tucker, Julee Waldrop and Tony Waldrop; Messrs. Lee Covey, Wayne Davis, Chad Fincher, Happy Fulford, Victor Gaston, Bob Lowry, Jim Nix, Mark Hoffman (NAA), Stan Hammack, David Sessions, Steve Simmons, and David Trent; and Mss. Beth Anderson, Holle Briskman, Lynne Chronister, Riley Davis (SGA), Jamie Ison, Geri Moulton, Anne Nix, Jeanne Smith, Debbie Shumock, Jean Tucker, Margie Wilcox and Frances Yance.

Press: Messrs. Blake Brown and Clinton Bourgeois (WKRG), Ronald Gaines (WALA), Chris Hobden and Derrick Rose (WPMI) and Gabriel Tynes (*Lagniappe*); and Mss. Andrea Ramey (WPMI), Sally Ericson (*Press-Register/al.com*) and Stephanie Feather (*The Vanguard*).

Upon the call to order, Chairman Furr welcomed Trustees and guests to the special meeting of the Board of Trustees called by Governor Bentley. He remarked that a significant amount of time had been devoted to the presidential search process. He called for a motion to convene an executive session for a period of approximately 45 minutes. Mr. Simon added that the purpose of the executive session was for discussion of good name and character and a potential real estate transaction. On motion by Mayor Jones, seconded by Ms. Maye, the Board voted unanimously to convene an executive session.

Upon reconvening the meeting at 4:11 p.m., Chairman Furr called for a motion to recess the meeting until 4:45 p.m. On motion by Ms. Mitchell, seconded by Ms. Miree, the Board voted unanimously to recess the meeting.

Chairman Furr reconvened the meeting at 4:55 p.m., and expressed appreciation to Trustees and guests for being present. He gave an overview of the presidential search process, which led ultimately to the Board's acceptance of Dr. Tony G. Waldrop, Provost and Executive Vice President at the University of Central Florida, as a finalist; campus interviews in late January; and related due diligence. Upon his call for a motion, Ms. Maye moved that the position of University President be offered to Dr. Waldrop. Ms. Mitchell seconded, and Chairman Furr recommended the votes be registered via roll call. The motion passed unanimously as follows:

AYES:

Dr. Charlton
Mayor Jones
Ms. Maye
Ms. Miree
Ms. Mitchell
Mr. Peek
Mr. Shumock
Judge Simon
Mr. Yance
Dr. Furr

Chairman Furr conveyed the full support of Messrs. Corcoran and Gardner, and Sheriff Mixon, all of whom could not be present, and he asked Dr. Bob Shearer, facilitator to the Presidential Search Committee, to invite Dr. Waldrop and his wife, Dr. Julee Waldrop, to join the meeting. Drs. Waldrop entered the Board Room to a standing round of applause. Chairman Furr asked Ms. Miree and Mr. Peek to share biographical summaries for Drs. Waldrop, which followed with Chairman Furr offering the position of the University's third President to Dr. Waldrop, who accepted with honor. Mr. Shumock read the following resolution, and the Board of Trustees voted unanimously to approve the resolution:

RESOLUTION

APPOINTMENT OF DR. TONY G. WALDROP AS PRESIDENT OF THE UNIVERSITY OF SOUTH ALABAMA

WHEREAS, the University of South Alabama conducted a nation-wide search to identify outstanding candidates for the position of President of the University, and

WHEREAS, Dr. Tony G. Waldrop was selected by the Presidential Search Committee as a semi-finalist and, subsequently recommended to the Board of Trustees as a finalist, and

WHEREAS, Dr. Waldrop engaged in extensive interviews with the Board of Trustees and faculty, student, alumni, administrative, staff and community leadership groups, and

WHEREAS, upon due consideration of Dr. Waldrop's outstanding service as a teacher, scholar, and senior administrator at three distinguished institutions of higher learning, including most recently as Provost and Executive Vice President at the University of Central Florida, as well as the enthusiastic

endorsement of stakeholders throughout the University and the community, the Board of Trustees has extended to him an offer to assume the Presidency of the University of South Alabama, and

WHEREAS, Dr. Waldrop has accepted said offer,

NOW, THEREFORE, BE IT RESOLVED, Dr. Tony G. Waldrop hereby is appointed President of the University of South Alabama.

Judge Simon, Chair of the Presidential Search Committee (PSC), canceled the PSC meeting set for February 19, and declared the Committee dissolved. Chairman Furr called upon Acting President Smith for introductions. President Smith recognized Mrs. Moulton, who expressed appreciation to the Board and PSC, and to President Smith, for carrying forward the business of the University and the search. She welcomed Dr. Waldrop, noting he would bring a fresh perspective to campus. President Smith thanked Mrs. Moulton for her kind remarks, and he remembered President Moulton as his friend and mentor. He recognized Trustee *Emeritus* Jim Nix and his wife Anne; Dr. Pat Covey, retired Sr. Vice President for Academic Affairs, and her husband, Mr. Lee Covey; and Mr. Fulford, who introduced members of the local legislative delegation Representatives Victor Gaston, Speaker *pro tempore*; Jamie Ison, Mobile delegation Co-Chair; David Sessions; Chad Fincher and Margie Wilcox. President Smith thanked the legislators for their strong support of the University.

Judge Simon and Chairman Furr individually named the numerous other individuals who devoted time and energy during the search process, including PSC members and resource staff; Faculty Senate officers; vice presidents; the staff of the Office of Public Relations; William R. Funk search firm associates; Governor Bentley; and President and Mrs. John Smith. Comments were made by Faculty Senate President Dr. Doug Marshall; SGA President Ms. Riley Davis; National Alumni Association Past President Mr. Mark Hoffman; President and Mrs. Smith; and Trustees Mayor Jones and Mr. Yancey.

Chairman Furr discussed circumstances impacting the search, and observed that Dr. Waldrop's impressive credentials and background made him an attractive fit for the University of South Alabama. Dr. Waldrop conveyed enthusiasm for the opportunity to serve as USA's next President. He stated the interaction with USA's people and members of the local community was key to the decision he made with his wife to join the University. He thanked Dr. Smith and Chairman Furr for their communications, and stated he looks forward to working with USA's leadership team, meeting people and starting the dialog. He talked about his abiding partnership with his wife, and speaking briefly, Dr. Julee Waldrop extended her appreciation to Trustees and guests for their warm welcome.

Chairman Furr thanked everyone for being present. He said Drs. Waldrop would need time with the media immediately following the meeting, and he invited guests to stay for a reception.

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February 6, 2014
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There being no further business, the meeting was adjourned at 5:48 p.m.

Attest to:

Respectfully submitted:

James H. Shumock, Secretary

Steven P. Furr, M.D., Chair *pro tempore*

RESOLUTION

AMENDMENTS TO BYLAWS OF THE BOARD OF TRUSTEES

WHEREAS, Article VIII of the Bylaws of the University of South Alabama Board of Trustees provides that the bylaws may be amended or repealed at any meeting of the Board by eight members of the Board voting in favor of same, but no such action shall be taken unless notice of the substance of such proposed adoption, amendment or repeal shall have been given at a previous meeting or notice in writing of the substance of the proposed change shall have been served upon each member of the Board at least thirty (30) days in advance of the final vote upon such change, and

WHEREAS, a copy of proposed amended bylaws outlining the substance of the proposed amendment to the Bylaws of the University of South Alabama Board of Trustees, attached hereto as Exhibit A and incorporated herein by reference, was mailed or hand delivered to each member of the Board on November 6, 2013, and

WHEREAS, the substance of the proposed amended bylaws having been presented for the consideration with the above-referenced mailing, and presented for deliberation and vote of the Board at its meeting on December 6, 2013, a vote of eight members being necessary to adopt such amendments, and

WHEREAS, the Board of Trustees approved the substance of the amendments as set forth on the attached Exhibit A and authorized the request to the Legislature of the State of Alabama that amendment to Chapter 55 of the Code of Alabama be made consistent with same, and

WHEREAS, such amendments were made to Chapter 55 by the Alabama legislature as evidenced by the legislation attached hereto as Exhibit B, and

WHEREAS, consistent with the resolution for Item 4 of the Board meeting of December 6, 2013, the attached Bylaws of the University of South Alabama Board of Trustees, as amended, are hereby being brought before the Board for final approval at this, the earliest time practicable, and

WHEREAS, the foregoing actions comply with the requirements of Article VIII, pertaining to amendment of the bylaws,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama hereby approves and adopts the Bylaws of the Board of Trustees of the University of South Alabama as amended and attached hereto.

B Y L A W S
OF THE BOARD OF TRUSTEES
OF THE UNIVERSITY OF SOUTH ALABAMA

PREAMBLE

The Legislature of the State of Alabama has vested full management and control over the University of South Alabama in a Board of Trustees pursuant to Act No. 157, Acts of Alabama, 1963, Secondary Extraordinary Session; the Legislature has stated: “The Governor and the State Superintendent of Education, by virtue of their respective offices, and the [T]rustees appointed from the senatorial districts of the state, enumerated in Section 16-55-2, are constituted a public body corporate under the name of the University of South Alabama to carry into effect the purposes expressed in this article and to establish a state institution of higher learning.”(Code of Alabama, 1975, Section 16-55-1). For the purpose of providing a definitive and orderly form of governance, and in order to continue to carry out the purposes required of the Board of Trustees of the University of South Alabama, in the establishment and continuation of a state institution of higher learning, the Board of Trustees hereby does promulgate and adopt these Bylaws.

ARTICLE I

THE BOARD OF TRUSTEES

The entire management and control over the University of South Alabama (hereinafter referred to as the “University”) shall be vested in the Board of Trustees of the University of South Alabama (hereinafter referred to as the “Board”); however, upon general or specific authorization or delegation made or provided for in these Bylaws, the Board may exercise such management and control through the officers, officials, committees and agents as it may deem fit and appropriate, all in accordance with state law. The Board acts as a body politic and no individual member of the Board shall have the authority to act for the Board or for the University.

Section 1. **Composition of Board.** Consistent with the 2014 amendatory language to Sections 16-55-2 , Code of Alabama 1975, the Board shall consist of **three** members from Mobile County; **five** members from the State at large ; **two** members from the United States at large; the Governor, who shall be ex officio president of the Board; and **one** each from each of the following State senatorial districts, or combinations thereof, as those districts existed in 1963: Sixteenth and Seventeenth Districts comprising Monroe and Wilcox Counties and Butler, Conecuh, and Covington Counties, respectively; Nineteenth and Twentieth Districts comprising Choctaw, Clark, and Washington Counties, and Marengo and Sumter Counties, respectively; Twenty-first District comprising Baldwin and Escambia Counties; Twenty-third, Twenty fifth, and Thirtieth Districts comprising Dale and Geneva Counties, Coffee and Crenshaw Counties, and Dallas and Lowndes Counties, respectively;.. and the Thirty-fifth District comprising Henry and Houston Counties.

Section 2. **Election and Term of Office.** The Governor, as an *ex officio* Trustee, serves his or her term of office in correspondence with his or her term of office as Governor of the State of Alabama. In accordance with the statute regarding the University of South Alabama, the Trustees are appointed by the Governor, by and with the advice and consent of the State Senate, and, for those appointed or reappointed after the effective date of the 2014 amendment to said statute, hold office for a term of six years, and until their successors shall be appointed and qualified. Any Trustee appointed to serve a twelve-year term before the effective

date of the 2014 amendment will continue to serve for the remainder of that term. As terms expire after that date, appointments to fill positions on the Board shall be for six-year terms. There are three classes of board members, so that, after the transition to all Trustees serving six-year terms, one-third of the members of the Board is appointed every two years. Vacancies occurring in the office of Trustee, from death or resignation, and the vacancies regularly occurring by expiration of the term shall be filled by the Governor, and the appointee holds office until the next meeting of the Legislature. Successors to those Trustees whose terms expire during an interim shall hold office for a full term, unless they are rejected by the Senate. Neither the existence nor continuation of a vacancy in the office of the Trustee shall serve to impair or hinder any provisions of these Bylaws or the validity of the operation and actions by the Board by virtue of that vacancy alone.

Section 3. **Compensation of Trustees.** No Trustee shall receive any pay or emolument other than his or her actual expenses incurred in the discharge of duties as a Trustee; such expenses shall be paid or reimbursed from University funds, upon the authorization of the President of the University (hereinafter referred to as the “President”).

Section 4. **Primary Functions of the Board.** The Board acts as a public body corporate, and no individual member of the Board has the authority to act for the Board or the University. Communications to the Board shall be directed to the Board through the President or Chair *pro tempore*, except as otherwise provided herein. The Board of Trustees, as a public body corporate, has all rights, privileges, and authority necessary to promote the purpose of its creation, which is to establish and provide for the maintenance and operation of a state university in Mobile County. In accordance with such powers, the Board of Trustees shall have the power to organize the institution by appointment of instructors and faculty members, and such executive and administrative officers and employees, as may be necessary to operate the University, which the Board hereby delegates to the President; the Board may remove any faculty members or employees in its discretion, and shall have the power and authority to fix salaries or compensation, increase or reduce same at its discretion, all of which duty the Board hereby delegates to the President. The Board may prescribe courses of instruction, rates of tuition and fees, confer such academic and honorary degrees as are usually conferred by institutions of like character, and may do all else necessary and considered in the best interest of the institution to carry out the purposes of the institution.

Section 5. **Emeritus Status.** The Board, in its sole discretion, may recognize any Trustee who has served with distinction as Trustee Emeritus following said Trustee’s term of service. Any Trustee so recognized as Trustee Emeritus shall have no voting rights and will remain Trustee Emeritus at the pleasure of the Board of Trustees. Such designation shall confer no responsibilities, duties, rights, or privileges as such but shall constitute recognition of service and experience and will publicly acknowledge that person as particularly suited for counsel and advice to the Board. The Board encourages the availability of those who have been awarded Trustee Emeritus status for such counsel and advice and may request special services of them.

Section 6. **Removal of a Trustee.** Under the laws of the State of Alabama, the Board of Trustees has no power to remove one of its members. Section 60 of the Constitution of Alabama, which provides that “[no] person convicted of embezzlement of the public money, bribery, perjury, or other infamous crime, shall be eligible to the legislature, or capable of holding any office of trust or profit in this state” sets forth the constitutional grounds and procedure for removing a Trustee.

ARTICLE II

MEETINGS OF THE BOARD OF TRUSTEES

Section 1. **Annual and Regular Meetings.** The Board shall hold a regular annual meeting each year at the University on the first Monday in June, unless the Board, in regular session, shall determine to hold its annual meeting at some other time and place. Each year at the annual meeting, the Board shall schedule its regular meetings to be held during the ensuing year, and may designate one such meeting as the annual meeting of the Board. This schedule of meetings then will be recommended to the Governor for approval. The Chair *pro tempore* may cancel or change the date, place or time of a scheduled regular or annual meeting. The President will provide advance notice of such changes or cancellation. In any event, the Board shall meet at least once in each year.

Section 2. **Special Meetings.** In addition, other than the annual and regularly scheduled meetings of the Board, special meetings of the Board may be assembled, as follows: Special meetings may be called by the Chair *pro tempore* of the Board or the Governor by

written notice mailed to each Trustee at least ten (10) days in advance of the date of the meeting; a special meeting shall be called by the Chair *pro tempore* or the Governor upon application in writing of any three or more members of the board. No special meeting shall be held on a date less than ten (10) days subsequent to the Chair *pro tempore's* or Governor's notice of the meeting, except in case of an emergency, which the Chair *pro tempore* or Governor shall specify in his or her notice to the Board of Trustees.

Section 3. **Adjourned Meetings.** At any meeting, the Board may continue in session as long as it may deem proper for the welfare of the institution. Any session may be adjourned, as provided in *Roberts Rules of Order*, as last revised, and continued at a future time with proper notice to all members.

Section 4. **Quorum.** Seven members of the Board of Trustees shall constitute a quorum, but a smaller number may adjourn from day to day until a quorum is present. A majority of those present shall govern unless a greater number is required hereunder. Members of the Board of Trustees may participate in a meeting of the Board or committee by means of telephone conference, video conference, or similar communications equipment by means of which all persons participating in the meeting may hear each other at the same time. Participation by such means shall constitute presence in person at a meeting for all purposes. However, a majority of a quorum of the members of the Board of Trustees, or, in the event of a meeting of only the executive committee, a majority of a quorum of the executive committee of the Board of Trustees, must be physically present at the location noticed and called for the meeting in order to conduct any business or deliberation. Members of the Board of Trustees and any committees of the board may not utilize electronic communications or otherwise conduct meetings except as in compliance with the Alabama Open Meetings Act. No Trustee for whom a conflict of interest exists shall vote on such matter before the Board.

Section 5. **Agenda.** The President shall mail to each member of the Board notice of the time and place of any meeting, which shall include an agenda for the meeting, at least ten (10) days prior to the time of meeting. The development and preparation of the agenda for Board meetings shall be vested in the President, who shall place such items on the agenda as are needed for the ongoing operation of the institution and/or that require the approval of the Board. Members of the Board desiring to place any item or items on the agenda for meetings shall

inform the President in writing not less than fifteen (15) days prior to the meeting concerning such items, and the President shall include the items in the agenda to be mailed out to the members of the Board in accordance with the foregoing. Any item not included on the agenda mailed to members prior to a meeting may be considered upon the approval of a majority of those present and voting; provided, however, that any discussion or action upon the election of officers of the Board and/or the appointment and/or termination, including a contract renewal, of the President of the University, must be specifically identified on the agenda that was mailed at least ten (10) days prior to the time of meeting. The agenda that is approved by the Board at the commencement of the Board meeting shall be considered the official agenda. The omission of an item from the official agenda shall not invalidate otherwise valid actions by the Board.

Section 6. **Minutes.** Minutes of all meetings of the Board and its committees shall be prepared and distributed promptly to all members of the Board under the direction of the Secretary of the Board. Upon approval by the Board or committee, such minutes shall be recorded in substantially bound books retained in the Office of the President under the direction of the Secretary of the Board.

Section 7. **Public Admission to Meetings.** All meetings of the Board of Trustees shall be open to the public, except that the Board may declare an executive session as authorized by law. Formal action by the Board resulting from any executive session discussions shall be taken by the Board in an open meeting and made a part of the official minutes.

Section 8. **Rules of Order.** Rules of order shall be in accordance with *Robert's Rules of Order*, as last revised, which are the normal governing parliamentary procedure rules. The Chair of the meeting will determine all questions concerning such rules.

Section 9. **Meeting Attendance.** Inasmuch as the Board of Trustees has determined that meeting attendance is crucial to the most efficient management of the University and operation of the Board, the names of all Trustees who do not attend at least half the meetings scheduled each Board year will be reported to the Chair *pro tempore* at the next annual meeting of the Board, and the Chair *pro tempore* will then take the actions he or she deems appropriate.

ARTICLE III OFFICERS

The Board shall have the following officers and any other officers it may elect from time to time. Such officers shall have the powers and shall perform the duties as are set forth herein, together with those which may be authorized and delegated by the Board from time to time. The terms of office for the Chair *pro tempore*, Vice Chair, and Secretary will be three years, with elections held at the annual meeting of the Board corresponding with the expiration of those terms. If a vacancy occurs during the term of any such office, an election to complete the term of that office will be held at the next meeting of the Board.

Section 1. **Chair of the Board.** The Governor of the State of Alabama shall be *ex officio* President of the Board as well as *ex officio* Chair of the Board. The Chair shall preside at all Board meetings which he or she attends and shall call special meetings of the Board upon the conditions set forth herein.

Section 2. **Chair Pro Tempore.** Upon adoption of these Bylaws and thereafter, the Board of Trustees shall elect from its membership a Chair *pro tempore* for a three-year term, commencing immediately following the annual meeting at which the election is held. Such officer may not be elected for successive terms. He or she shall preside at all Board meetings in the absence of the Governor and call special meetings of the Board upon the conditions set forth herein. The Chair *pro tempore* shall serve as chair of the Executive Committee, and shall appoint such committees as may be authorized by the Board, or as he or she may deem desirable, fill vacancies which will occur on such committees, and give final approval to the agenda for the Board meeting.

Section 3. **Vice Chair.** Concurrent with the time of election of the Chair *pro tempore* for the term set forth for the Chair *pro tempore* in Section 2, the Board shall elect from its membership a Vice Chair. In the absence of both the Governor and the Chair *pro tempore*, the Vice Chair shall assume those duties. The Vice Chair shall serve on the Executive Committee.

Section 4. **The Secretary.** Concurrent with the time of election of the Chair *pro tempore* and for the term set forth for the Chair *pro tempore* in Section 2, the Board shall elect a Secretary. Through the Office of the President of the University, the Secretary shall be responsible for the preparation and distribution of notices of Board meetings and agendas. In addition, he or she shall attend Board meetings and make, record, and retain complete records and minutes of all official actions of the Board and its committees. The Secretary shall be the custodian of the corporate seal and affix the seal to documents as executed on behalf of the Board and shall attest to the same and certify any action of the Board. The Secretary shall serve on the Executive Committee.

Section 5. **Removal from Office.** Any officer of the Board may be removed from his or her office for cause by a two-thirds vote of the full Board of Trustees.

ARTICLE IV COMMITTEES

Organization. The Board may create such committees as it deems proper, and may assign to such committees any authority, duty or responsibility desired by the Board; provided, however, that all committees, except the Executive Committee, are advisory to the full Board. The committees of the Board shall consist of the standing committees created herein and other committees created by the Board from time to time. The standing committees shall have the powers, duties and responsibilities set forth herein, or subsequently assigned by the Board through adoption and approval of amendments to these Bylaws. Vacancies in committee memberships shall be filled in the same manner as when appointments originally were made. Committee members and the chair and the vice chair of the committees shall be appointed by the Chair *pro tempore* for terms concurrent with the term of the Chair *pro tempore*.

Method of Operation. The committees and subcommittees shall meet upon the call of the President, the Chair *pro tempore*, or the chair of the committee or subcommittee. Unless otherwise provided, actions taken by such committees are not binding upon the Board, but shall be advisory, except those actions undertaken by the Executive Committee, as authorized in

Article IV, Section I, herein. All recommendations and actions of the committees shall be reported to the Board of Trustees.

Section 1. **Executive Committee.** The Chair *pro tempore* shall appoint an Executive Committee consisting of seven (7) members of the Board, subject to the approval of the Board, with terms concurrent with the term of the Chair *pro tempore*, who serves as chair of the Executive Committee. The majority of the Executive Committee constitutes a quorum. With notice from the President or the Chair *pro tempore*, the Executive Committee may meet at any time. The Executive Committee has the power to transact all business of the Board in the interim between meetings of the Board and may perform all duties and transact all business necessary for the well-being of the University, including, but not limited to, matters related to real estate, personnel issues, investments and athletics. However, action by the full Board is required to amend these Bylaws, remove officers from the University, select or remove the President of the University, issue bonded indebtedness on behalf of the University, or as otherwise determined by the full Board. Minutes of the Executive Committee shall be submitted to all members of the Board.

Section 2. **Budget and Finance Committee.** The Budget and Finance Committee shall be responsible for the review and study of budget requests; recommending comprehensive budgets; review and study of required audits; and submitting such reports and recommendations to the Executive Committee of the Board and/or the full Board, as deemed necessary and appropriate.

Section 3. **Long Range Planning Committee.** The Long Range Planning Committee shall be responsible for long range plan recommendations; review of new and existing academic programs; academic planning and organization; mission statement and statements of role and scope; review of planning for new facilities; and other matters which may be referred to it by the President or the Board.

Section 4. **Health Affairs Committee.** The Health Affairs Committee shall be responsible for providing guidance to and receiving reports from staff and administrative personnel responsible for the University of South Alabama Hospitals and Clinics. It will consider and make recommendations requiring Board action relating to the Hospitals and Clinics

and the College of Medicine. In addition to committee members designated as provided in these Bylaws, the committee includes, as non-voting *ex officio* members, the President, the Vice President for Health Sciences, Dean of the College of Medicine, the President of the Medical Staff of the University of South Alabama Medical Center and the Vice President for Health Systems.

Section 5. **Academic and Student Affairs Committee.** The Academic and Student Affairs Committee shall be responsible for receiving and reviewing information relevant to issues involving academic affairs and student affairs at the University.

Section 6. **Development, Endowment and Investments Committee.** The Development, Endowment and Investments Committee shall be responsible for establishing policies and guidelines to oversee University Development and Alumni Relations programs, invest and manage the University's endowment and other investment funds, and for submitting such reports and recommendations to the Executive Committee of the Board and/or the full Board of Trustees, as deemed necessary and appropriate.

Section 7. **Committee Participation.** The President of the University is vested with the responsibility of providing notice of all committee meetings to the members of the committees. The Chair *pro tempore* will serve as an *ex officio* member on each committee. The President and the Chair *pro tempore* may participate in all meetings but shall have no vote, except that the Chair *pro tempore* shall have a vote when he or she is a member of the committee. All committees assist and support the Board, President, faculty, and staff in carrying out their responsibilities. Committees may request through the Office of the President any information necessary or appropriate to their deliberations. All committee reports and recommendations shall be submitted for consideration and are advisory in nature until they have been approved by the full Board. Any Board member may attend any committee meeting.

ARTICLE V PRESIDENT AND DUTIES

Appointment of the President of the University as Chief Executive Officer of the Institution. The President shall be selected by the Board of Trustees and serve at the pleasure

of the Board but may be removed only by a vote of eight members of the Board. The Board of Trustees is responsible for conducting periodic evaluations of the performance of the President.

The President is the chief educational and administrative officer of the University. Unless excused by the Chair, he or she shall attend and participate in all meetings of the Board and may make recommendations on matters before the Board. The President does not vote on Board matters. The President shall be responsible for the execution of the policies of the Board and the Executive Committee and performing all those matters necessary to carry out the ends and purposes for which the University was established. The President shall have all authority necessary to conduct the programs of the University, including the authority to award degrees, add officers to the University which he or she deems necessary, delegate authority among subordinates and all other authority which shall, from time to time, be delegated by the Board of Trustees to the President. Prior to appointment of vice presidents, the President shall notify the Board of his or her intention to appoint such officers to the University. The President reports to the Board on the current operations of the University and directs, coordinates and implements the planning, development and appraisal of all activities of the University of South Alabama.

ARTICLE VI

CONFLICT OF INTEREST

Members of the Board of Trustees (“Trustees”) of the University of South Alabama have an affirmative obligation to act at all times in the best interests of the University. This policy serves to define the term “conflict of interest” to assist members of the Board in identifying and disclosing such conflicts, and to minimize the impact of such conflicts on the actions of the University whenever possible.

Fiduciary duty. Each Trustee has a fiduciary duty to conduct himself or herself without conflict to the interests of the University. When acting within his or her capacity as a Trustee , he or she must subordinate personal, business, third-party, and other interests to the welfare and best interests of the University.

Conflict of interest. A “conflict of interest” is any transaction or relationship which presents, or may present, a conflict between a Trustee’s obligations to the University and his or

her personal, business, or other interests. A conflict of interest may arise in any circumstance that may compromise the ability of a Trustee to make unbiased and impartial decisions on behalf of the University. Such circumstances may involve family relationships,¹ business transactions, professional activities, or personal affiliations.

Further, Alabama Code §13A-10-62 (1975) provides:

- (a) A public servant commits the crime of failing to disclose a conflict of interest if he exercises any substantial discretionary function in connection with a government contract, purchase, payment or other pecuniary transaction without advance public disclosure of a known potential conflicting interest in the transaction.
- (b) A “potential conflicting interest” exists, but is not limited to, when the public servant is a director, president, general manager or similar executive officer, or owns directly or indirectly a substantial portion of any non-governmental entity participating in the transaction.
- (c) Public disclosure includes public announcement or notification to a superior officer or the attorney general.
- (d) Failing to disclose a conflict of interest is a Class A misdemeanor.

Disclosure. The Board of Trustees recognizes that conflicts of interest are not uncommon, and that not all conflicts of interest are necessarily harmful to the University. However, the Board requires full disclosure of all actual and potential conflicts of interest. Each Trustee shall disclose any and all facts that may be construed as a conflict of interest, both through an annual completion of a Statement of Disclosure, and completion of an amended Statement of Disclosure whenever such actual or potential conflict occurs.

Process. Any actual or potential conflicts which are presented in a Statement of Disclosure or amended Statement of Disclosure will be evaluated for action, as needed, by the Chair *pro tempore* of the Board of Trustees. The Chair *pro tempore*, or Vice Chair if evaluating a possible conflict of the Chair *pro tempore*, of the Board may either handle the evaluation on his or her own or refer it to the Board for further consideration. Additional information from a Trustee may be sought at any time. A Trustee whose potential conflict is under review may not debate, vote, or otherwise participate in the evaluation of the conflict. If a conflict is being

¹Family relationships include spouse, child, grandchild, parent, grandparent, sibling, niece, nephew, aunt, uncle, cousin, in-laws and step relations, as well as any person living in the household of a Trustee.

evaluated or has been found to exist, the Trustee shall recuse himself or herself from any discussion or voting regarding transactions involving the area of conflict.

Resolution. If it is determined that an actual or potential conflict of interest does exist, an appropriate remedy shall be determined. Such remedy may include, but is not limited to, the following:

- Waive the conflict of interest as unlikely to affect the Trustee's ability to act in the best interests of the organization.
- Determine that the Trustee should be recused from all deliberation and decision-making related to the particular transaction or relationship that gives rise to the conflict of interest.

Policy regarding Trustees doing business with the University. A conflict of interest exists any time a Trustee seeks to enter into a business relationship with the University. Similar conflicts may arise through family members or through organizations in which a Trustee serves in a leadership, employment, or ownership capacity.

Such conflicts do not necessarily preclude business relationships with the University. The following procedure is designed to resolve conflicts of interest whenever a Trustee or a member of his or her family (see footnote number 1) has an ownership interest in, is a director, officer, or key individual of an entity which intends to enter into a business relationship with the University:

- The Trustee must promptly disclose the intent to enter into a business relationship with the University to the Chair *pro tempore* of the Board of Trustees.
- The Trustee must recuse himself or herself from all deliberation, debate and voting related to the contemplated business relationship.

- The Chair *pro tempore* or the Board if the issue is referred by the Chair, must determine without the presence or participation of the Trustee under review that the transaction is fair and in the best interest of the University.
- If the business relationship under consideration is approved, the Trustee may not participate in any process by which his or her performance as a vendor or recipient is evaluated, or in any such evaluation of a related party.

Notwithstanding the foregoing, contracts, or proposals for purchases of goods, property, or services will not be awarded to organizations in which a Trustee either:

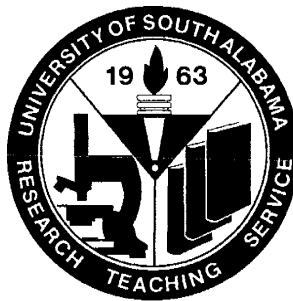
- 1) holds an interest of ten percent (10%) or greater, or
- 2) serves as a director or senior executive officer,

if a substantial part of the contract or proposal involves the quality of performance (i.e. possibly requiring enforcement of a performance bond or filing suit for non-performance). Also, no Trustee shall advocate or attempt to influence the employment by the University of any member of his or her family.

ARTICLE VII

SEAL

Section 1. **Official Corporate Seal.** The official corporate seal of the University of South Alabama shall be circular in form, encircled as follows:



ARTICLE VIII
AMENDMENT OR REPEAL OF BYLAWS

After the adoption of these Bylaws, they may be amended or repealed at any meeting of the Board by eight members of the Board voting in favor of same, but no such action shall be taken unless notice of the substance of such proposed adoption, amendment or repeal was given at a previous meeting or notice in writing of the substance of the proposed change was served upon each member of the Board at least thirty (30) days in advance of the final vote upon such change. However, by unanimous consent of the entire Board, the requirements for such notice may be waived. The Chair *pro tempore* may appoint an ad hoc committee which may meet from time to time to consider Bylaw amendments.

11th Edition, March 7, 2014

RESOLUTION

PRESIDENTIAL CONTRACT

WHEREAS, the Board of Trustees of the University of South Alabama unanimously voted to hire Dr. Tony G. Waldrop as the next president of the University of South Alabama, and

WHEREAS, the Board of Trustees will offer Dr. Waldrop certain terms of employment in the form of a contract of employment, and

WHEREAS, terms are being discussed with Dr. Waldrop,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees delegates its authority to finalize the terms of Dr. Waldrop's employment as President of the University of South Alabama and to sign the contract evidencing such terms to its Chair *pro tempore*, Dr. Steve Furr, in consultation with the chair of the Compensation Committee.

RESOLUTION

**USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR NOVEMBER AND DECEMBER 2013, AND JANUARY 2014**

WHEREAS, the Medical Staff appointments and reappointments for November and December 2013, and January 2014 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, the Board of Trustees of the University of South Alabama approves the appointments and reappointments as submitted.

FEB 07 2014

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: Dr. John W. Smith
President

FROM: Stan Hammack

DATE: February 6, 2014

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 November and December, 2013 and January, 2014

- Credentials Report – November and December, 2013 and January, 2014

SKH:eb

Attachments

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
November 2013, December 2013, January 2014

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
Adair, Jennifer G., MD	New Appt.	Refer/Follow	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Allison, Ronald, MD	Reappt.	Consulting	Internal Medicine	Reappt.	Active	Internal Medicine	Reappt.	Cons/Active	Internal Medicine
Alonso, Jorge E., MD	Reappt.	Active	Orthopaedics	Reappt.	Active	Orthopaedics	Reappt.	Active	Orthopaedics
Ambrose, Michael R., MD	N/A	N/A	N/A	Reappt.	Active	Emergency	N/A	N/A	N/A
Andry, Shandra E., CNM	New Appt.	Allied	OB/GYN	N/A	N/A	N/A	New Appt.	Allied	OB/GYN
Ashbee, Susan, MD	Reappt.	Courtesy	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Atkinson, Tangela C., MD	Reappt.	Active	Family Medicine	Reappt.	Active	Family Medicine	Reappt.	Active	Family Medicine
Awan, Farida N., MD	Reappt.	Refer/Follow	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Bamford, Jeremy A., Neuro Tech	New Appt.	Allied	Neurosurgery	New Appt.	Allied	Neurosurgery	N/A	N/A	N/A
Baltin, Latanja S., CRNP	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A
Batten, Lynn A., MD	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics	N/A	N/A	N/A
Bedsole, Rhonda R., MD	New Appt.	Refer/Follow	Pediatrics	New Appt.	Refer/Follow	Pediatrics	N/A	N/A	N/A
Bentley, James Randy, MD	Reappt.	Courtesy	OB/GYN	N/A	N/A	N/A	N/A	N/A	N/A
Berry, Michael A., MD	N/A	N/A	N/A	Reappt.	Courtesy	Internal Medicine	N/A	N/A	N/A
Blair, Tina R., RN	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine	N/A	N/A	N/A
Brewer, Justin F., PA	Reappt.	Allied	Orthopaedics	Reappt.	Allied	Orthopaedics	N/A	N/A	N/A
Bright, Karen, RN	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine	N/A	N/A	N/A
Britton, Amy L., CRNP	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A
Brogdon, Byron G., MD	Reappt.	Courtesy	Radiology	Reappt.	Courtesy	Radiology	Reappt.	Courtesy	Radiology
Calametti, Karen I., MD	New Appt.	Refer/Follow	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Castor, Jr., Kenneth C., MD	New Appt.	Refer/Follow	Pediatrics	New Appt.	Refer/Follow	Pediatrics	N/A	N/A	N/A
Cepeda, Matthew E., MD	New Appt.	Refer/Follow	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Charaf, Edriss, MD	N/A	N/A	N/A	New Appt.	Active	Internal Medicine	N/A	N/A	N/A
Charbonnet									

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
November 2013, December 2013, January 2014

NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Flotte, Edward, MD	N/A	N/A	N/A	Reappt.	Active	Neurosurgery	N/A	N/A	N/A
Fouty, Brian, MD	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine
Franks, Ronald D., MD	Reappt.	Consulting	Psychiatry	Reappt.	Consulting	Psychiatry	Reappt.	Consulting	Psychiatry
Freeman, Andrew G., MD	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A	N/A	N/A	N/A
Frego, Jennifer H., CRNP	Reappt.	Allied	Pediatrics	N/A	N/A	N/A	Reappt.	Allied	Pediatrics
Gale, Tammy, RN	New Appt.	Allied	Pediatrics	N/A	N/A	N/A	New Appt.	Allied	Pediatrics
Gore, Lisa D., CRNP	Reappt.	Allied	Pediatrics	N/A	N/A	N/A	Reappt.	Allied	Pediatrics
Greene, Joni, Dental Assist.	New Appt.	Allied	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Gremse, David A., MD	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics
Harris, Curtis N., MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	Reappt.	Active	Surgery
Harris, Edna L., CRNP	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A
Hart, James F., DO	Reappt.	Courtesy	Psychiatry	Reappt.	Courtesy	Psychiatry	N/A	N/A	N/A
Hollensworth, Laura K., MD	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A	N/A	N/A	N/A
Huettemann, Catherine W., MD	New Appt.	Refer/Follow	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Huettemann, Richard E., MD	New Appt.	Refer/Follow	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Hunt, Julie D., CRNP	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A
Hurley, Janet T., PA	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A
Ichim, Stefan, MD	Reappt.	Active	Anesthesiology	Reappt.	Active	Anesthesiology	N/A	N/A	N/A
Kahn, Andrea G., MD	Reappt.	Active	Pathology	Reappt.	Active	Pathology	Reappt.	Active	Pathology
Kassner, Deborah A., MD	New Appt.	Refer/Follow	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Kirk, Jessica, MD	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics
Kirkland, II, Charles E., MD	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A	N/A	N/A	N/A
Kirkland, Lynne P., MD	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A	N/A	N/A	N/A
Laughlin, Britney B., DO	Reappt.	Courtesy	OB/GYN	N/A	N/A	N/A	N/A	N/A	N/A
Laycock, David G., MD	New Appt.</								

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
November 2013, December 2013, January 2014

NAME	USACWH			USAMC			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Norman, Cindy L., CRNP	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A
O'Kelley, Bonnie J., Dental Assist.	New Appt.	Allied	Surgery	N/A	N/A	N/A	N/A	N/A	N/A
Omar, Bassam, MD	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine
Pitts, Denise M., RN	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine	N/A	N/A	N/A
Polk, Nicole D., RN	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine	N/A	N/A	N/A
P'Pool, Astra Autumnne, RN	New Appt.	Allied	Internal Medicine	New Appt.	Allied	Internal Medicine	N/A	N/A	N/A
Price, Martha Lane, MD	New Appt.	Contract/Locum	Radiology	New Appt.	Contract/Locum	Radiology	N/A	N/A	N/A
Rizk, Botros, MD	Reappt.	Active	OB/GYN	Reappt.	Active	OB/GYN	Reappt.	Active	OB/GYN
Roberts, Norma Faye, MD	New Appt.	Refer/Follow	Pediatrics	N/A	N/A	N/A	N/A	N/A	N/A
Robison, James M., RN	New Appt.	Allied	Internal Medicine	New Appt.	Allied	Internal Medicine	N/A	N/A	N/A
Ronderos, Juan F., MD	Reappt.	Active	Neurosurgery	Reappt.	Active	Neurosurgery	N/A	N/A	N/A
Rusyniak, Walter G., MD	Reappt.	Active	Neurosurgery	Reappt.	Active	Neurosurgery	Reappt.	Active	Neurosurgery
Sansariq, Jean A., MD	Reappt.	Active	OB/GYN	Reappt.	Active	OB/GYN	N/A	N/A	N/A
Scherer, III, L. R. "Tres", MD	New Appt.	Contract/Locum	Surgery	New Appt.	Contract/Locum	Surgery	New Appt.	Contract/Loc	Surgery
Schneider, Jr., Joseph F., MD	Reappt.	Contract/Locum	Radiology	Reappt.	Contract/Locum	Radiology	N/A	N/A	N/A
Schrubbe, Benjamin P., MD	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A	N/A	N/A	N/A
Silver, Frederick N., MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	Reappt.	Active	Surgery
Teplick, Richard S. MD	New Appt.	Refer/Follow	Family Medicine	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A
Thompson, Laura H., MD	New Appt.	Refer/Follow	Family Medicine	N/A	N/A	N/A	N/A	N/A	N/A
Townsend, Laura A., PA	New Appt.	Allied	Orthopaedics	New Appt.	Allied	Orthopaedics	N/A	N/A	N/A
Vu, Mary A., MD	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine	New	Active	Internal Medicine
Varner, Stephen T., MD	Reappt.	Active	OB/GYN	Reappt.	Active	OB/GYN	Reappt.	Active	OB/GYN
Watters, Harriett M., RN	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine	N/A	N/A	N/A
Weinacker, Elizabeth R., MD	New Appt.	Refer/Follow	Pediatrics	N/A	N/A				

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

November 2013, December 2013, and January 2014

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	Moved, Retired or Resigned

RECOMMENDED BY:

Donna H. Dyess

Donna Lynn Dyess M.D., Chair of Medical Executive Committee or Chair Elect
USA Children's & Women's Hospital

William O. Richards

William O. Richards, M.D., Chair of Medical Executive Committee or Chair Elect
USA Medical Center

Stanley K. Hammack

Stanley K. Hammack
Vice President, USA Health Systems

RESOLUTION

HONORARY DOCTORATE DEGREE FOR DR. JEAN J. BOTTI

WHEREAS, the University of South Alabama seeks to honor exceptional individuals who have given a substantial part of their lives to serving others and who have distinguished themselves throughout their professional careers, and

WHEREAS, Dr. Jean J. Botti has served with distinction in leadership positions since 1978 with international companies such as Renault, General Motors, Delphi Corporation, and the European Aeronautic Defence and Space Company, and

WHEREAS, Dr. Botti serves as Chief Technical Officer (CTO) of Airbus Group and a member of the Airbus Group Executive Committee, and

WHEREAS, Dr. Botti has served as chair of the EADS Corporate Foundation which sponsors international research projects of widely recognized import and provides doctoral and post-doctoral scholarships for studies, and

WHEREAS, Dr. Botti holds 24 patents and has made numerous other innovative technical contributions in a variety of fields over the course of his career to the benefit of the general prosperity and well-being of humankind, and

WHEREAS, Dr. Botti is an active member of the National Academy of Technologies of France where he is regularly involved in discussions on better ways to put technology to use for the benefit of humankind, and

WHEREAS, Dr. Botti has been recognized by honorary doctorates from Bath University and Cardiff University in the United Kingdom and serves with distinction on the board, as a fellow, or on technical committees of numerous industrial, governmental, or non-profit organizations, and

WHEREAS, Dr. Botti has been instrumental in building a mutually beneficial relationship with the University of South Alabama and Airbus, and this would appear to have special importance to the future education of USA students in engineering and computing in particular, and also be instrumental to a variety of research opportunities that will engage USA faculty,

THEREFORE, BE IT RESOLVED, for his commitment to serving the citizens of the state of Alabama, the United States of America, and indeed the citizens of the world and for his dedication to furthering the use of technology to the benefit of humankind, the University of South Alabama is pleased to bestow upon Dr. Jean J. Botti, this day, the degree of Doctor of Humane Letters (L.H.D.), *honoris causa*.



MEMORANDUM
UNIVERSITY OF SOUTH ALABAMA

REC'D
OFFICE OF THE PRESIDENT

FEB 19 2014

OFFICE OF ACADEMIC AFFAIRS
UNIVERSITY OF SOUTH ALABAMA

February 18, 2014

TO: John W. Smith

FROM: David Johnson 

SUBJECT: Honorary Doctorate Committee Recommendation

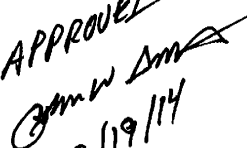
On February 18, 2014, the Honorary Doctorate Committee voted (9-yes, 0-no and 1-not voting) to recommend awarding an honorary degree to Dr. Jean J. Botti.

Therefore, on behalf of the Honorary Doctorate Committee, I am pleased to forward to you the following recommendation:

- That the University of South Alabama award to Dr. Jean J. Botti the honorary degree of Doctor of Humane Letters (L.H.D.), *honoris causa* on the occasion of its Spring Commencement, 2014.

Thank you.

GDJ:njc

APPROVED

2/19/14

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

Unaudited

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

Contents

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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 December 31, 2013, the University had total assets of \$1,064,563,000, total liabilities of \$561,429,000 and net position of \$503,134,000. University net position increased \$10,144,000 for the three months ended December 31, 2013 compared to an increase of \$1,477,000 for the three months ended December 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 three months ended December 31, 2013 and 2012 follow (in thousands):

Condensed Statements of Net Position

	2013	2012
<i>Assets</i>		
Current	\$ 379,497	\$ 316,822
Capital and other noncurrent assets	685,066	669,077
	<u>1,064,563</u>	<u>985,899</u>
<i>Liabilities</i>		
Current	146,838	138,092
Noncurrent	414,591	392,793
	<u>561,429</u>	<u>530,885</u>
<i>Net Position</i>		
Net Investment in Capital Assets	229,047	229,818
Restricted, nonexpendable	37,159	34,807
Restricted, expendable	56,793	47,225
Unrestricted	180,135	143,164
	<u>\$ 503,134</u>	<u>\$ 455,014</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	\$ 36,773	\$ 35,121
Hospital revenues, net	60,198	61,674
Other	28,307	26,621
	<u>125,278</u>	<u>123,416</u>
<i>Operating expenses</i>		
Salaries and benefits	105,727	105,929
Supplies and other services	32,609	32,021
Other	11,450	11,543
	<u>149,786</u>	<u>149,493</u>
Operating loss	(24,508)	(26,077)
<i>Nonoperating revenues (expenses)</i>		
State appropriations	25,674	25,324
Other, net	5,813	(1,620)
Net nonoperating revenues, net	<u>31,487</u>	<u>23,704</u>
Other revenues, expenses, gains or losses	3,165	3,850
Increase in net position	10,144	1,477
<i>Net Position</i>		
Beginning of period	492,990	453,537
End of period	<u>\$ 503,134</u>	<u>\$ 455,014</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 net of related debt, 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 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

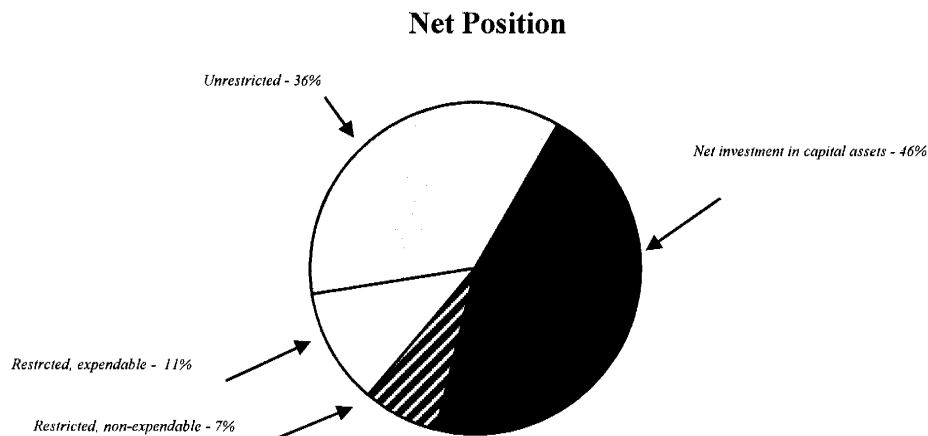
University of South Alabama

Management's Discussion and Analysis (continued)

accounting, whereby revenues are recognized when the service 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, accrued liabilities and unrecognized revenue.

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 position is subject to externally imposed restrictions governing their use. The funds are restricted primarily for debt service, capital projects, student loans and scholarship purposes.

University of South Alabama

Management's Discussion and Analysis (continued)

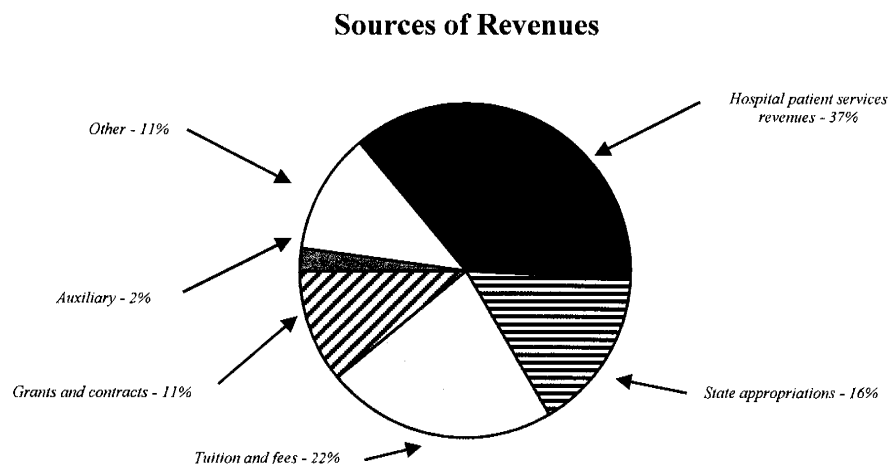
Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's unrestricted net position has been designated for various academic and research programs and initiatives as well as capital projects.

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:

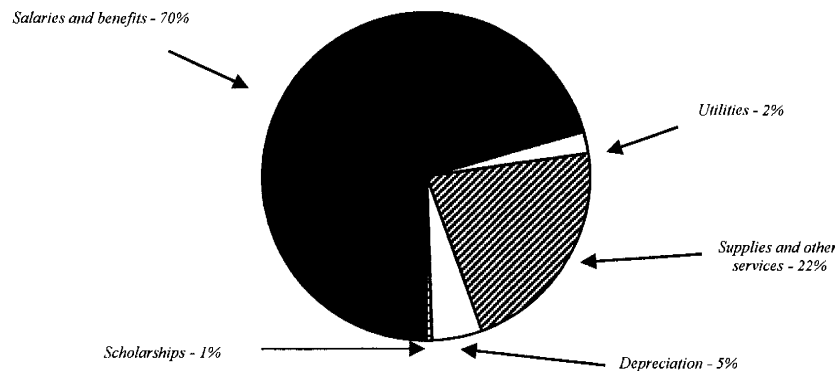


University of South Alabama

Management's Discussion and Analysis (continued)

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 and construction planning continued on the Medical Professional Office Building and a major renovation of the Student Center. Additionally, several other smaller construction and renovation projects at the University and Hospitals remained ongoing during the current period. The construction of New Hall and the expansion of the USA Children's and Women's Hospital was essentially completed in fiscal 2013. In fiscal 2012, the Renovation of the University Bookstore and the Campus Entrance Portals were placed into service.

In June 2013, the University issued the University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B and 2013-C, with a face value of \$50,000,000. The net proceeds of these bonds will be used to fund the construction of a new professional medical office building as well as other construction and other capital projects on the main campus of the University.

The University's bond credit rating is A1 as rated by Moody's Investors Services and A+ as rated by Standard and Poor's Rating Services. Neither rate has changed during 2013 or 2014.

University of South Alabama

Management's Discussion and Analysis (continued)

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 2006 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 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.

University of South Alabama

Management's Discussion and Analysis (continued)

A state appropriation in the amount of approximately \$101,295,000 was authorized and received for the year ended September 30, 2013. This represented a \$4,096,000 decrease from the fiscal 2012 appropriation received.

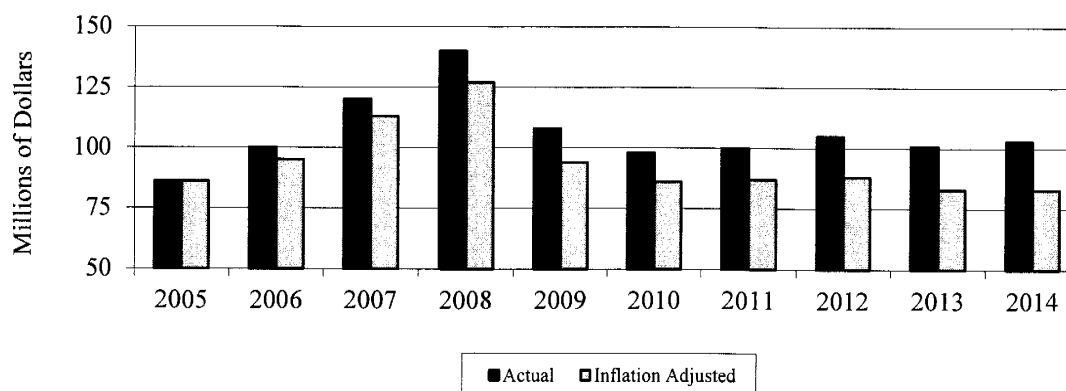
A state appropriation in the amount of approximately \$103,696,000 has been authorized and is being received for the year ending September 30, 2014. This represents a \$1,111,000 increase from the fiscal 2013 appropriation received. While no announcement has been made, the University is aware that reductions in its 2014 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:

State Appropriations - Ten-year Trend



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 2014 beyond those unknown variables having a global effect on virtually all types of business operations.

University of South Alabama

Statements of Net Position

December 31, 2013 and 2012

(In thousands)

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 93,596	\$ 76,958
Investments, at fair value	141,770	97,417
Net patient service receivables	37,999	40,443
Accounts receivable, affiliates	20,433	26,165
Accounts receivable, other	68,847	60,388
Notes receivable, net	6,677	4,145
Prepaid expenses, inventories and other	10,175	11,306
Total current assets	379,497	316,822
Noncurrent assets		
Restricted cash and cash equivalents	81,405	81,729
Investments, at fair value	395	741
Accounts receivable	4,263	4,583
Notes receivable, net	4,343	7,659
Other noncurrent assets	27,296	36,204
Capital assets (net of accumulated depreciation)	567,364	538,161
Total noncurrent assets	685,066	669,077
Total Assets	1,064,563	985,899
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	66,300	60,497
Unrecognized revenue	64,207	64,631
Deposits	3,324	2,079
Current portion of long-term debt	13,007	10,885
Total current liabilities	146,838	138,092
Noncurrent liabilities		
Long-term debt	383,637	344,669
Other long-term liabilities	30,954	48,124
Total noncurrent liabilities	414,591	392,793
Total liabilities	561,429	530,885
Net position		
Net investment in capital assets	229,047	229,818
Restricted, nonexpendable		
Scholarships	16,335	14,921
Other	20,824	19,886
Restricted, expendable		
Scholarships	12,130	8,078
Other	44,663	39,147
Unrestricted	180,135	143,164
Total net position	\$ 503,134	\$ 455,014

See accompanying notes to basic financial statements.

University of South Alabama

Statements of Revenues, Expenses and Changes in Net Position

Three Months Ended December 31, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Revenues		
Operating revenues		
Tuition and fees (net of scholarship allowances)	\$ 36,773	\$ 35,121
Patient services and other (net of contractual allowances and bad debt expense)	60,198	61,674
Federal grants and contracts	4,116	3,053
State grants and contracts	999	1,306
Private grants and contracts	12,793	13,047
Auxiliary enterprises (net of scholarship allowances)	3,606	3,096
Other operating revenues	6,793	6,119
Total operating revenues	<u>125,278</u>	<u>123,416</u>
Expenses		
Operating expenses		
Salaries and benefits	105,727	105,929
Supplies and other services	32,609	32,021
Scholarships and fellowships	826	793
Utilities	3,212	2,959
Depreciation and amortization	7,412	7,791
Total operating expenses	<u>149,786</u>	<u>149,493</u>
Operating loss	(24,508)	(26,077)
Nonoperating revenues (expenses)		
State appropriations	25,674	25,324
Investment income and gains (losses) on investments	3,996	(176)
Interest on indebtedness	(3,305)	(3,332)
Other nonoperating revenues	5,135	5,201
Other nonoperating expenses	(13)	(3,313)
Net nonoperating revenues	<u>31,487</u>	<u>23,704</u>
Income (loss) before other revenues, expenses, gains or losses	6,979	(2,373)
Capital appropriations	618	-
Capital gifts and grants	201	2,685
Additions to endowment	2,346	1,165
Increase in net position	<u>10,144</u>	<u>1,477</u>
Net position		
Beginning of period, before cumulative effect of change in accounting principal	<u>492,990</u>	<u>453,537</u>
End of period	<u>\$ 503,134</u>	<u>\$ 455,014</u>

See accompanying notes to basic financial statements.

University of South Alabama

Statement of Cash Flows

Three Months Ended December 31, 2013 and 2012

(in thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Receipts related to tuition and fees	\$ 1,467	\$ 3,200
Receipts from and on behalf of patients and third-party payers	67,991	71,095
Receipts from grants and contracts	16,327	18,068
Receipts related to auxiliary enterprises	1,396	1,165
Payments to suppliers and vendors	(29,956)	(44,598)
Payments to employees and related benefits	(111,818)	(104,091)
Payments for scholarships and fellowships	(826)	(793)
Other operating receipts	8,837	13,384
Net cash used in operating activities	<u>(46,582)</u>	<u>(42,570)</u>
Cash flows from noncapital financing activities:		
State appropriations	8,558	8,411
Endowment gifts	2,346	1,165
Agency funds received	135	396
Agency funds disbursed	(160)	(666)
Student loan program receipts	775	864
Student loan program disbursements	(421)	(813)
Other nonoperating revenues	3,428	10,370
Other nonoperating expenses	(13)	(3,312)
Net cash provided by noncapital financing activities	<u>14,648</u>	<u>16,415</u>
Cash flows from capital and related financing activities:		
Proceeds from issuance of capital debt	-	-
Capital gifts and grants	329	3,557
Purchases of capital assets	(5,565)	(12,034)
Proceeds from sale of capital assets	3,698	3,556
Principal payments on capital debt	(4,650)	(4,450)
Interest payments on capital debt	(2,500)	(2,500)
Net cash used in capital and related financing activities	<u>(8,688)</u>	<u>(11,871)</u>
Cash flows from investing activities:		
Interest and dividends on investments	1,955	561
Proceeds from sales of investments	10,460	4,577
Purchases of investments	(17,915)	(11,780)
Net cash used in investing activities	<u>(5,500)</u>	<u>(6,642)</u>
Net decrease in cash and cash equivalents	(46,122)	(44,668)
Cash and cash equivalents (unrestricted and restricted):		
Beginning of year	<u>221,123</u>	<u>203,355</u>
End of period	<u>\$ 175,001</u>	<u>\$ 158,687</u>

University of South Alabama

Statement of Cash Flows

Three Months Ended December 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	\$ (24,508)	\$ (26,077)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	7,412	7,791
Changes in operating assets and liabilities, net:		
Student receivables	(43,198)	(39,480)
Net patient accounts receivable	(8,156)	(13,605)
Grants and contracts receivables	(1,979)	1,516
Other receivables	(7,313)	8,889
Prepaid expenses, inventories, and other	321	(516)
Accounts payable and accrued liabilities	14,986	3,685
Deferred revenue	15,853	15,227
Net cash used in operating activities	\$ <u>(46,582)</u>	\$ <u>(42,570)</u>

See accompanying notes to basic financial statements.

University of South Alabama
Notes to Financial Statements
December 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*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, 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.

During 2013, the University adopted GASB Statement No. 61, the Financial Reporting Entity: Omnibus, which amends GASB Statements No. 14 and No. 39, and provides criteria for determining whether criteria organization should be reported as component units based on the nature and significance of their relationship with the primary government. Such criteria include the appointment of a voting majority of the board of the organization, the ability to impose the will of the primary government on the organization and the financial benefits/burden between the primary government and the potential component unit. The statement also clarifies reporting and disclosure 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. This entity is not considered a component unit of the University under the provisions of GASB Statement Nos. 14, 39 and 61.

GASB Statement No. 61 requires the University, as the primary government, to include in its basic financial statements, as a blended component unit, organizations that, even though they are legally separate entities, meet certain requirements as defined by GASB Statement No. 61. Based on these criteria, the University reports the Professional Liability Trust Fund, the General Liability Trust Fund and the USA HealthCare Management, LLC as blended component units. For quarterly reporting purposes, only the USA HealthCare Management, LLC is presented as a blended component unit.

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Professional Liability and General Liability Trust Funds

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 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 is maintained and managed in a general liability trust fund (the GLTF) for which the 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.

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.

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

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retaining technology and research industries in Alabama that will provide professional and career opportunities to the University's students and faculty. Because of the 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.

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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.

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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.

Unrecognized 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 Infirmiry Health System, Inc. are deferred and recognized as revenue over the term of the lease using the straight-line method. This lease was terminated in July 2013. As such no amounts remain in unrecognized revenue at December 31, 2013 related to this transaction.

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

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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 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.

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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.

Recently Adopted Accounting Pronouncements

In 2013, the University adopted the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. GASB Statement No. 61 amends GASB Statements No. 14 and 39 and modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 61 requires that for organizations that previously were included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Statement No. 61 also established criteria to require inclusion based on other additional factors, such as organization board appointment, financial benefit or

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burden and operational management of the organization. The adoption of this statement had no financial reporting entity impact on the University's component units; however it did require additional disclosures for blended component units.

In 2013, the University also adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year ended September 30, 2014. Retroactive application of the standard was required for all prior periods presented.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows or resources and deferred inflows of resources. GASB Statement No. 65 establishes accounting and reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reports as assets and liabilities and recognizes, as outflows or resources or inflows of resources, certain items that were previously reported as assets and liabilities. The University had historically deferred certain debt financing costs related to its bond issues and was amortizing those costs over the term of the related bond issue. GASB Statement No. 65 requires that debt issuance costs, except any portion related to prepaid insurance costs, be recognized as an expense in the period incurred.

Compensated Absences

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

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.

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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 designated for the State of Alabama. Additional collateral was not required for University funds on deposit with QPD institutions. At September 30, 2013, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$9,778,000,000.

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

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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.

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

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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 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.

In December 2013, Wells Fargo exercised its option related to the Series 2004 swaption.

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 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:

	<u>2004 Bonds</u>	<u>2006 Bonds</u>
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.

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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.

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

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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.

University Facilities Revenue Capital Improvement Bond, Series 2013-A, 2.83% payable through August 2033.

University Facilities Revenue Capital Improvement Bond, Series 2013-B, 2.83% payable through August 2033.

University Facilities Revenue Capital Improvement Bond, Series 2013-C, 2.78% payable through August 25

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 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. The 2012-A and 2012-B bonds began maturing in August 2013. The 2012-A Bond is redeemable beginning in August 2021. The 2012-B Bond is redeemable beginning in January 2015. The 2013-A, 2013-B and 2013-C Bonds begin maturing in August 2014 and are redeemable beginning in June 2023

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

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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. 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 14% and 13% of the Hospitals' net patient service revenue for the year ended June 30, 2012 and 2011, respectively.

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

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from the Blue Cross program accounted for approximately 17% and 18% of the Hospitals' net patient service revenue for the years ended June 30, 2012 and 2011, respectively.

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% and 29% of the Hospital's net patient service revenue for the years ended June 30, 2012 and 2011.

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 System, 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 original lease was effective through March 2056 with an automatic renewal, for an additional forty-nine years, through March 2105; and may be canceled by the Infirmity after the initial fifty-year term. The lease provided for its termination, at the option of the Infirmity, in the event that a change in any law, statute, rule, or a regulation of any governmental or other regulatory body was deemed by the Infirmity as significant, as defined by the lease. The hospital was operating as Mobile Infirmity West.

In October 2012, official of the Infirmity publically announced the closing of the Mobile Infirmity West effective October 31, 2012.

As a result of the closing of the hospital, in May 2013, the University's Board of Trustees determined that it was in the best interest of the University to sell Knollwood Hospitals, all related furniture and equipment, adjacent medical office buildings, and land. As such, the Board approved a resolution authorizing University management to seek proposals for the sale of Knollwood and proceed with negotiations with potential buyers. Subsequent to a public advertisement and negotiation period, the University and

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

Infirmary entered into a Purchase and Sale Agreement (the Agreement), dated June 3, 2013. The agreement called for the sale of all land, building, furniture and equipment at Knollwood to the Infirmary. Following a period of due diligence, the transaction was closed on July 19, 2013.

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 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

University of South Alabama
Notes to Financial Statements
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termination of employment, employees are paid all unused accrued vacation at 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.

10. Risk Management

The University, USAHSF and the LLC participate in the professional liability trust fund and the University and the LLC participates in the general liability trust fund. Both funds are administered by an independent trustee. These trust funds are revocable and use contributions by the University, USAHSF and the LLC, 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.

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 plan assets 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

University of South Alabama
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December 31, 2013

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 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

University of South Alabama
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December 31, 2013

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 June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 changes accounting and financial reporting for entities participating in certain pension plans and will be effective for the year ending September 30, 2015. 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 disposal of government operations and will be effective for the year ending September 30, 2015. In November 2013, the GASB issued Statement No. 71, *Pension Transition for contributions Made Subsequent to the Measurement Date*. GASB Statement No. 71 is was issued as an amendment of GASB Statement No. 68 with an objective of addressing an issue regarding application of the transition provisions of Statement No. 68 relating to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Statement 71 will be effective for the year ending September 30, 2015.

The effect of the implementation of GASB Statements Nos. 68, 69 and 71 on the University has not been determined.

RESOLUTION
SALE OF REAL PROPERTY

WHEREAS, the University of South Alabama owns real property in Montrose, Alabama, consisting of 12.37 acres, this gift of the land was made to the University in 2004 by Jack and Courtney Hays, and

WHEREAS, the property is remote to the campus and due to the nature of this property, that being residential lots, it is deemed economically justified and in the best interest of the state and the University of South Alabama to sell such property through a listing with a duly licensed real estate broker and utilize the proceeds of the sale to further the mission of the University (see *Declaration of Best Interest* attached hereto),

THEREFORE, BE IT RESOLVED, the Board of Trustees authorizes the President of the University of South Alabama and the Vice President for Financial Affairs to place the property on the market through the process outlined in the *Policy and Procedure By Which The University of South Alabama Would Sell or Lease Real Property or Interest Owned by The University of South Alabama*, as approved by this Board on March 9, 2006.

UNIVERSITY OF SOUTH ALABAMA




OFFICE OF THE PRESIDENT

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

Declaration of Best Interest

To: University of South Alabama Board of Trustees

From: John W. Smith,  Acting President

Re: Use of Real Estate Broker in Sale of Land

Date: March 7, 2014

The University of South Alabama (USA) owns land obtained through a gift/bargain sale to the University by Dr. and Mrs. Jack Hays located in Baldwin County. Given the parcel and its location remote to the campus, I believe it to be in the best interest of the University of South Alabama to sell the land and any improvements thereon and use the proceeds to further the mission of the University. Also, given the parcel and its location, I approve the placement of the land with a duly licensed real estate broker as economically justified and in the best interest of the State of Alabama and the University in order to achieve the most economically advantageous and expeditious sale possible. I would, therefore, recommend that should the Board agree to the sale of this land, that the Board ratify my approval, as the agent of the Board, of this method of sale.

UNIVERSITY OF SOUTH ALABAMA

FINANCIAL AFFAIRS



TELEPHONE: (251) 460-6132
AD 170 • MOBILE, ALABAMA 36688-0002

DATE: March 5, 2014

TO: Acting President John W. Smith

FROM: Stephen H. Simmons, Vice President for Financial Affairs *Stephen H. Simmons*

SUBJECT: Agenda Item for March 7, 2014 Board of Trustees Meeting
Hays Property

Attached is a resolution for consideration by the Board of Trustees of the University of South Alabama concerning the sale of land owned by the University that was acquired through a gift/bargain purchase from Jack and Coco Hays. The land is in Baldwin County, remote from the University's campuses. With your approval, this item, in the form of the attached resolution, will be presented to the Board of Trustees for their approval. Further, I recommend the adoption of the resolution by the Board of Trustees.

Attachment

APPROVED
Comm
3/4/14

RESOLUTION

ADOPTION OF AFFILIATION AGREEMENT BETWEEN THE UNIVERSITY OF SOUTH ALABAMA AND THE UNIVERSITY OF SOUTH ALABAMA FOUNDATION FOR RESEARCH AND COMMERCIALIZATION

WHEREAS, the University of South Alabama Foundation for Research and Commercialization (“the Foundation”) was established as a non-profit, educational and charitable organization for the purposes of serving the University of South Alabama (“the University”) and promoting the mission of the University pursuant to its Articles of Incorporation, by furthering the educational and scientific mission of the University through support of its academic programs, scientific research and development initiatives, and enhancement of the University’s educational and training opportunities through, among other things, promotion of development, growth, and furtherance of the scientific research activities of the University, and

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

WHEREAS, the Board of Trustees of the University wishes to define the arrangements concerning services, facilities, premises, and activities as set forth in the Affiliation Agreement between the University of South Alabama and the University of South Alabama Foundation for Research and Commercialization, attached hereto,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama does hereby approve and adopt the attached Affiliation Agreement between the University of South Alabama and the University of South Alabama Foundation for Research and Commercialization.

Affiliation Agreement
Between
University of South Alabama
and the
University of South Alabama Foundation for Research and Commercialization

This Agreement is made and entered into this _____ day of _____, 2012 (the Effective Date) by and between University of South Alabama (hereinafter “USA” or “University”), a public body corporate, and the University of South Alabama Foundation for Research and Commercialization, a corporation duly organized under the laws of the State of Alabama (hereinafter “Foundation”).

RECITALS

WHEREAS, USA is a state institution of higher learning established pursuant to the laws of the State of Alabama; and

WHEREAS, Foundation has been established as a non-profit, educational and charitable organization under Section 501(c)(3) of the Internal Revenue Code of 1986 for the purposes outlined in its Articles of Incorporation, a copy of which is attached to this Agreement as “Exhibit A;” and

WHEREAS, Foundation serves University and promotes its mission as indicated in “Exhibit A,” by, among other things, furthering the educational and scientific mission of University through support of its academic programs, scientific research and development initiatives, and enhancement of University’s educational and training opportunities through, among other things, promotion of development, growth and retention of high technology industries and research in Alabama, and to create, develop, construct, operate, manage, and finance one or more research and technology parks to further scientific research activities of University; and

WHEREAS, Foundation has the responsibility as an affiliated entity to use its resources in a responsible and effective manner to further the mission of University and to support University; and

WHEREAS, University and Foundation will interact and cooperate in ways that will serve the interests of University; and

WHEREAS, USA has the authority and right to enter into agreements with affiliated 501(c)(3), not-for-profit organizations; and

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

WHEREAS, USA and Foundation desire to define the arrangements concerning services, facilities, premises and activities as set forth in this Agreement.

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, University and Foundation do hereby agree as follows:

ARTICLE 1. PERSONNEL AND SERVICES

Foundation may utilize, with the approval of the President of University, such University administrative, professional and other employees from time to time as are needed to carry out the purposes of Foundation as agreed by University.

ARTICLE 2. FOUNDATION OBLIGATIONS

2.1 Foundation agrees to provide the services and compensate University as from time to time agreed upon between University of South Alabama and Foundation.

2.2 Foundation agrees that it may only use its resources to advance University's mission as outlined in its Articles of Incorporation. Foundation further agrees that it may not amend its Articles of Incorporation or By-Laws during the life of this Agreement unless University consents to the proposed amendment.

2.3 Foundation agrees to maintain its financial and accounting records in accordance with Generally Accepted Accounting Principles. Foundation agrees to retain all books, accounts, reports, files and other records of Foundation relating to this Agreement, if any, and make such records available at all reasonable times for inspection and audit by University, or their agents, during the term of and for a period of five years after the completion of this Agreement.

2.4 Foundation agrees to submit to an audit, by request of University, of Foundation's books, records, and expenditures, if any. University shall have the right to audit all records, financial and otherwise, if any, of Foundation to assure that funds, resources and services provided by University are expended for the ultimate benefit of University and are expended by Foundation for purposes consistent with the terms of this Agreement. If University funds are expended for purposes inconsistent with this Agreement, Foundation, upon demand by University, shall reimburse University for such misused funds, and University shall have all rights provided by law, including the right to suspend further provision of resources under this Agreement and to terminate this Agreement.

2.5 To the extent that Foundation engages in fundraising on behalf of University, Foundation agrees to accept or solicit only those gifts that are consistent with University's missions, goals or objectives.

2.6 Foundation shall not accept any gift, donation, grant or enter into any transaction that creates any liability for University, without advance written approval of the University President.

2.7 Foundation acknowledges and agrees that University owns all copyright, interest in and right to all trademarks, trade names, logos, and service marks developed by University for use by Foundation, including all such trademarks, service marks, and trade names historically associated with Foundation.

2.8 Foundation shall adopt and maintain a conflict of interest policy.

2.9 Foundation shall provide the University President reasonable notice of any regular, annual, or special meetings of its Board of Directors or of its Executive Committee, and the President or his designee shall have the right to attend any such meetings as well as the meetings of any other Foundation committees.

2.10 If Foundation should cease to exist, any Foundation assets donated to Foundation for the benefit of University must be transferred to University or to another 501(c)(3) non-profit entity designated by University through its Board of Trustees.

2.11 University may from time to time make other requests of Foundation or seek other assistance from Foundation in accomplishing the mission of University, and Foundation agrees that it will not unreasonably deny any such requests or assistance.

ARTICLE 3. UNIVERSITY OBLIGATIONS AND OTHER IN-KIND SUPPORT

3.1 University grants Foundation a non-exclusive, non-transferable license to use University trademarks, service marks, and logos consistent with University policy and its agreement with any outside contractors pertaining to the licensing thereof, including but not limited to a license to use marks developed by University for use by Foundation.

3.2 University grants Foundation an exclusive, transferable license to use University trademarks, service marks, and logos historically associated with Foundation or developed by University or Foundation for Foundation's use.

3.3 University agrees to designate Foundation as an official affiliated entity of University.

3.4 University shall provide Foundation such other rights, privileges or benefits as it may under applicable law and as the University President, in the President's sole discretion, may determine will assist Foundation in discharging its obligations under this Agreement.

3.5 The University President shall be an ex-officio director on the Board of Foundation and President of Foundation, and shall be given reasonable notice of any meeting of the Board or Executive Committee.

3.6 Subject to the availability of funding and the budget process, University agrees to provide Foundation with resources suitable in University's judgment for the accomplishment of Foundation's activities for University's benefit, and may include services and supplies, staff

support, office space, and such financial support as agreed upon between the parties from time to time. The amount and nature of such resources shall be determined annually, on a fiscal year basis, in connection with the program planning and budget processes of University and Foundation. No provision in this Agreement shall be construed to give Foundation any legal entitlement to any University funding, personnel or other resources in any particular fiscal year. All University assets, including personal property, made available to Foundation under the terms of this Agreement shall remain the property of University unless sold, conveyed or transferred to Foundation by way of a separate written agreement.

3.7 The University President will encourage all parts of University to collaborate with Foundation in implementing Foundation's programs and services.

3.8 The University President agrees to inform Foundation on a regular basis of University's needs and priorities.

ARTICLE 4. COMPLIANCE

Foundation shall comply with any and all applicable federal, state, and local laws and regulations.

ARTICLE 5. INDEMNIFICATION

Foundation agrees to indemnify and hold harmless University, including its agents and employees from any and all claims, demands, suits or liabilities of any nature, or on account of any of the actions or inactions of Foundation. Foundation agrees to reimburse University and its agents and employees for any expenses incurred by them or as a result of legal action or inaction, including reasonable attorney fees, provided funds are available for such purpose.

ARTICLE 6. INSURANCE

Foundation agrees to carry insurance satisfactory to University through the appropriate and approved University liability trust fund or outside agency to cover directors' and officers' liability, special event liability, premises liability, and general liability.

ARTICLE 7. REPORTING

Foundation shall, within one hundred twenty (120) days following the close of its Fiscal Year, submit a detailed annual report of the work and financial condition of Foundation to the President of University, and any other reports as required by this Agreement, by the Bylaws of Foundation, or by applicable law.

ARTICLE 8. TERMINATION AND RENEWAL

8.1 This Agreement shall have a term of five years, if not renewed by mutual consent of the parties before that date.

8.2 This Agreement may be terminated for any reason by written approval and consent of University and Foundation upon ninety (90) days written notice.

8.3 Either party may terminate this Agreement for cause, including a breach of this Agreement, upon thirty (30) days written notice.

8.4 If this Agreement is terminated for any reason, including because the Agreement has expired without being renewed under Article 8.1, the following articles shall survive the termination: Articles 2.10, 5, 8 and 9.

8.5 The Foundation agrees to cease using the University's name, marks and logos in the event the Foundation dissolves, ceases to be a non-profit corporation, ceases to be recognized as a tax exempt entity under Section 501(c)(3) of the Internal Revenue Code, or this Agreement is terminated.

ARTICLE 9. MISCELLANEOUS PROVISIONS

9.1 This Agreement shall be construed, governed, interpreted and applied in accordance with the laws of the State of Alabama.

9.2 The parties agree that Foundation is not the agent or employee of University, and nothing in this Agreement creates an employment or other agency relationship between the parties. Foundation is not a subsidiary of University and is not directly or indirectly controlled by University.

9.3 University and the Foundation agree that Foundation's donor and giving records and any other financial or commercial information possessed by Foundation or provided by Foundation to University concerning individuals or corporations that provide Foundation financial support are confidential and proprietary. Unless required to disclose such information by applicable law, University and Foundation agree not to disclose to third parties and to keep confidential the giving records, giving history, and financial or commercial information of individuals and corporations that provide financial support to Foundation.

9.4 In the performance of this Agreement, Foundation shall not deny opportunities, employment or otherwise, to any person on the basis of race, color, religion, national origin, age, sex, sexual orientation, disability status, genetic information or veteran status.

9.5 The parties hereto acknowledge that this Agreement sets forth the entire Agreement and understanding of the parties hereto as to the subject matter hereof, and shall not be subject to any change or modification except by the execution of a written instrument subscribed to by the parties hereto.

9.6 The provisions of this Agreement are severable, and in the event that any provisions of this Agreement shall be determined to be invalid or non-enforceable under any

controlling body of the law, such invalidity or non-enforceability shall not in any way affect the validity or enforceable nature of the remaining provisions hereof.

9.7 The failure of either party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other party.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals and duly executed this Agreement the day and year set forth below.

University of South Alabama

University of South Alabama Foundation for
Research and Commercialization

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____


Date: _____



CAMPUS MEMORANDUM
UNIVERSITY OF SOUTH ALABAMA

Date: March 6, 2014

To: Acting President John W. Smith

From: 
Lynne Chronister, Vice President for Research and Economic Development

Subject: Agenda Item for March 7, 2014 University of South Alabama Board of Trustees Meeting -Affiliation Agreement Between University of South Alabama and University of South Alabama Foundation for Research and Commercialization

Attached is a resolution for consideration by the Board of Trustees of the University of South Alabama concerning the adoption of the Affiliation Agreement Between University of South Alabama and University of South Alabama Foundation for Research and Commercialization which discusses obligations and expectations of each to the other. This Affiliation Agreement has been approved by the Board of Directors of University of South Alabama Foundation for Research and Commercialization. With your approval, this item will be presented to Board of Trustees for approval. Further, I recommend the adoption of the resolution by the Board of Trustees.

Attachment

APPROVED
John W. Smith
3/14/14

**A RESOLUTION AUTHORIZING THE ISSUANCE OF THE
\$41,245,000 UNIVERSITY FACILITIES REVENUE REFUNDING BOND
SERIES 2014-A**

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) The University has heretofore issued its \$51,080,000 initial principal amount Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004, presently outstanding in the aggregate principal amount of \$41,690,000 (the "Series 2004 Bonds") and maturing on March 15 of the following years and in the following amounts:

Year	Principal Amount Maturing
2014	\$ 445,000
2015	470,000
2016	490,000
2017	615,000
2018	640,000
2019	665,000
2020	6,925,000
2021	7,280,000
2022	7,655,000
2023	8,050,000
2024	8,455,000

(2) The University has determined it is necessary, wise and in the best interest of the University and the public to redeem and retire those of the Series 2004 Bonds scheduled to mature in 2015 and thereafter (herein called the "Called Series 2004 Bonds") on April 16, 2014; and

(3) The Called Series 2004 Bonds are outstanding in the aggregate principal amount of \$41,245,000; and

(4) the University has undertaken a competitive bidding process for a loan to refinance the Called Series 2004 Bonds, and in connection therewith received bids on February 3, 2013 from various financial institutions including Regions Bank, SunTrust Bank, and PNC Bank, National Association.

(5) The Vice President for Financial Affairs of the University has reported that the bid submitted by PNC Bank, National Association (herein called "PNC") presents the lowest proposed rate of interest and cost of funds to the

University for the refinancing of the Called Series 2004 Bonds and, accordingly, is the winning bid.

(6) It is necessary, advisable, in the best interest of the University to accept the bid of PNC and sell and deliver to PNC the University's \$41,245,000 University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014 (herein called the "Series 2014-A Bond") to pay the principal portion of the redemption price of the Called Series 2004 Bonds.

(b) Series 2014-A Bond to be Issued as an Additional Parity Bond Under the Indenture; Special Findings Under Section 8.2(b) of the Indenture. The Series 2014-A Bond shall be issued as an additional parity bond 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 Series 2014-A Bond shall be designated Series 2014-A;

(3) PNC is the person or entity to whom the Series 2014-A Bond is to be delivered;

(4) the Series 2014-A Bond is to be issued by sale in accordance with Section 6 hereof;

(5) the sale price of the Series 2014-A Bond shall be the initial face or par amount thereof (\$41,245,000);

(6) (a) in addition to the Series 2004 Bonds, 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) \$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, (v) \$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 University Facilities Revenue Trust Indenture dated as of September 1, 2008, (vi) \$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 University Facilities Revenue Trust Indenture dated as of June 16, 2010, (vii) \$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 University Facilities Revenue Trust Indenture dated as of January 4, 2012 (herein called the "Eighth Supplemental Indenture"), (viii) \$7,740,000 University Facilities Revenue Capital Improvement Bond, Series 2012-B, dated January 4, 2012 (herein called the "Series 2012-B Bond"), which was issued under and pursuant to the Eighth Supplemental Indenture, (ix) \$32,000,000 University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013 (herein called the "Series 2013-A Bond"), which was issued under and pursuant to the Ninth Supplemental University Facilities Revenue Trust Indenture dated June 28, 2013 (herein called the "Ninth Supplemental Indenture"), (x) \$8,000,000 University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013 (herein called the "Series 2013-B Bond"), which was issued under and pursuant to the Ninth Supplemental Indenture, and (xi) \$10,000,000 University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013 (herein called the "Series 2013-C Bond" and, together with the Series 1999 Bonds, the Series 2006 Bonds, the Series 2008 Bonds, the Series 2010 Bond, the Series 2012-A Bond, the Series 2012-B Bond, the Series 2013-A Bond, and the Series 2013-B Bond, the "Outstanding Bonds"), which was issued under and pursuant to the Ninth Supplemental Indenture; 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;

(7) The Outstanding Bonds, together with the Series 2004 Bonds, are the only bonds heretofore issued under the Indenture that are at this time outstanding under the Indenture; and

(8) the Series 2014-A Bond will be issued for the purposes described in Section 8 hereof.

The Trustee is hereby requested to authenticate and deliver the Series 2014-A Bond to PNC.

Section 2. Authorization of the Series 2014-A Bond. For the purposes specified in Section 1 of this resolution, the University does hereby sell its University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014, in a principal amount of \$41,245,000, to PNC, under the terms, conditions and provisions set out in the Tenth

Supplemental University Facilities Revenue Trust Indenture dated March 14, 2014, 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 Tenth Supplemental University Facilities Revenue Trust Indenture, herein called the "Indenture"). All the provisions of the Indenture respecting the Series 2014-A Bond 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 Series 2014-A Bond. The principal of and the interest on the Series 2014-A Bond shall be payable solely from the Pledged Revenues as defined in the Indenture. Nothing contained in this resolution, in the Series 2014-A Bond or in the Indenture shall be deemed to impose any obligation on the University to pay the principal of or the interest on the Series 2014-A Bond except from and to the extent of the Pledged Revenues. The Series 2014-A Bond shall not represent or constitute an obligation of any nature whatsoever of the State of Alabama (the "State") and shall not be payable out of moneys appropriated to the University by the State. The agreements, covenants and representations contained in this resolution, in the Series 2014-A Bond 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 Series 2014-A Bond 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, and neither the Series 2014-A Bond nor any obligation arising from the aforesaid pledge or agreements shall be payable out of any moneys appropriated to the University by the State. 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. Series 2014-A Bond Payable at Par. All remittances of principal of and interest on the Series 2014-A Bond 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 Series 2014-A Bond 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 Series 2014-A Bond, 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 all reasonable charges made and expenses incurred by it in making such remittances in bankable funds at par.

Section 5. Authorization of Tenth Supplemental University Facilities Revenue Trust 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 Tenth Supplemental University Facilities Revenue Trust Indenture dated March 14, 2014, in substantially the form presented to the meeting at which this resolution is adopted and attached as Exhibit I 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 Tenth Supplemental University Facilities Revenue Trust Indenture the corporate seal of the University and to attest the same.

Section 6. Sale of the Series 2014-A Bond. The University does hereby sell to PNC the Series 2014-A Bond at and for a price equal to the face amount of such bond (\$41,245,000). The Series 2014-A 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 Tenth Supplemental University Facilities Revenue Trust Indenture authorized in Section 5 above.

Section 7. Execution and Delivery of the Series 2014-A Bond. The Board does hereby authorize the Acting President of the University to execute the Series 2014-A Bond, 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 the Series 2014-A Bond and to attest the same by causing a manual or facsimile of his 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 Series 2014-A Bond, 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 Series 2014-A Bond and to deliver it to PNC (as purchaser thereof).

Section 8. Application of Proceeds. The entire proceeds derived from the sale of the Series 2014-A Bond shall be deposited by the University into a special fund or account established in the name of the University with PNC (the "2014-A Bond Proceeds Account"). On or before the Redemption Date (defined below), the University shall liquidate and withdraw all amounts in the 2014-A Bond Proceeds Account and remit the same to the Trustee for deposit into the Bond Fund of the Indenture. The University shall also remit and pay to the Trustee such amount as shall be necessary to cover accrued interest on the Called Series 2004 Bonds to the Redemption Date and any other amounts necessary to cause sufficient funds to be on deposit in the said Bond Fund to redeem and pay the Called Series 2004 Bonds on the Redemption Date.

Section 9. Redemption and Payment of the Called Series 2004 Bonds; Related Actions. (a) The University does hereby elect to redeem and pay, and does hereby call for redemption and payment, on April 16, 2014 (the "Redemption Date") the Called Series 2004 Bonds, the redemption of the Called Series 2004 Bonds to be effected at and for a redemption price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date.

(b) The Trustee is hereby authorized and directed to cause written notice of the redemption and payment of the Called Series 2004 Bonds to be given in the manner and at the times and to the persons required pursuant to the Indenture, and to take all such other actions as shall be necessary or desirable in order to cause the Called Series 2004 Bonds to be redeemed and paid on the Redemption Date.

(c) The Acting President and the Vice President for Financial Affairs of the University are hereby authorized and directed to take or cause to be taken, in the name and behalf of the University, all of the actions that may be necessary or desirable to effect the redemption and payment of the Called Series 2004 Bonds on the Redemption Date including, without limitation, to direct the Trustee on the proper disposition of all funds on deposit in the funds and accounts established pursuant to the Indenture and referable to the Called Series 2004 Bonds. The Acting President and the Vice President for Financial Affairs of the University are further authorized and directed to execute and deliver such notices, directions, consents, agreements, certificates, instruments or other documents as shall be necessary or desirable to effectuate the transactions contemplated by this resolution.

Section 10. Resolution Constitutes Contract; Severability. The provisions of this resolution shall constitute a contract between the University and the holder of the Series 2014-A Bond. 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 of Financial Affairs of the University, and the Secretary of the Board are hereby authorized to execute such further agreements, certifications, instruments or other documents, and to take such other actions as any of them may deem appropriate or necessary, for the consummation of the transactions covered by this resolution, to the end that the Series 2014-A Bond may be executed and delivered as promptly as practicable.

EXHIBIT I

**FORM OF TENTH SUPPLEMENTAL
UNIVERSITY FACILITIES REVENUE TRUST INDENTURE**

**TENTH SUPPLEMENTAL UNIVERSITY FACILITIES
REVENUE TRUST INDENTURE**

between

UNIVERSITY OF SOUTH ALABAMA

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

Dated March 14, 2014

TENTH 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 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"), (ix) \$7,740,000 University Facilities Revenue Capital Improvement Bond, Series 2012-B, dated January 4, 2012 (the "Series 2012-B Bond"), (x) \$32,000,000 University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013 (the "Series 2013-A Bond"), (xi) \$8,000,000 University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013 (the "Series 2013-B Bond"), and (xii) \$10,000,000 University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013 (the "Series 2013-C 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, the Series 2012-B Bond, the Series 2013-A Bond, the Series 2013-B Bond and the Series 2013-C 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 it is necessary, wise and in the best interest of the University and the public to redeem and retire those of the Series 2004 Bonds scheduled to mature in 2015 and thereafter (the "Called Series 2004 Bonds"), and has determined to obtain a loan from PNC Bank, National Association (the "Purchaser") in the amount of \$41,245,000 to pay the costs of redeeming and retiring the Called Series 2004 Bonds, and as evidence of the University's obligation to repay such loan, the University now desires to issue an Additional Bond in the principal amount of \$41,245,000.

(d) Upon the deposit by the University with the Trustee of funds sufficient to timely pay the redemption price of the Called Series 2004 Bonds, and the satisfaction of certain other conditions described in Section 14.1 of the Indenture (all of which the University intends to satisfy contemporaneously with the issuance of the Series 2014-A Bond), the Called Series 2004 Bonds will no longer be deemed outstanding under the Indenture.

(e) The University has duly adopted a resolution calling the Series 2004 Bonds for redemption and payment on April 16, 2014, and authorizing the issuance of such aforesaid Additional Bond, and this Tenth Supplemental University Facilities Revenue Trust Indenture is being executed in order to specify the details with respect to such Additional Bond.

(f) This Tenth Supplemental University Facilities Revenue Trust Indenture is being executed to provide for the issuance of the Series 2014-A Bond as an Additional Bond under the Indenture.

Additional Definitions

The following definitions are in addition to those contained in the Indenture:

"Called Series 2004 Bonds" means those of the Series 2004 Bonds maturing in 2015 and thereafter.

"Interest Payment Date" means April 15, 2014, and the fifteenth day of each month thereafter while the Series 2014-A Bond is outstanding.

"LIBOR Base Rate" means the London Interbank Offered Rate for U.S. dollars for a term of 30 days which appears on Bloomberg Professional screen BBAM (or any generally recognized successor method or means of publication) as of 11:00 A.M., London time, one (1) London business day prior to the day on which the rate will become effective.

"Purchaser" means PNC Bank, National Association, the purchaser of the Series 2014-A Bond.

"Series 2004 Bonds" means the University's \$51,080,000 initial principal amount Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004, presently outstanding in the aggregate principal amount of \$41,690,000.

"Series 2014-A Bond" means the \$41,245,000 University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014.

**NOW, THEREFORE, THIS TENTH SUPPLEMENTAL UNIVERSITY FACILITIES
REVENUE TRUST INDENTURE**

W I T N E S S E T H:

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 2014-A Bond hereinafter referred to and the Outstanding Bonds each with each of the others, as follows:

**ARTICLE I
SERIES 2014-A BOND**

Section 1.1 Description of the Series 2014-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 Refunding Bond, Series 2014-A, dated March 14, 2014, in the principal amount of \$41,245,000. Principal installments of the Series 2014-A Bond shall mature and become payable on March 15 in the following years and amounts:

Year	Maturing Principal Installment
2015	\$ 470,000
2016	490,000
2017	615,000
2018	640,000
2019	665,000
2020	6,925,000
2021	7,280,000
2022	7,655,000
2023	8,050,000
2024	8,455,000

The Series 2014-A Bond shall bear interest from its March 14, 2014 date at a rate subject to change from time to time based on changes in an independent index, which is the LIBOR Base Rate (the "Index"). The Index is not necessarily the lowest rate charged by the Purchaser on its loans or bonds purchased by the Purchaser. If the Index becomes unavailable during the term of the Series 2014-A Bond, the Purchaser will designate a substitute Index (as further described in this paragraph below) after providing reasonable written notice of the same to the University and

the Trustee. The Purchaser will promptly notify the University and the Trustee in writing of the current Index rate upon each determination thereof. The rate will initially become effective on March 14, 2014 (the date of the Series 2014-A Bond as shown on the face thereof). Thereafter, the rate will change weekly on each Thursday (each a "Reset Date"), as described below. If for any reason the London Interbank Offer Rate is not available, the "LIBOR Base Rate" shall mean the rate per annum which banks charge each other in a market comparable to England's Eurodollar market on short-term money in U.S. dollars for an amount substantially equivalent to the principal amount due under the Series 2014-A Bond, as determined at 11:00 A.M., London time, one (1) London business day prior to the day on which the rate will become effective. The Purchaser's determination of such interest rate shall be conclusive, absent manifest error. The University understands that the Purchaser may make loans or acquire bonds based on other rates as well.

Interest on the unpaid principal balance of the Series 2014-A Bond will be calculated using a rate of sixty-eight percent (68%) of the Index on each Reset Date plus 73 basis points (0.73%) (the "Weekly Interest Rate"), and will be calculated using the weighted average of the Weekly Interest Rates from, and including, the next preceding Interest Payment Date (defined below) to, but excluding, the applicable Interest Payment Date. Interest shall be computed on the basis of a 365- or 366-day year, as applicable, based on the actual number of days elapsed, and shall be payable in arrears on April 15, 2014, and on each Interest Payment Date thereafter until the Series 2014-A Bond shall have been fully paid.

(b) **Interest Payment Dates.** In the event an Interest Payment Date is not a Business Day (as defined in the Indenture), 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 2014-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 at anytime and from time to time upon not less than 10 days' prior written notice to the holder of the Series 2014-A Bond (with a copy to the Trustee), at and for a price equal to 100% of the principal of the Series 2014-A Bond to be redeemed plus accrued interest to the date set for redemption.

Section 1.3 Method of Payment; Final Payment; Other. Principal installments of the Series 2014-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 2014-A Bond shall be payable by check or draft mailed or otherwise delivered by the Trustee to the Purchaser at its address as it appears on the registry books of the Trustee pertaining to the registration of the Series 2014-A Bond; provided, that the final payment of such principal and interest that is due on March 15, 2024, shall be made only upon surrender of the Series 2014-A Bond to the Trustee. All installments of principal of and interest on the Series 2014-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 2014-A Bond.

Section 1.4 Form of Series 2014-A Bond. The Series 2014-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 2014-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 Refunding Bond
Series 2014-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 **PNC BANK, NATIONAL ASSOCIATION** (the "Purchaser"), the principal sum of **FORTY ONE MILLION TWO HUNDRED FORTY FIVE THOUSAND DOLLARS (\$41,245,000)**, in annual installments at the times, in the amounts and as set forth below.

Principal installments hereof shall mature and become payable on March 15 in the following years and amounts:

Year	Maturing Principal Installment
2015	\$ 470,000
2016	490,000
2017	615,000
2018	640,000
2019	665,000
2020	6,925,000
2021	7,280,000
2022	7,655,000
2023	8,050,000
2024	8,455,000

This bond shall bear interest from its March 14, 2014, date at a rate subject to change from time to time based on changes in an independent index, which is the LIBOR Base Rate (the "Index"). The Index is not necessarily the lowest rate charged by the Purchaser on its loans or bonds purchased by the Purchaser. If the Index becomes unavailable during the term of this bond, the Purchaser will designate a substitute Index (as further described in this paragraph below) after providing reasonable written notice of the same to the University and the Trustee (hereinafter described). The Purchaser will promptly notify the University and the Trustee in writing of the current Index rate upon each determination thereof. The rate will initially become effective on March 14, 2014 (the date of this bond). Thereafter, the rate will change weekly on each Thursday (each a "Reset Date"), as described below. If for any reason the London Interbank Offer Rate is not available, the "LIBOR Base Rate" shall mean the rate per annum which banks charge each other in a market comparable to England's Eurodollar market on short-term money in U.S. dollars for an amount substantially equivalent to the principal amount due under this bond, as determined at 11:00 A.M., London time, one (1) London business day prior to the day on which the rate will become effective. The Purchaser's determination of such interest rate shall be conclusive, absent manifest error. The University understands that the Purchaser may make loans or acquire bonds based on other rates as well.

Interest on the unpaid principal balance of this bond will be calculated using a rate of sixty-eight percent (68%) of the Index on each Reset Date plus 73 basis points (0.73%) (the "Weekly Interest Rate"), and will be calculated using the weighted average of the Weekly Interest Rates from, and including, the next preceding Interest Payment Date (defined below) to, but excluding, the applicable Interest Payment Date.

Interest shall be computed on the basis of a 365- or 366-day year, as applicable, based on the actual number of days elapsed, and shall be payable in arrears on April 15, 2014, and monthly thereafter, on the 15th day of each month while this bond is outstanding (each such date, an "Interest Payment Date") until this bond shall have been fully paid; provided, however, the final payment of principal and interest on this bond due March 15, 2024, shall be made only upon surrender of this bond to the University.

As used herein, "LIBOR Base Rate" means the London Interbank Offer Rate for U.S. dollars for a term of 30 days which appears on Bloomberg Professional screen BBAM (or any generally recognized successor method or means of publication) as of 11:00 A.M., London time, one (1) London business day prior to the day on which the rate will become effective.

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 first day of the month of such payment; provided, if an Interest Payment Date is not a Business Day, 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 Refunding Bond, Series 2014-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 Tenth Supplemental University Facilities Revenue Trust Indenture dated March 14, 2014 (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) \$100,000,000 original principal amount University Tuition Refunding and Capital Improvement Bonds, Series 2006, dated December 1, 2006, (c) \$112,885,000 original principal amount University Facilities Revenue Capital Improvement Bonds, Series 2008, dated September 1, 2008, (d) \$29,750,000 University Facilities Revenue Capital Improvement Bond, Series 2010, dated June 16, 2010, (e) \$25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012, (f) \$7,740,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-B, dated January 4, 2012, (g) \$32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013, (h) \$8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013, and (i) \$10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013; 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, at any time and from time to time (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 holder hereof (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 its corporate seal to be hereunto impressed, 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 March 14, 2014.

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 2014-A Bond. The Series 2014-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 2014-A Bond. The University shall cause the entire proceeds from the sale of the Series 2014-A Bond to be deposited into a special fund or account established with the Purchaser (the "2014-A Bond Proceeds Account"). The University shall remit all amounts on deposit in the 2014-A Bond

Proceeds Account, together with other funds of the University provided for such purpose, to the Trustee for deposit into the Bond Fund under the Indenture to be used by the Trustee to pay the redemption price of the Called Series 2004 Bonds on April 16, 2014.

ARTICLE II CONCERNING THE CODE

Section 2.1 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 2014-A Bond. 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 2014-A Bond. With respect to any question arising under this Section 2.1, the University may rely upon an opinion of nationally recognized bond counsel acceptable to it.

(b) **Series 2014-A Bond not to be "Private Activity Bond".** The University will not apply the proceeds of the Series 2014-A Bond in any manner that would cause the Series 2014-A Bond to be a "private activity bond" within the meaning of Section 141(a) of the Code.

(c) **Concerning the Arbitrage Provisions of the Code.** The University agrees that it will comply with all provisions of the Code necessary to preclude the Series 2014-A Bond being considered an "arbitrage bond" within the meaning of Section 148 of the Code.

(d) **Provisions Respecting Registration of Series 2014-A Bond to Comply with Provisions of Code.** The University and the Trustee recognize that the provisions of the Code require that the Series 2014-A Bond be in "registered form" and that, in general, the Series 2014-A Bond must be registered as to both principal and interest and any transfer of the Series 2014-A Bond 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 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 2014-A Bond.

ARTICLE III CONCERNING PLEDGED REVENUES; CONFIRMATION OF INDENTURE, AS SUPPLEMENTED; OTHER

Section 3.1 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 2014-A Bond 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 3.2 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 3.3 Construction of Tenth Supplemental University Facilities Revenue Trust Indenture. No provisions of this Tenth 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 Tenth 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 2014-A Bond.

Section 3.4 Authorized Denominations. The Series 2014-A Bond may have principal installments maturing in denominations of any amount.

Section 3.5 Special Covenants in Favor of Purchaser. (a) So long as the Series 2014-A Bond remains 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, 2014;

(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, 2014; and

(iii) the annual budget for the University by October 31 of each year, commencing October 31, 2014.

Section 3.6 Communications. The University hereby authorizes and consents to communications by the Purchaser with the Trustee with regard to the Series 2014-A Bond, including, without limitation, notices of amounts due, interest rate computations and interest amounts.

Section 3.7 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 Tenth 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 Tenth Supplemental University Facilities Revenue Trust Indenture to be attested by the Secretary of its Board of Trustees, and the Trustee has caused this Tenth 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 Tenth Supplemental University Facilities Revenue Trust Indenture to be attested, all by its duly authorized officers, and the University and the Trustee have caused this Tenth 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 Tenth Supplemental University Facilities Revenue Trust Indenture to be dated March 14, 2014.

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 14th day of March, 2014.

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 and amended, 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 14th day of March, 2014.

Notary Public

[NOTARIAL SEAL]



**UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE
ATHLETIC DEPARTMENT**

Year ended September 30, 2013

(With Report of Independent Accountants on
Applying Agreed-Upon Procedures Thereon)

**UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE
ATHLETIC DEPARTMENT**

Year ended September 30, 2013

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KPMG LLP
Suite 1100
One Jackson Place
188 East Capitol Street
Jackson, MS 39201-2127

Report of Independent Accountants on Applying Agreed-Upon Procedures

Mr. John W. Smith, Interim President
University of South Alabama:

We have performed the procedures enumerated below, which were agreed to by management of the University of South Alabama (the University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenditures (the Statement) for the University of South Alabama Intercollegiate Athletic Department (the Athletic Department) is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16 for the year ended September 30, 2013. The University's management is responsible for the Statement and the Statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of the University. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

Statement of Revenues and Expenditures – Agreed-Upon Procedures

- (a) We obtained the Statement for the year ended September 30, 2013, as prepared by management and shown in Exhibit A. We verified the mathematical accuracy of the Statement and compared the amounts on the Statement to corresponding amounts in the University's general ledger without exception.
- (b) We compared actual Athletic Department expenditures per the University's general ledger to budgeted amounts and also inquired of Athletic Department management as to variances greater than \$50,000 of prior year amounts. Management provided explanations for all variances which exceeded the identified scope.
- (c) University management provided a summary of the University's internal control unique to the Athletic Department. We read the summary documents that include information regarding the general control environment and internal control procedures unique to intercollegiate athletics which assist in ensuring that recorded revenues and expenditures are complete and accurate and expenditures are properly authorized.
- (d) We performed the following procedures on operating revenues as presented in Exhibit A:
 - (i.) Ticket sales – We agreed revenue for Men's Football, Men's Baseball, Men's Basketball, Men's Track, Women's Softball, Women's Soccer, and Women's Basketball per the general ledger to the ticket sales registers, noting that the general ledger and ticket sales registers agreed to within a difference of \$5,085. Ticket sales registers record ticket sales activity based



on when the sporting event occurs. Ticket sales are recorded in the general ledger based on when the revenue is recognized.

- (ii.) Student fees – We gained an understanding of the process of allocating student fees to the University’s athletic program and to individual sports. In accordance with the internal allocation approved by University management, the University has an all inclusive rate per semester hour. Athletics receives fees equal to the prior year amounts, plus or minus growth in total credit hours, plus 7.7% to be held as a special reserve. For Fall 2013, athletics will receive fees equal to the prior year amounts, plus or minus growth in total credit hours, plus 4.5% to be held as a special reserve. Additionally, we recalculated the University’s allocation of total student fees to within management’s 1% acceptable tolerance range.
- (iii.) Guarantees – We obtained a detail of revenue guarantees paid to the University noting that revenue guarantees related principally to Men’s Basketball and Men’s Football. We obtained copies of signed agreements with University of Tennessee, University of Hawaii, and North Carolina State University. The signed agreements supported 81% of the total current year guarantees.
- (iv.) Contributions – We obtained a listing of contributions received by the University and agreed the listing to the general ledger without exception. We noted that the University did not receive any individual contributions in excess of 10% of total contributions.
- (v.) Direct state or other government support – We noted that there were no direct state or other government support amounts received in fiscal year 2013.
- (vi.) Direct institutional support – We obtained the supporting schedules for the direct institutional support entry. Additionally, we recalculated the allocation of institutional support to individual sports based on management’s methodology, noting no exceptions.
- (vii.) NCAA/conference distributions, including all tournament revenues – We obtained the detail of NCAA and conference distributions from the general ledger and selected 62% of the total dollar amount of the remittances from the NCAA and Sunbelt Conference for testing. We compared amounts to examined check copies or wire remittances for each of the amounts received, noting no exceptions.
- (viii.) Program sales, concessions, novelty sales, and parking – We obtained a detail of program sales, concessions, novelty sales, and parking and agreed the detail to the general ledger, noting no exceptions. We agreed a sample of three revenue receipts to bursar receipt, journal entry, and other supporting documentation as applicable without exception.
- (ix.) Royalties, licensing, advertisements and sponsorships – We obtained the agreements with IMG College and Reebok International, Ltd. for all multimedia services to gain an understanding of the terms and conditions. We agreed a sample of revenue receipts to bursar receipt, journal entry, and other supporting documentation as applicable without exception. The amounts tested constitute 57% of the revenue for this line item. We verified that revenue related to this contractual agreement was recognized appropriately in fiscal year 2013 in accordance with the agreements, noting no exceptions.
- (x.) Sports camps revenues – We obtained a detail of sports camps revenues and agreed the detail to the general ledger without exception. We agreed a sample of revenue receipts to bursar receipt, journal entry, and other supporting documentation as applicable without exception.



- (xi.) Endowment and investment income – We obtained a detail of endowment and investment income received by the Athletic Department and agreed the detail to the general ledger without exception. We examined supporting documentation of the allocation of endowment income from the USA Licensing Program Endowment. The amounts tested constitute 100% of the revenue for this line item.
 - (xii.) Other – We obtained a detail of other income received by the Athletic Department and agreed it to the general ledger without exception. We examined three contract agreements and deposit receipts that constituted 32% of the revenue for this line item, noting no exceptions.
- (e) We performed the following procedures on operating expenditures, as presented in Exhibit A:
- (i.) Athletics student aid – We obtained a detail of student athletes. From that detail, we selected ten individual students (student numbers J00185566, J00463349, J00430561, J00285218, J00461511, J00428593, J00278841, J00410800, J00497509, and J00325895) and compared those individual student’s financial aid awards to their student accounts to ensure that the student account appropriately reflected the student aid, noting no exceptions.
 - (ii.) Guarantees – We obtained a detail of guarantee expenditures and agreed the detail to the general ledger without exception. We obtained individual contracts with Southern Utah University for \$235,000, New Mexico State University for \$40,000, and Middle Tennessee State University for \$50,000 and agreed amounts per the contracts to the check copy and journal entry, noting no exceptions.
 - (iii.) Coaching/support staff/administrative salaries, benefits, and bonuses – We selected ten coaches – Head Volleyball Head Coach (employee ID J00450162), Assistant Men’s Football Coach (employee ID J00450635), Assistant Men’s Football Coach (employee ID J00486976), Men’s Basketball Assistant Coach (employee ID J00505122), Head Baseball Coach (employee ID J00378227), Head Women’s Softball Coach (employee ID J00214405), Assistant Basketball Coach (employee ID J00214380), Head Men’s Soccer Coach (employee ID J00210498), Assistant Men’s Basketball Coach (employee ID J00098407), and Women’s Head Basketball Coach (employee ID J00213427), and five athletic administrators – Athletic Assistant I (employee ID J00367481), Director, Athletic Development (employee ID J00044640), Director of Ticket Sales (employee ID J00229237), Athletic Counselor II (employee ID J00443842), and Athletics Business Manager (employee ID J00109230). For each of the employees, we compared the employee’s wages per their W-2 to approved wages and salaries per the employee’s personnel file, noting no exceptions.



- (iv.) All other expenditures – We selected thirty-two individual vouchers from the 2013 fiscal year within the following expenditure categories: recruiting; team travel; equipment, uniforms, and supplies; game expenses; fund-raising, marketing, and promotion; sports camps; direct facilities, maintenance and rentals; spirit groups; medical expense and medical insurance; membership and dues; and other. We examined invoice copies and direct pay requests or purchase orders (where applicable) for the expenditures on the following vouchers, which comprise approximately 3.3% of the expenditures not included in the categories listed in (e)(i.), (e)(ii.), and (e)(iii.) noting that amounts per the vouchers agreed to the invoice copies and direct pay request or purchase order without exception.

<u>Number</u>	<u>Voucher no.</u>	<u>Number</u>	<u>Voucher no.</u>
1	J0089143	17	I0794346
2	I0764910	18	I0759060
3	I0750707	19	I0759054
4	I0721387	20	J0087154
5	I0819734	21	I0772110
6	I0754127	22	I0736084
7	I0721308	23	I0766699
8	I0798596	24	I0758342
9	I0801282	25	I0739419
10	I0750593	26	I0805975
11	I0817473	27	I0743105
12	I0764894	28	I0736706
13	I0767069	29	J0086379
14	I0759596	30	I0717569
15	I0743125	31	I0756767
16	I0729675	32	I0732587

* * * * *

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Statement of Revenues and Expenditures for the University of South Alabama Intercollegiate Athletic Department for the year ended September 30, 2013 (Exhibit A). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is solely for the information and use of management of the University and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 15, 2014

**UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE
ATHLETIC DEPARTMENT**

Statement of Revenues and Expenditures

Year ended September 30, 2013

(Unaudited)

NCAA description	Non-program specific	Baseball	Men's Basketball	Men's Golf	Men's Tennis	Men's Track	Football	Women's Basketball	Women's Golf	Soccer	Women's Tennis	Women's Track	Volleyball	Softball	Total
Operating revenues:															
Ticket sales	\$ —	60,229	138,092	—	—	75	636,189	2,883	—	851	—	—	—	28,548	865,867
Scholarships	—	211,611	115,736	66,506	60,460	453,452	5,662,785	84,644	42,322	199,519	48,368	368,808	108,829	96,736	7,590,776
Guarantees	—	—	115,000	—	—	—	1,315,000	1,265	7,452	2,750	15	300	2,002	56,406	1,430,000
Contributions	427,834	55,420	19,295	19,295	6,510	10,050	1,265	1,075,420	215,447	317,758	324,180	—	446,094	637,006	2,934,999
Direct institutional support	3,207,030	682,660	1,225,966	191,575	222,572	10,050	505,943	1,075,420	215,447	317,758	324,180	123,059	36,112	32,278	9,027,498
NCAA/conference distributions	—	70,608	32,278	22,191	20,174	151,302	264,274	28,243	14,121	66,573	16,139	—	—	—	871,552
Program sales, concessions, novelty sales, and parking	—	3,389	—	—	—	—	108,122	—	—	—	—	—	—	182	111,693
Royalties, licensing, advertisements, and sponsorships	153,200	35,000	—	—	—	—	—	—	—	—	—	—	—	—	188,200
Sports camps revenues	21,102	—	—	—	—	—	3,640	—	—	—	—	—	—	—	3,640
Endowment and investment income	344,009	4,064	6,660	—	—	—	—	—	—	—	—	—	—	—	21,102
Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total operating revenues	4,153,175	1,101,981	1,615,732	325,767	309,716	621,234	8,491,068	1,192,455	288,842	587,451	388,711	592,167	593,137	854,126	21,115,562
Operating expenditures:															
Athletic student aid	267,333	266,897	312,565	114,321	126,510	222,198	1,884,394	355,282	133,120	287,599	216,496	339,025	319,717	248,828	5,094,285
Guarantees	—	5,604	49,700	—	—	—	435,000	2,500	—	—	—	—	—	2,627	495,431
Coaching salaries, benefits, and bonuses paid by the University	—	401,414	674,868	80,599	76,823	103,895	1,569,708	511,960	71,306	144,771	76,885	103,895	118,652	240,202	4,174,978
Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	2,492,876	40,026	46,969	—	3,988	3,817	497,563	66,561	—	1,551	6,535	3,817	9,342	35,812	3,208,857
Recruiting	8,758	53,906	78,814	3,783	1,880	8,398	269,086	63,828	1,821	13,687	4,990	6,830	21,828	34,585	572,194
Team travel	—	122,588	115,956	32,901	53,792	56,199	751,926	140,369	22,969	67,583	56,364	45,709	60,379	102,639	1,629,574
Equipment, uniforms, and supplies	210,377	66,099	53,349	33,893	33,893	45,239	704,346	33,909	33,753	37,355	18,208	36,794	28,543	65,830	1,401,736
Game expenses	35	49,322	73,791	475	2,650	1,158									

**UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE
ATHLETIC DEPARTMENT**

Notes to Statement of Revenues and Expenditures

Year ended September 30, 2013

(1) Summary of Significant Accounting Policies and Reporting Practices

The accompanying statement of revenues and expenditures includes revenue, expense, and transfer accounts of the University of South Alabama Intercollegiate Athletic Department (the Department), which oversees the University of South Alabama's (the University) intercollegiate athletics program. The Department uses the accrual basis of accounting for revenues and expenditures.

Included in Exhibit A are allocations made by the University to the Department, in accordance with the University's practice of allocations.

(2) Financial Aid

Exhibit A includes athletic financial aid awards for students participating in athletic programs. Financial aid awarded to athletic participants on the basis of other criteria, such as need or academic excellence, is not reflected in Exhibit A.

(3) Booster Activities

The revenues and expenditures of the Jaguar Booster Club are recorded in the Statement. The University has no other outside booster clubs.

RESOLUTION

AMENDED BYLAWS OF THE JAGUAR ATHLETIC FUND, INC.

WHEREAS, the Jaguar Athletic Fund, Inc. (JAF), in furtherance of the Southern Association of Colleges and Schools' (SACS) recommendations pertaining to supporting organizations of universities and schools, has proposed to amend its bylaws to include the following:

- A nominating committee will choose a slate of Officers and Directors of JAF which will be presented to the Board of Trustees of the University for approval; and
- A Director or Officer of JAF may be removed at any time by a majority vote of the Board of Trustees of the University; and,
- Amendments to the Bylaws of JAF must be ratified by the Board of Trustees of the University;

and,

WHEREAS, the JAF Board of Directors approved these Amended Bylaws, as attached hereto, on January 23, 2014, and,

WHEREAS, the Board of Trustees of the University believes it to be in the best interests of the University of South Alabama and the JAF to amend the Bylaws as attached,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama hereby approves and ratifies the Amended Bylaws of the Jaguar Athletic Fund, Inc., attached hereto and incorporated herein.




REC'D
OFFICE OF THE PRESIDENT
FEB 24 2014
UNIVERSITY OF SOUTH ALABAMA

Department of Athletics

February 21, 2014

TO: Dr. John Smith
Interim President

FROM: Dr. Joel Erdmann 
Director of Athletics

SUBJECT: University of South Alabama Board of Trustees Meeting
Jaguar Athletic Fund (JAF) Resolution for Consideration

This is to request the attached Resolution be presented to the USA Board of Trustees for consideration at its next meeting on March 7, 2014.

The intent of the Resolution is to align the Jaguar Athletic Fund, Inc. – the fund-raising 501(c)(3) for athletics – with the spirit of the SACS accreditation recommendation for the University of South Alabama to maintain entities such as these under its ultimate control.

JWE/els

Attachment



AMENDED BYLAWS
OF
JAGUAR ATHLETIC FUND, INC.

The undersigned President and Secretary of the Jaguar Athletic Fund, Inc., following an affirmative vote thereon by the Board of Directors of the Corporation in accordance with the power vested in the Board of Directors by the Articles of Incorporation of the Corporation, do hereby set forth the following for and as the Amended Bylaws of said Corporation:

ARTICLE I

Registered Agent and Registered Office

Section 1. The Corporation shall at all times maintain a registered office in the State of Alabama, which office may be, but need not be, the same as its principal office. The Corporation shall also at all times maintain a registered agent, who may be either an individual resident of Alabama whose business office is identical to the registered office or a domestic or foreign profit or nonprofit corporation having an office identical to the registered office.

ARTICLE II

Purposes

Section 1. The purposes of this Corporation are as follows: to provide support for the athletic programs of the University of South Alabama so as to assist in the physical development and betterment of the student-athletes at the University of South Alabama, and to support and further the educational functions of the University of South Alabama, particularly the athletic endeavors.

ARTICLE III

Members

Section 1. Members. Any person who makes an annual contribution to the Jaguar Athletic Fund is a member for the particular year in which the contribution is made. A married couple shall constitute a single membership unless the couple makes individual gifts and desires those gifts to make them individual members.

Section 2. Transfer of Membership. Membership or any interest in this Corporation shall not be assignable inter vivos by any member nor shall membership or any interest in this Corporation pass to any personal representative, heir, or devisee of any deceased member.

Section 3. Termination of Membership. Membership may be terminated as follows:

- a. By resignation of the member.
- b. Failure to make an annual gift.

ARTICLE IV

Meetings of the Board of Directors

Section 1. Annual Board Meeting. The annual meeting of the Board of Directors of the Corporation shall be held in the month of September, at such date, place, and time as shall be designated by the Board of Directors for the purpose of electing directors and for the transaction of such other business as may properly be brought before the meeting.

Section 2. Regular Board Meetings. The Board of Directors will adopt an annual schedule of regular meetings to be posted on the University's website. These notices will include time, date and place of each meeting. The Board of Directors may provide by resolution the time and place, either within or without the State of Alabama, for the holding of additional regular meetings.

Section 3. Special Board Meetings. Special meetings of the Board of Directors may be called by the President of the Corporation, by the University President, Director of Athletics, or the Vice President of Development and Alumni Relations, or by a majority of the Board of Directors.

Section 4. Place of Meetings. The Board of Directors may designate any place, either within or without the State of Alabama, as the place of meeting for any regular or special meeting of the Board of Directors. Members of the Board of Directors may participate in a meeting of such Board 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 5. Notice. Written notice of any special meeting stating the place, date, and hour of the meeting shall be given at least three (3) business days previously thereto by notice delivered personally, by email or mailed by U.S. Postal Service to each Director at his stated, preferred mailing address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, so addressed, with postage thereon prepaid. Any Director may waive notice of any meeting. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 6. Quorum. Fifty percent (50%) of the Directors plus one Director shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The

Directors at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Directors to leave less than a quorum or the refusal of any Director present to vote.

Section 7. Manner of Acting. An act of the majority of the Directors present at a meeting at which a quorum is present shall be an act of the Board of Directors.

Section 8. Action Without a Meeting. Any action that may be taken by the Board of Directors at a meeting may be taken without a meeting if consent in writing, setting forth the action so to be taken, shall be signed by all of the Directors.

Section 9. Conduct of Meetings. Meetings of the Board of Directors shall be presided over by the President of the Corporation, or, if he/she is not present, by the Vice President of the Corporation, or, if he/she is not present, by a chairman to be chosen at the meeting. The Secretary of the Corporation shall act as secretary of the meeting or, in his/her absence, a person chosen at the meeting. Business will be conducted by Robert's Rules of Order.

Section 10. Proxies. Proxies will be accepted if signed by the members of the Board and received by the Board prior to the transaction of business.

Section 11. Election of Directors. New Directors of the Board will be elected at the annual meeting.

ARTICLE V

Directors

Section 1. Number, Qualification, and Term of Office. The Board of Directors will be composed of individuals who are interested and committed to helping raise gift funds for USA Athletics. The Board of Directors will include the University of South Alabama Director of Athletics or a designee, the University of South Alabama President or a designee, the University of South Alabama Vice President for Financial Affairs or a designee, the University of South Alabama Vice President for Development and Alumni Relations or a designee, the Executive Director of the Corporation or a designee, and twenty-six (26) other persons as follows: three (3) individuals representing each revenue sport (men's basketball, men's baseball, men's football, women's basketball, and women's softball) one (1) individual representing each non-revenue sport (men's track, men's golf, men's tennis, women's volleyball, women's soccer, women's track, women's golf, and women's tennis), and three (3) at-large members who do not represent any designated sport. These Directors will serve staggered three year terms, which may be renewed for one additional term, unless otherwise extended by majority vote of the Board of Directors. Directors shall hold office until their successors have been duly elected and qualified or until their deaths or until they resign or shall have been removed from office in the manner provided in these Bylaws. The total composition of the Board of Directors must be fewer USA members (members who are employees of USA or any of its affiliated entities, or members of the USA Board of Trustees) than non-USA members. These Directors will interact with the administration, staff and coaches to help develop financial goals for each specific sport within

the annual fund. If additional revenue or non-revenue sports are added to the University's program, the number of members of the Board of Directors will be increased according to the numbers as set out above, i.e., three from each additional revenue sports and one from each additional non-revenue sports.

Section 2. Nomination of Directors. The Nominating Committee shall consist of the USA President or his/her designee, USA Vice President for Financial Affairs or his/her designee, USA Vice President for Development and Alumni Relations, Executive Director of the Corporation, the Athletic Director of USA (if the Athletic Director is not also the Executive Director of the Corporation), President of the Corporation, Vice President of the Corporation, and Secretary of the Corporation. This committee shall nominate persons to serve as Directors and Officers of the Corporation. Members of the Corporation may also provide names for consideration by the Nominating Committee. The slate of Officers and Directors shall be presented to the University Board of Trustees for approval. In its discretion, the Nominating Committee may leave unfilled a vacancy for any period of time.

Section 3. Resignation/Removal. Any Director may resign at any time by giving written notice to the President or Secretary of the Corporation. Such resignation shall take effect on the earlier of the date specified therein, which shall be at least fifteen (15) business days after notice of such resignation is delivered, either personally or by mail, to the President or Secretary of the Corporation or the date on which the resignation is accepted by the affirmative vote of a majority of the Directors. If no time is specified in the notice of resignation, it shall take effect fifteen (15) business days after the date of delivery of the notice, or the date on which the resignation is accepted by the affirmative vote of a majority of the Directors, whichever is earlier. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, properly addressed to the President or Secretary or the Corporation at the principal office address of the Corporation, with postage thereon prepaid. The acceptance of a resignation shall not be necessary to make it effective unless otherwise specified in the notice of resignation. A Director may be removed 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.

Section 4. Presumption of Assent. A Director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting, or unless he/she shall file his/her written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof, or shall forward such dissent by registered or certified mail or personal delivery to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

Section 5. Reliance Upon Reports and Records. A Director shall, in the performance of his/her duties, be fully protected in relying upon information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by the University of South Alabama or any department thereof, the Corporation or the Corporation's auditors.

ARTICLE VI

Officers

Section 1. Number. The officers of the Corporation shall be a President, Vice President, Secretary, and Treasurer, all of whom shall be elected by the Board of Directors. Additional officers as may be deemed necessary may be elected or appointed by the Board of Directors.

Section 2. Election and Term of Office. The officers of the Corporation shall be elected annually by the Board of Directors at the regular meeting of the Board of Directors held pursuant to Article IV, Section 1, of these Bylaws. Such officers shall hold office at the pleasure of the Board of Directors and until their successors are elected and qualified. In its discretion, the Board of Directors by a vote of a majority thereof may leave unfilled for such period as it may fix by resolution any offices except those of President and Secretary.

Section 3. Vacancies and Removal. Vacancies in any office arising from any cause, other than routine term expiration, may be filled by the Board of Directors at any regular or special meeting. An officer may be removed, with or without cause, at any time by an affirmative vote of a majority of the Board of Trustees of the University.

Section 4. President. The President shall be the principal executive officer of the Corporation and shall have in his/her charge the general direction and promotion of its affairs with authority to do such acts and to make such contracts as are necessary or proper to carry on the business of the Corporation. He/she shall preside over all official meetings of the Corporation under the laws of the State of Alabama. The President may, during the absence of any officer, delegate said officer's duties to any other officer or Director.

Section 5. Vice President. The Vice President, in the absence or disability of the President, shall perform the duties of the President and shall perform such other duties as may be delegated to him/her from time to time by the Board of Directors or by the President.

Section 6. Secretary. The Secretary shall issue notices of all meetings of the Board of Directors, shall keep the minutes of all such meetings, shall have charge of the seal of the Corporation, shall serve as custodian for all corporate records, and shall make such reports and perform such duties as are incident to his/her office or which may be delegated to him/her by the President of the Board of Directors.

Section 7. Treasurer. The Treasurer shall render to the President and Board of Directors at such times as may be requested an account of all transactions as Treasurer and of the financial condition of the Corporation. The Treasurer shall perform such other duties as are incident to the office or as may be delegated to that office by the President or by the Board of Directors.

Section 8. Executive Director. The Executive Director shall be an employee of the University of South Alabama and appointed by the Director of Athletics, and is responsible for day to day operations of the Jaguar Athletic Fund, Inc. The Director of Athletics may appoint him/herself as Executive Director.

ARTICLE VII

Miscellaneous

Section 1. Annual Comprehensive Fundraising Goal. Each year, at a time designated by the Director of Athletics and the Vice President of Development & Alumni Relations, a comprehensive goal will be established for each sport, and when combined for the entire department, will become that year's annual fund goal.

Section 2. Contracts. The Board of Directors may authorize the Executive Director to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidence of indebtedness issued in the name of the Corporation shall be signed by the Executive Director of the Corporation (or a person designated by the Director of Athletics for the University of South Alabama). Any such check, draft or other order exceeding \$2,000.00 in amount shall also be signed by such officer or officers of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or University of South Alabama accounts as the Board of Directors may select.

Section 5. Operations and Procedures. All operations and expenditures shall be made in accordance with and in conformity with the rules and regulations of the National Collegiate Athletic Association and the University of South Alabama and any related athletic conference or league. The Jaguar Athletic Fund Board will adopt annually a plan to include a comprehensive fund-raising goal. All proposed expenditures of the Corporation shall be subject to approval by the Director of Athletics for the University of South Alabama or his/her designee.

Section 6. Amendment of Bylaws. The Bylaws of the Corporation may be amended by a majority vote of the Board of Directors which is ratified by the Board of Trustees of USA.

Section 7. Conflict. Wherever these Bylaws and the Articles of Incorporation shall be in conflict, the provisions of the Articles of Incorporation shall control.

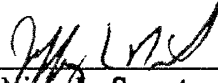
Section 8. Committees. The Board of Directors may create any temporary or permanent committees as deemed necessary to the performance of the organization.

Section 9. Volunteer Directors. All Directors serve as volunteers and are not entitled to compensation for this service.

EXECUTED for the corporation, this 23rd day of January 2014.



James H. "Jimmy" Shumock, President
University of South Alabama Jaguar Athletic Fund



Jeff Nichols, Secretary
University of South Alabama Jaguar Athletic Fund

RESOLUTION

POARCH BAND OF CREEK INDIANS NATIVE AMERICAN STUDIES PROGRAM

WHEREAS, the University of South Alabama has for fifty years vigorously pursued its mission of education, research, and service to the Gulf Coast region including scholarly exploration, preservation and dissemination of the history and culture of the region, and

WHEREAS, Native Americans within the State of Alabama and the nation as a whole have made significant contributions to our society and culture, many of which remain largely unacknowledged and underappreciated, and

WHEREAS, a Native American Studies program in the College of Arts and Sciences, with a focus on the history, culture and modern life of Native American groups in the region would offer generations of students, professionals, teachers, schoolchildren, and the public opportunities to learn from these rich and diverse cultures and world views, and

WHEREAS, the Poarch Band of Creek Indians has generously provided the resources to establish a program development fund for the Native American Studies program that will allow the program to have an immediate and tangible impact at the University and in the community through the support of educational programs, scholarly research, and outreach activities, and

WHEREAS, the Poarch Band of Creek Indians has generously provided funding to establish *The Chief Calvin McGhee Endowed Professorship in Native American Studies* to support a scholar who will make important contributions in the field of Native American Studies, and who will be able to disseminate this work far beyond the walls of the University, and

WHEREAS, the Native American Studies Program and the *Chief Calvin McGhee Endowed Professorship in Native American Studies* represent vibrant additions to the academic programs of the University of South Alabama that will benefit the citizens of the State of Alabama and the Gulf Coast region for generations to come,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama expresses its deep gratitude to the Poarch Band of Creek Indians for its visionary partnership and profound generosity in establishing these endowed funds, and declares that the Native American Studies program at the University of South Alabama will hereafter be known as the *Poarch Band of Creek Indians Native American Studies Program*.



University of South Alabama
Office of Development and Alumni Relations
5910 USA South Drive, Mobile Townhouse
Mobile, AL 36688
(251) 460-7616 ~ Fax: (251) 460-7647

REC'D
OFFICE OF THE PRESIDENT

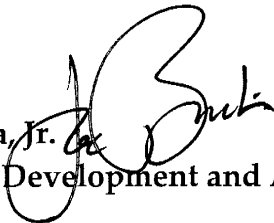
FEB 24 2014

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

DATE: February 18, 2014

TO: Dr. John Smith
Acting President

FROM: Dr. Joseph F. Busta, Jr. 
Vice President for Development and Alumni Relations

SUBJECT: Agenda Item: Resolution Commending the Poarch Band of Creek Indians for Providing Funding for the Chief Calvin McGhee Endowed Professorship and for Program Support for a Native American Studies Program

Vice President David Johnson and I recommend the Board of Trustees approve a resolution commending the Poarch Band of Creek Indians for their gift to establish program support for a Native American Studies program and to fund the Chief Calvin McGhee Endowed Professorship in Native American Studies and to officially name the Native American Studies program.

JFBjr/sd

c: Vice President David Johnson
Mrs. Monica Curtis
Dean Andrzej Wierzbicki
Mr. Joshua Cogswell