UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES
FREDERICK P. WHIDDON ADMINISTRATION BUILDING - SUITE 130, BOARD ROOM
DECEMBER 6, 2018
1:30 P.M.

AUDIT COMMITTEE Jimmy Shumock, Chair

Roll Call
Approve: Minutes
5 Report: KPMG Audit Reports, Year Ended September 30, 2018
- KPMG Presentation to the Audit Committee
- Basic Financial Statements and Supplementary Information
- Management Letter and Response
- Communication to the Audit Committee (SAS #114 Letter)
- Bond Compliance Letter
- Agreed-Upon Procedures Report - Series 1999; 2010; 2012-A and 2012-B; 2013-A, 2013-B and 2013-C; 2014-A; 2015; 2016; and 2017 Bonds
- Basic Financial Statements, USA Research and Technology Corporation
- Basic Financial Statements, USA Health Care Authority
- Management Letter and Response, USA Health Care Authority

6 Report: Alabama Department of Examiners of Public Accounts Compliance Report, Year Ended September 2017
7 Report: Office of Internal Audit

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE Jim Yance, Chair

Roll Call
Approve: Minutes
8 Report: Endowment and Investment Performance * Gerber Taylor
9 Recommendation to Approve: Evaluation of Endowment and Non-Endowment Investment Policies
10 Recommendation to Approve: Director of the Jaguar Athletic Fund, Inc.
11 Report: Development and Alumni Relations

HEALTH AFFAIRS COMMITTEE Steve Stokes, M.D., Vice Chair

Roll Call
Approve: Minutes
12 Recommendation to Approve: USA Hospitals Medical Staff Credentials for August, September and October 2018
13 Recommendation to Approve: USA Hospitals Medical Staff Bylaws and Rules and Regulations Revisions
14 Recommendation to Approve: USA Health Financial Assistance Policy
15 Report: USA Health and College of Medicine

ACADEMIC AND STUDENT AFFAIRS COMMITTEE Mike Windom

Roll Call
Approve: Minutes
16 Recommendation to Approve: Sabbatical Awards
17 Recommendation to Approve: Faculty Emeritus
18 Recommendation to Approve: Dean Emeritus
19 Recommendation to Approve: Tenure
20 Report: Academic Affairs
21 Report: Student Affairs
22 Report: Campus Safety
23 Report: Office of Compliance
24 Report: Annual Review of Research Activity

BUDGET AND FINANCE COMMITTEE Tom Corcoran, Chair

Roll Call
Approve: Minutes
25 Report: University of South Alabama 2018 Financial Report
26 Recommendation to Approve: New Billing Entities for USA Health
27 Recommendation to Approve: Bond Parameters Resolution for Series 2019 Bonds

COMMITTEE OF THE WHOLE Ken Simon, Chair

Roll Call
Approve: Committee of the Whole Minutes, Long-Range Planning Committee Minutes and Executive Committee Minutes
28 Approve: Executive Session

BOARD OF TRUSTEES
FREDERICK P. WHIDDON ADMINISTRATION BUILDING - SUITE 130, BOARD ROOM
DECEMBER 7, 2018
10:30 A.M.

Roll Call
* Approve: Revised Agenda
1 Approve: Minutes
2 Report: University President
3 Report: Faculty Senate President
4 Report: Student Government Association President

CONSENT AGENDA
9 Approve: Evaluation of Endowment and Non-Endowment Investment Policies
10 Approve: Director of the Jaguar Athletic Fund, Inc.
12 Approve: USA Hospitals Medical Staff Credentials for August, September and October 2018
13 Approve: USA Hospitals Medical Staff Bylaws and Rules and Regulations Revisions
14 Approve: USA Health Financial Assistance Policy
16 Approve: Sabbatical Awards
17 Approve: Faculty Emeritus
18 Approve: Dean Emeritus

AUDIT COMMITTEE Jimmy Shumock, Chair

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE Jim Yance, Chair

HEALTH AFFAIRS COMMITTEE Steve Furr, M.D., Chair

ACADEMIC AND STUDENT AFFAIRS COMMITTEE Mike Windom
*** 19** Approve: Tenure

BUDGET AND FINANCE COMMITTEE Jim Yance, Vice Chair
26 Approve: New Billing Entities for USA Health
27 Approve: Bond Parameters Resolution for Series 2019 Bonds

OTHER
Approve: Executive Session

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

THURSDAY, DECEMBER 6, 2018:

1:30 p.m. **Committee Meetings (Consecutive)** **Administration Bldg., Rm. 130**

FRIDAY, DECEMBER 7, 2018:

10:30 a.m. **Board of Trustees Meeting** **Administration Bldg., Rm. 130**

BOARD OF TRUSTEES

STANDING COMMITTEES
2016-2019

EXECUTIVE COMMITTEE:

Kenneth O. Simon, **Chair *pro tempore***
James H. Shumock, **Vice Chair**
Arlene Mitchell, **Secretary**
Chandra Brown Stewart
E. Thomas Corcoran
Steven P. Furr, M.D.
James A. Yance

ACADEMIC AND STUDENT AFFAIRS COMMITTEE:

Katherine Alexis Atkins
Scott A. Charlton, M.D., **Chair**
Steven P. Furr, M.D., **Vice Chair**
William Ronald Graham
Lenus M. Perkins
Margie Malone Tuckson
Michael P. Windom

AUDIT COMMITTEE:

Katherine Alexis Atkins, **Vice Chair**
Scott A. Charlton, M.D.
William Ronald Graham
Robert D. Jenkins III
James H. Shumock, **Chair**

BUDGET AND FINANCE COMMITTEE:

E. Thomas Corcoran, **Chair**
William Ronald Graham
Arlene Mitchell
Lenus M. Perkins
Steven H. Stokes, M.D.
James A. Yance, **Vice Chair**

DEVELOPMENT, ENDOWMENT & INVESTMENTS CTE.:

Chandra Brown Stewart
E. Thomas Corcoran
Robert D. Jenkins III, **Vice Chair**
Steven H. Stokes, M.D.
Margie Malone Tuckson
Michael P. Windom
James A. Yance, **Chair**

EVALUATION AND COMPENSATION COMMITTEE:

Katherine Alexis Atkins
E. Thomas Corcoran
Steven P. Furr, M.D.
Arlene Mitchell
James H. Shumock, **Vice Chair**
Michael P. Windom, **Chair**

HEALTH AFFAIRS COMMITTEE:

Katherine Alexis Atkins
Chandra Brown Stewart
Scott A. Charlton, M.D.
Steven P. Furr, M.D., **Chair**
Arlene Mitchell
Steven H. Stokes, M.D., **Vice Chair**
Tony G. Waldrop, Ph.D., *ex officio*
John V. Marymont, M.D., *ex officio*
Sabrina G. Bessette, M.D., *ex officio*

LONG-RANGE PLANNING COMMITTEE:

Chandra Brown Stewart, **Chair**
Robert D. Jenkins III
Lenus M. Perkins
James H. Shumock
Steven H. Stokes, M.D.
Michael P. Windom, **Vice Chair**

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

AGENDA

MINUTES

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES
FREDERICK P. WHIDDON ADMINISTRATION BUILDING - SUITE 130, BOARD ROOM
DECEMBER 6, 2018
1:30 P.M.

AUDIT COMMITTEE Jimmy Shumock, Chair

Roll Call
Approve: Minutes
5 Report: KPMG Audit Reports, Year Ended September 30, 2018
- KPMG Presentation to the Audit Committee
- Basic Financial Statements and Supplementary Information
- Management Letter and Response
- Communication to the Audit Committee (SAS #114 Letter)
- Bond Compliance Letter
- Agreed-Upon Procedures Report - Series 1999; 2010; 2012-A and 2012-B; 2013-A, 2013-B and 2013-C; 2014-A; 2015; 2016; and 2017 Bonds
- Basic Financial Statements, USA Research and Technology Corporation
- Basic Financial Statements, USA Health Care Authority
- Management Letter and Response, USA Health Care Authority

6 Report: Alabama Department of Examiners of Public Accounts Compliance Report, Year Ended September 2017
7 Report: Office of Internal Audit

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE Jim Yance, Chair

Roll Call
Approve: Minutes
8 Report: Endowment and Investment Performance * Gerber Taylor
9 Recommendation to Approve: Evaluation of Endowment and Non-Endowment Investment Policies
10 Recommendation to Approve: Director of the Jaguar Athletic Fund, Inc.
11 Report: Development and Alumni Relations

HEALTH AFFAIRS COMMITTEE Steve Stokes, M.D., Vice Chair

Roll Call
Approve: Minutes
12 Recommendation to Approve: USA Hospitals Medical Staff Credentials for August, September and October 2018
13 Recommendation to Approve: USA Hospitals Medical Staff Bylaws and Rules and Regulations Revisions
14 Recommendation to Approve: USA Health Financial Assistance Policy
15 Report: USA Health and College of Medicine

ACADEMIC AND STUDENT AFFAIRS COMMITTEE Mike Windom

Roll Call
Approve: Minutes
16 Recommendation to Approve: Sabbatical Awards
17 Recommendation to Approve: Faculty Emeritus
18 Recommendation to Approve: Dean Emeritus
19 Recommendation to Approve: Tenure
20 Report: Academic Affairs
21 Report: Student Affairs
22 Report: Campus Safety
23 Report: Office of Compliance
24 Report: Annual Review of Research Activity

BUDGET AND FINANCE COMMITTEE Tom Corcoran, Chair

Roll Call
Approve: Minutes
25 Report: University of South Alabama 2018 Financial Report
26 Recommendation to Approve: New Billing Entities for USA Health
27 Recommendation to Approve: Bond Parameters Resolution for Series 2019 Bonds

COMMITTEE OF THE WHOLE Ken Simon, Chair

Roll Call
Approve: Committee of the Whole Minutes, Long-Range Planning Committee Minutes and Executive Committee Minutes
28 Approve: Executive Session

BOARD OF TRUSTEES
FREDERICK P. WHIDDON ADMINISTRATION BUILDING - SUITE 130, BOARD ROOM
DECEMBER 7, 2018
10:30 A.M.

Roll Call
* Approve: Revised Agenda
1 Approve: Minutes
2 Report: University President
3 Report: Faculty Senate President
4 Report: Student Government Association President

CONSENT AGENDA
9 Approve: Evaluation of Endowment and Non-Endowment Investment Policies
10 Approve: Director of the Jaguar Athletic Fund, Inc.
12 Approve: USA Hospitals Medical Staff Credentials for August, September and October 2018
13 Approve: USA Hospitals Medical Staff Bylaws and Rules and Regulations Revisions
14 Approve: USA Health Financial Assistance Policy
16 Approve: Sabbatical Awards
17 Approve: Faculty Emeritus
18 Approve: Dean Emeritus

AUDIT COMMITTEE Jimmy Shumock, Chair

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE Jim Yance, Chair

HEALTH AFFAIRS COMMITTEE Steve Furr, M.D., Chair

ACADEMIC AND STUDENT AFFAIRS COMMITTEE Mike Windom
*** 19** Approve: Tenure

BUDGET AND FINANCE COMMITTEE Jim Yance, Vice Chair
26 Approve: New Billing Entities for USA Health
27 Approve: Bond Parameters Resolution for Series 2019 Bonds

OTHER
Approve: Executive Session

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Board of Trustees

Date:
November 27, 2018

To:
USA Board of Trustees

From:
Arlene Mitchell
Secretary, Board of Trustees

Subject:
Meeting Minutes

Included herein are the unapproved minutes of the Board of Trustees and standing committee meetings held on August 30 and 31, September 13, and November 10, 2018. Please review these documents for amendment or approval at the December 6 and 7 meetings of the Board of Trustees.

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

August 31, 2018
10:30 a.m.

A meeting of the University of South Alabama Board of Trustees was duly convened by Judge Ken Simon, Chair *pro tempore*, on Friday, August 31, 2018, at 10:34 a.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Alexis Atkins, Chandra Brown Stewart, Scott Charlton, Tom Corcoran, Steve Furr, Ron Graham, Ron Jenkins, Arlene Mitchell, Lenus Perkins, Jimmy Shumock, Ken Simon, Steve Stokes, Margie Tuckson, Mike Windom and Jim Yance.
Member Absent:	Kay Ivey.
Administration and Others:	Owen Bailey, Robert Berry, Camden Bradford, Caleb Butler, Nicole Carr, Jordan Carter, Lynne Chronister, Vanessa Dillard, Cody and Kevin Dunlap, Joel Erdmann, Mike Finan, Happy Fulford, Krista Harrell, Mike Haskins, David Johnson, Cathi Jones, Melva Jones, Zorrya Kelley (BSU), Don Langham, Christian Manganti, Melinda and Louis Mapp, John Marymont, Abe Mitchell, Mike Mitchell, Grace Newcombe (SGA), Pat Pigott, Matthew Reichert (Faculty Senate), John Smith, Margaret Sullivan, Jean Tucker, Ada Chaeli van der Zijp-Tan, Tony Waldrop and Scott Weldon.
Media:	Jake Cannon and Katarina Luketich (WKRG); Mike Corry, Cassie Fambro and Alyssa Newton (WPMI); Dale Liesch (*Lagniappe*); Asha Staples and Joshua Harlan (WALA); and Creg Stephenson (*al.com*).

The meeting came to order and the attendance roll was called. Chairman Simon called for adoption of the revised agenda. On motion by Mr. Corcoran, seconded by Mr. Shumock, the revised agenda was adopted unanimously.

Chairman Simon called for consideration of the minutes of the June 1, 2018, meeting of the Board of Trustees, as well as the minutes of the May 31, 2018, meeting of the Committee of the Whole, **ITEM 1**. On motion by Ms. Mitchell, seconded by Mr. Corcoran, the minutes were adopted unanimously.

As to **Item 2**, a report on the USA Board of Trustees Scholar, Chairman Simon introduced current Board of Trustees Scholars Mr. Christian Manganti and Ms. Ada Chaeli van der Zijp-Tan, as well as entering freshman Mr. Cody Dunlap, who, based upon academic achievement, was designated as the 2018-2019 Board of Trustees Scholar. Mr. Dunlap was presented a plaque commemorating his selection and he made brief remarks. Also recognized was Mr. Dunlap's father and USA alumnus, Mr. Kevin Dunlap.

Chairman Simon called for presentation of **ITEM 4**, the President's Report. President Waldrop recognized Honorary Trustee Mr. Abe Mitchell, Black Student Union President Ms. Zorrya Kelley and Trustee Emeritus Mr. Don Langham.

President Waldrop encouraged Trustees to view the documents titled *2017-2018 Notable Accomplishments from Vice Presidents, Deans and Directors* and *Community Engagement and Impact* made available on the website. He said the information was reflective of significant University milestones fulfilled and the commitment of University faculty, staff and students to public service.

President Waldrop talked about Week of Welcome (WOW), a series of events designed for students to get acquainted with the campus experience. He said WOW activities began with Move-In Day on August 18 and he introduced news footage showing the University community helping students and family members move belongings into the residence halls and testimonials about the appeal of the USA campus atmosphere.

President Waldrop shared details on the United Way of Southwest Alabama's (UWSWA) annual campaign, advising that South was historically the largest contributor out of many in the region who raise support for the agency. He conveyed admiration for the many dedicated individuals, like Ms. Brown Stewart, who serve UWSWA agencies. He said his role as Chair of the UWSWA's 2018 fundraising campaign had been a worthwhile experience and expressed optimism that South would reach its goal to raise $247,650.

President Waldrop called on Dr. Mitchell, who spoke about Greek Life activities taking place. He introduced Ms. Camden Bradford, President of the College Panhellenic Council; Ms. Vanessa Dillard, President of the National Pan-Hellenic Council; and Mr. Caleb Butler, Secretary of the Interfraternity Council. Each briefly commented on his/her organization's operations. Dr. Mitchell also introduced Assistant Director of Fraternity & Sorority Life Ms. Cathi Jones and Graduate Assistant in the Office of Fraternity & Sorority Life Mr. Jordan Carter.

President Waldrop called for remarks from Mr. Bailey. Mr. Bailey introduced USA Health's new Chief Information Officer Mr. Dan Howard. Mr. Howard shared excitement for his new role.

President Waldrop thanked the many alumni, students, football fans and University friends who demonstrated enthusiastic support for an on-campus football stadium by contacting Mobile City Council members and attending meetings of the Council. He said the University was fully committed to completing construction of an on-campus stadium by the 2020 football season and doing so without using students' tuition dollars. He announced the launch of the public phase of the "Get On Campus" comprehensive fundraising campaign to generate corporate and philanthropic support for funding of a stadium on campus.

Chairman Simon called for a report from the Audit Committee. Mr. Shumock, Committee Chair, stated, at a meeting on August 30, KPMG partners delivered an audit report and Mr. Davis discussed the independent audit of the USA Foundation's year-end financial statements. He added that Committee members participated in an educational session with KPMG and internal auditors just prior to the August 30 Committee meeting and discussed a range of topics and

planning ideas. He advised of an additional educational session later in the afternoon to discuss developing risk assessment protocols.

Chairman Simon called for a report from the Development, Endowment and Investments Committee. Mr. Yance, Committee Chair, stated, at a meeting on August 30, endowment performance for the fiscal year through June 30, 2018, was reported at 4.1 percent vs. the index of 3.65 percent. He advised of the Committee's approval to replace a William Blair international fund with a John Hancock international fund and said updates were given on the private equity investment with Gerber Taylor and on a final distribution of 3.3 percent due any day from Private Advisors, for a cumulative distribution of 103 percent of the $6.8 million portfolio value when discontinued in June 2016. He said Mr. Joseph Knight of J.P. Morgan discussed private equity performance.

Mr. Yance thanked Angelia and Steve Stokes and Ms. Sullivan for leading the Upward & Onward campaign and summarized campaign highlights reported on August 30, such as $17.2 million raised in fiscal year 2018 through August 23, the most of any year thus far; $121.4 million in pledges and gifts secured towards the $150 million goal; and several transformational gifts received, which included commitments from Ms. Arlene Mitchell, Mr. Abe Mitchell, Mr. Bert Meisler, BlueCross BlueShield of Alabama, and the Poarch Band of Creek Indians.

Chairman Simon called for a report from the Health Affairs Committee. Dr. Furr, Committee Chair, said, at a meeting on August 30, College of Medicine collaborations with the College of Education and Professional Studies and with the Mitchell College of Business (MCOB) to form new programs – a Health Professionals Education Master's degree track and a Master of Business Administration (MBA) degree for health care professionals – were discussed by Associate Professor and Chair of Professional Studies Dr. Tres Stefurak and MCOB Dean Dr. Bob Wood, respectively. He said Dr. Marymont advised of a program whereby medical students could earn a dual MBA degree within four years, and Mr. Bailey announced that the 2nd Annual *A Night Honoring Heroes* event would be held October 11 and reported on the cap and gown "graduation" of a patient delivered 22 weeks premature at the USA Children's & Women's Hospital (CWH) Neonatal Intensive Care Unit (NICU), the video of which was aired by news agencies nationally and internationally, shared on social media platforms and viewed more than 20 million times.

Dr. Furr said the Committee voted unanimously to recommend Board approval of **ITEM 12** as follows, and he moved for approval of the resolution. Dr. Stokes seconded and the Board voted unanimously to approve the resolution:

RESOLUTION
USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR MAY, JUNE AND JULY 2018

WHEREAS, the medical staff appointments and reappointments for May, June and July 2018 for the University of South Alabama Hospitals are recommended for Board approval by the Medical Executive Committees and the Executive Committee of the University of South Alabama Hospitals,

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

Dr. Furr said the Committee voted unanimously to recommend Board approval of **ITEM 13** as follows, and he moved for Board approval of the resolution. Capt. Jenkins seconded and the Board voted unanimously to approve the resolution. A short promotional video featuring the University Hospital academic mission was shown:

RESOLUTION
RENAMING UNIVERSITY OF SOUTH ALABAMA
HOSPITALS AND CLINICS

WHEREAS, the University of South Alabama provides patient care through USA Health at the University of South Alabama Medical Center and University of South Alabama Children's & Women's Hospital, as well as the University of South Alabama Mitchell Cancer Institute and the University of South Alabama Physicians Group, and

WHEREAS, the current names of these facilities do not fully reflect their mission, influence and scope as an academic nexus of medical education, clinical care and research in the Gulf Coast region, and

WHEREAS, the University of South Alabama desires to continue to underscore the multifaceted nature of its many and varied services and functions, as well as its special mission as an academic medical system, and

WHEREAS, USA Health provides innovative, integrated, comprehensive care and unique services available at no other medical facilities in the region, including the only Level 1 trauma center, which is ranked in the top 10 percent of U.S. trauma centers; the Arnold Luterman Regional Burn Center, which was ranked No. 1 in the United States for patient outcomes; the only hospital dedicated to the unique care of children and women, with neonatal and pediatric intensive care units and a pediatric emergency department; the only comprehensive cancer research and clinical care facility; and the region's largest network of physician specialists, and

WHEREAS, the University of South Alabama has a long tradition of providing education for generations of physicians, nurses and allied health professionals through its residency programs and preceptorships, and

WHEREAS, USA Health's unique mission as an academic health system is to help people lead longer, better lives through research, clinical care and education,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees renames its health care facilities and clinics, respectively, as USA Health University Hospital, USA Health Children's & Women's Hospital, USA Health Mitchell Cancer Institute, and USA Health Physicians Group.

Chairman Simon called for a report from the Academic and Student Affairs Committee. Dr. Charlton, Committee Chair, said freshman quintuplets Hallie, Sophia, Amelia Rose, Isabella and Shipley Zimlich were introduced ahead of a meeting on August 30, and, during the meeting, Dr. Johnson introduced 2018 Provost Faculty Fellow Dr. Todd Andel, as well as new chairs

Dr. Leigh Minchew from the Department of Maternal Child Nursing and Dr. Shelley Holden from the Department of Health, Kinesiology and Sport; Dr. Smith shared photos of Camellia Hall and food court renovations at the Student Center that include new service by Moe's Southwest Grill and Panda Express; Ms. Chronister announced an approximate $7 million federal appropriation for the School of Computing to develop a predictive maintenance model for the Department of Defense's aging F-16 jet and advised of additional collaboration with Wichita State University to develop a digital twin of the F-16; Dr. Mitchell introduced Counseling and Testing Services (CTS) Director Dr. John Friend for an overview on a clinical mental health training program; and Dr. Mitchell, Chair of the University's Diversity and Inclusion Committee, shared that diversity and inclusion training would be offered to the University community on October 24 and 25.

Dr. Charlton called on Dr. Johnson, who talked about efforts over several years to strengthen academics, which have included incremental increases in the admissions standards; scholarship growth; and expansion of the Honors Program into an Honors College. He presented charts depicting a steady increase in the academic qualifications of each freshman class since 2011, a demonstration that the University's efforts have been effective.

Chairman Simon called for a report from the Budget and Finance Committee. Mr. Corcoran, Committee Chair, said, at a meeting on August 30, Mr. Weldon presented the quarterly financial statements for the nine months ended June 30, 2018, and noted that the information in the statements was as expected. He said Mr. Weldon presented a $974 million balanced budget for 2018-2019, which reflected a 3.5 percent increase in state appropriation, as well as the tuition and fee increases approved by the Board in June. He stated the Committee voted unanimously to approve **ITEM 19** as follows, and he offered a motion that the Board approve the resolution (for copies of policies and other authorized documents, refer to **APPENDIX A**). Ms. Mitchell seconded and the Board voted unanimously to approve the resolution:

RESOLUTION
UNIVERSITY TOTAL BUDGET FOR 2018-2019

BE IT RESOLVED, the University of South Alabama Board of Trustees approves the 2018-2019 University of South Alabama Budget, and

BE IT FURTHER RESOLVED, the University of South Alabama Board of Trustees approves the 2018-2019 Budget as a continuation budget for 2019-2020 in order to be in compliance with bond trust indenture requirements if the budget process cannot be completed prior to beginning the 2019-2020 fiscal year.

Chairman Simon called for a report from the Long-Range Planning Committee. Ms. Brown Stewart, Committee Chair, said, the Committee attended an educational session early on August 30, at which Associate Vice President for Institutional Effectiveness Dr. Angela Coleman discussed the charge and scope of work expected of the Committee; reviewed the University's previous strategic planning process; and provided insight on the Committee's role as it relates to SACSCOC (Southern Association of Colleges and Schools Commission on Colleges) compliance. She advised of plans for an educational session in December that will focus on SACSCOC principles pertaining to Board assessment. She said, at a meeting on August 30, the Committee

heard a report from Dr. Johnson on the University's 2018 Scorecard and Mr. Bailey addressed metrics specific to the Excellence in Health Care strategic priority.

Chairman Simon called for presentation of **ITEM 5,** a report from Faculty Senate President Dr. Matthew Reichert. Dr. Reichert said the Senate held its first meeting recently and the work of the Senate is focused on improving the tenure and promotion process and on possible implementation of a five-year chair review process. He added that the Senate would be collaborating with the Student Government Association (SGA) on common goals and policies. He invited Board members to join the next Senate meeting on September 19.

Chairman Simon called on Associate Vice President for Academic Success Dr. Nicole Carr, who talked about South's Common Read/Common World book selection for 2018-2019 *Just Mercy* by award-winning author and founder of the Equal Justice Initiative Bryan Stevenson. She said Stevenson would speak at the Mitchell Center on November 28. Associate Dean of Students and Title IX coordinator Dr. Krista Harrell said substantial programming was based around the book. Mr. Windom encouraged Trustees and guests to visit the Legacy Museum in Montgomery.

Chairman Simon called for presentation of **ITEM 6**, a report from SGA President Ms. Grace Newcombe. Ms. Newcombe talked about plans for a retreat to educate senators on SGA rules and guidelines. With reference to a master plan, she listed a set of missions conceived by SGA officers that coincide with the University's strategic priorities and detailed a variety of SGA-sponsored activities and initiatives taking shape, such as increased transportation to athletic events, the *Waffles with Waldrop* student engagement opportunity and advocating for increased student participation at campus and community service events like the annual Martin Luther King Day of Service and American Heart Association Heart Walk. She mentioned an SGA President's seal was developed to elevate professionalism and thanked the Marketing and Communications team for assisting. President Waldrop recognized Ms. Newcombe's selection as co-chair of the Alabama University Student Presidents Council.

Chairman Simon called on Ms. Mitchell, who said, as a result of a Board report on student food insecurity at a previous meeting, she contacted Dr. Mitchell about providing a one-year meal scholarship and she urged Trustees to contribute. Ms. Newcombe thanked Ms. Mitchell and acknowledged actions under way to assure students are informed about resources like the campus food pantry and CTS. Dr. Mitchell reported that an account dedicated to support students experiencing hunger was created through the Development Office and anyone could donate. He added that the University's contract with Aramark facilitated two meal scholarships annually, and these together with current donations from Trustees made possible meal scholarships for four students. He directed individuals wanting to donate to the Student Affairs website and said donors could help combat student homelessness as well. Ms. Tuckson suggested broadening donation options to support students with emergencies.

Chairman Simon called on Dr. Furr, who invited Melinda and Louis Mapp to join him, Chairman Simon, President Waldrop and others for the presentation of **ITEM 10** as follows. Comments were shared about the Mapps' legacy of service to and philanthropic support of USA Health, the CWH NICU and NICU patients and families. Dr. Furr read the resolution and, on motion by Mr. Windom, seconded Mr. Shumock, the Board voted unanimously to approve the

resolution. Mr. Mapp recognized the nurses in attendance as the stars of the NICU. A video attesting to the lifesaving mission of the NICU and the Mapps' contributions was shown:

RESOLUTION
COMMENDATION OF MELINDA AND LOUIS MAPP

WHEREAS, for decades, Melinda and Louis Mapp and the Mapp Family Foundation have pursued the goals of expanding access to quality health care and improving outcomes for patients, as has the University of South Alabama through the mission of USA Health, and

WHEREAS, six years ago Melinda and Louis Mapp initiated a partnership through a gift to the University of South Alabama Children's & Women's Hospital to expand the Child Life Program and thus assure that young patients' developmental, educational, psychosocial and emotional needs are met even during lengthy hospital stays, and

WHEREAS, the Mapps have strengthened this partnership through generous support for USA Health initiatives, including the USA Mitchell Cancer Institute, Children's Miracle Network activities, and the Collins Carr Memorial roof-top garden, and

WHEREAS, in 2017, Louis Mapp discovered a passion and expanded his commitment to USA Health's most vulnerable patients by volunteering every Tuesday to rock, hold and feed the premature babies who are receiving care in the Hollis J. Wiseman Neonatal Intensive Care Unit (NICU), and

WHEREAS, Mr. Mapp's commitment to the welfare of NICU patients has extended even to donning a kangaroo costume for Kangaroo-A-Thon, an educational event to teach parents of NICU babies about the healing effects skin-to-skin contact can promote for their newborn children, and

WHEREAS, Mr. Mapp's deep involvement in the work of the NICU has given him visionary understanding of its needs, inspiring generous gifts by the Mapps for general operations and the purchase of a transport isolette, which are producing a transformative impact on the care provided by the NICU, and

WHEREAS, the Mapps' most recent gift of $1,050,000 to establish the Louis and Melinda Mapp NICU Patient Support Fund will provide flexible funding to meet the needs of families with critically ill newborn babies far into the future,

THEREFORE, BE IT RESOLVED, the Board of Trustees commends Melinda and Louis Mapp and the Mapp Family Foundation for their extraordinary commitment to assuring access to the highest quality health care for the most vulnerable members of our community, and

BE IT FURTHER RESOLVED, the Board of Trustees extends profound thanks on behalf of the entire USA Health system, the University's faculty, students and staff, as well as patients and families who will benefit from the visionary philanthropy of Melinda and Louis Mapp for many years to come.

Chairman Simon called upon Ms. Sullivan, who expressed pleasure for the opportunity to recognize the Mitchell family for their profound contributions to the University of South

Alabama. She reported on the University's nomination of Ms. Arlene Mitchell, the late Mr. Mayer Mitchell and Mr. Abe Mitchell for CASE's (Council for Advancement and Support of Education) prestigious and competitive *Distinguished Friend of Education Award,* for which she stated the Mitchells were selected as the 2018 recipients. She said University representatives celebrated with Arlene and Abe at the CASE awards ceremony in New York in July and asserted the award was a true testament of all the Mitchells had accomplished to transform South Alabama and change the lives of countless individuals. A CASE-produced video was shown that chronicled the enduring impact of Arlene, Mayer and Abe Mitchell on South Alabama growth. Chairman Simon asked Ms. Mitchell and Mr. Mitchell to join him for the reading of **ITEM 10.A** as follows. On motion by Mr. Yance, seconded by Mr. Shumock, the Board voted to approve the resolution, with Ms. Mitchell abstaining. Mr. Mitchell said being able to promote education for the betterment of the entire community was rewarding. Ms. Mitchell stated the University was a special place and it was a privilege to be a part of its progress:

RESOLUTION
TRIBUTE TO THE MITCHELL FAMILY

WHEREAS, over the past 40 years, Abraham, Arlene and the late Mayer Mitchell have served as trusted leaders, visionaries, advocates, advisers and benefactors of the University of South Alabama and have made a transformational impact on both the University and the USA Health system with charitable giving that represents the largest contribution by any family to any public university in the state of Alabama, and

WHEREAS, Abraham Mitchell has provided extraordinary philanthropic support to the University of South Alabama, endowing the Mitchell Cancer Institute Scholars and the Mitchell College of Business, and committing $50 million to the University in support of student scholarships through the Mitchell-Moulton Scholarship Initiative as well as continuing support for faculty and students in the Mitchell College of Business, commitments that will impact the lives of thousands of students and patients for generations to come, and

WHEREAS, Mayer Mitchell provided visionary leadership in numerous key positions on the USA Board of Trustees, including as Chair *Pro Tempore*, and played an instrumental role in shaping the University through his exemplary Board service and his extensive and generous philanthropy, specifically to the Mitchell College of Business, Mitchell Center, Mitchell Cancer Institute and the Joseph and Rebecca Mitchell Learning Resource Center, and

WHEREAS, Arlene Mitchell has extended her husband's legacy of service and philanthropy to the University through her dedication and wise counsel to the USA Board of Trustees and her philanthropic support of the University, especially to the Mitchell Cancer Institute and the USA Children's & Women's Hospital, and has worked passionately to instill her values of caring and generosity in her children, grandchildren and all with whom she comes in contact,

THEREFORE, BE IT RESOLVED, the Board of Trustees acknowledges the profound generosity of Abraham, Arlene and the late Mayer Mitchell, pays tribute to their many contributions, their invaluable service and their abiding commitment to the University of South Alabama, the citizens of this state, region and nation, and the countless individuals whose lives have been impacted by their generosity, and proudly recognizes them for

receiving the prestigious 2018 Distinguished Friend of Education Award from the Council for Advancement and Support of Education.

There being no further business, the meeting was adjourned at 12:05 p.m.

Attest to:

_____
Arlene Mitchell, Secretary

Respectfully submitted:

_____
Kenneth O. Simon, Chair *pro tempore*

APPENDIX A

UNIVERSITY OF SOUTH ALABAMA

DISCLOSURE OF INFORMATION ON PURCHASE OF REAL PROPERTY PURSUANT TO ALABAMA ACT 2014-133

PROPERTY ADDRESS:

6000 South Waringwood Drive
Mobile, Alabama 36608
Parcel Number 28-04-17-1-000-038.XXX
Key Number: 489527

APPRAISAL INFORMATION:

No appraisal was obtained. The Mobile County Revenue Commission reported a 2018 value of $22,100.00.

CONTRACTS RELATED TO THE PURCHASE:

Attached as Exhibit "A"

PURCHASE TERMS:

Cash Purchase

SOURCES OF FUNDS USED IN THE PURCHASE:

Unrestricted Funds

USA PROPERTIES
775 N. University Blvd. | Suite 150 | Mobile, Alabama 36608-4548
TEL: (251) 460-6100 | FAX: (251) 461-1765 | SouthAlabama.edu

REAL ESTATE PURCHASE CONTRACT

The **University of South Alabama** ("Buyer"), a public body corporate, whose principal address is 307 University Boulevard North, Mobile, AL 36688 ("Buyer's Address"), hereby agrees to buy and **Albert L. Miller** ("Seller"), whose principal address is 3613 Gaynor Road Extension, Eight Mile, Alabama 36613 ("Seller's Address"), hereby agrees to sell for the consideration and upon the terms hereinafter set forth, the real estate described as:

6000 Waringwood Dr., Mobile, Alabama 36608

Parcel: R022804171000038.

Lot 54, Block 11 of Hillsdale Heights Subdivision according to plat thereof recorded in Map Book 10, Page 183, of the records in the office of the Judge of Probate, Mobile County, Alabama

TOGETHER WITH all rights, privileges, tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining (the "Property").

ARTICLE I - Purchase Price and Condition of Property

1.1 The purchase price for the Property shall be ***SEVENTEEN THOUSAND FIVE HUNDRED AND NO/100 DOLLARS ($17,500.00)*** (the "Purchase Price") and shall be payable on the day of Closing ("Closing Date") by cash, cashier's check, certified check or wire transfer. Buyer shall pay the cost of acquiring a current title insurance policy for the benefit of Buyer, and the cost of document preparation, including a general warranty deed. Buyer agrees to pay other closing and settlement costs. Property taxes shall be prorated as of the Closing date.

1.2 Seller agrees that the proceeds of this sale shall be used to satisfy any and all outstanding mortgages and/or liens that exist on the Property at the Closing of this transaction (the "Closing") before any remaining proceeds from the sale are given to Seller.

ARTICLE II - Closing

2.1 Unless otherwise extended by the provisions of the "Contract" or by agreement in writing by the parties, the Closing of this transaction shall be held by or before September 30, 2018.

2.2 The Closing shall be held at the title insurance company of Buyer's choosing.

ARTICLE III - Possession

3.1 Seller and Buyer acknowledge and agree that until the Closing date, Seller shall have possession of the Property and shall continue to pay any and all expenses incurred by Seller such as yard maintenance and agrees to indemnify and hold Buyer harmless from any and all costs associated with same. Seller shall be responsible for insuring the property during the period of Seller's possession. Buyer shall bear no responsibility for risk of loss prior to the time that Seller vacates the property.

ARTICLE IV - Deed and Other Documents

4.1 Seller shall convey the Property to Buyer by recordable General Warranty Deed (the "Deed"), conveying good and marketable title of record to the Property, in fee simple, free and clear of all liens and encumbrances except for a lien of real property taxes not yet due and payable, any liens and encumbrances which do not interfere with Buyer's intended use of the Property, including existing easements, and other exceptions approved in writing by Buyer.

4.2 Seller shall execute and deliver with the Deed such other documents as may be required by any governmental entity or by the title insurance company as a condition to the issuance of its policy of title insurance in accordance with Article V, including, but not limited to:

(a) The standard affidavit required by the title insurance company for the removal of the standard preprinted exceptions from the title insurance policy; and

(b) A Certificate of Non-Foreign Status or other evidence satisfactory to Buyer and the title insurance company confirming that Buyer is not required to withhold or pay to the Internal Revenue Service any part of the "amount realized" as such term is defined in the Internal Revenue Code of 1986, as amended, and the regulations promulgated pursuant thereto.

ARTICLE V - Title Insurance

5.1 Buyer shall order a title insurance commitment or preliminary title report issued by the title company of Buyer's choosing (referred to as "Title Insurance Company") in which the Title Insurance Company commits that upon delivery and recordation of the Deed and other documents provided for in this Contract, it will issue, at its usual rate, an ALTA form B owner's policy with extended coverage or comparable form, insuring access to the Property and such other endorsements as Buyer may request (the "Policy"), insuring Buyer in the total amount of the Purchase Price, fee simple title to the Premises subject

only to (a) the lien for real estate taxes not yet due and payable; (b) exceptions approved in writing by Buyer; and/or (c) such liens as are to be released and discharged at the Closing. Seller agrees to provide to Buyer and the Title Insurance Company all title information in Seller's possession relating to the Property together with a copy of the most recent tax bills relating to the Property.

5.2 Without limiting the foregoing or being limited thereby, the standard exceptions for parties in possession, mechanics' and materialmen's liens and matters which would be disclosed by an accurate survey shall be eliminated from said Policy.

5.3 Seller shall bear all costs and expenses incurred in connection with the issuance of said title commitment, Policy and any endorsements thereto which are required to conform the Policy to the terms and conditions of this Contract.

5.4 If the title insurance commitment or report shows any exceptions to title other than those referred to in Article 5.1 above, Buyer shall notify Seller in writing of the defects in title within ten (10) days after receipt of the title commitment (with copies of all documents referred to therein). Seller shall then have ten (10) days after receipt of such notice in which to cure such defects and furnish to Buyer satisfactory proof that such defects have been cured. Seller agrees to use its best efforts to cure such defects. If Seller fails or is unable to cure such title defects within such ten (10) day period or to obtain title insurance which will give affirmative coverage to Buyer against loss as a result of such title defects, Buyer shall have the option, to be exercised in its sole discretion, to (i) proceed with Closing of this transaction subject to such title defects, or (ii) terminate this Contract.

ARTICLE VI - Taxes and Assessments

6.1 Seller shall pay or credit against the Purchase Price all unpaid real estate taxes, including penalties and interest, for all tax years preceding the Closing Date, and shall credit a portion of such taxes for the tax year in which the Closing is held, prorated through the Closing Date. The proration of such taxes shall be based on a 365-day year and on the most recently available rate and valuation and the amount so computed and adjusted shall be final.

6.2 Seller shall pay any special assessments which (a) are a lien on the Property on the Closing Date, whether such assessments are past due, then due or thereafter to become due or (b) are not a lien but are then known and will be payable in whole or in part after the Closing Date.

ARTICLE VII - Utility Charges

7.1 Seller shall pay or credit on the Purchase Price all unpaid utility charges and all charges for services of any type furnished to the Property by all governmental agencies, public utilities and/or private utilities through the Closing Date.

ARTICLE VIII - Risk of Loss

8.1 The risk of loss, damage or destruction to the Property and any improvements thereon through condemnation, fire or otherwise shall be borne by Seller until the Closing.

ARTICLE IX - Conditions to Closing

9.1 Buyer's obligation to close this transaction is subject to the following conditions and covenants:

(a) Easements. Buyer may obtain at or prior to Closing all other easements or licenses deemed necessary by Buyer upon terms and conditions acceptable to Buyer. Seller agrees to reasonably cooperate with Buyer in obtaining any such easements or licenses.

(b) Survey. Buyer may obtain, at Buyer's sole cost, a certified ALTA survey, being a legal description, made by a licensed surveyor, showing the area, dimensions and location of the Property to the nearest monuments, streets, alleys or property, the location of all improvements, utilities and encroachments, the location of all proposed and recorded easements against or appurtenant to the Property. If a survey is obtained and discloses any condition rendering the Property unusable, in Buyer's sole judgment, for the intended purpose of Buyer, Buyer may terminate this Contract for Purchase with no penalty.

(c) Title Insurance. Buyer shall have obtained from Seller a satisfactory title insurance commitment or preliminary title report in accordance with Article VI above.

(d) Seller's Performance. Seller shall have performed all terms, covenants and obligations required of Seller hereunder.

(e) Environmental Audit and Testing. Buyer, at Buyer's expense, may obtain a current satisfactory Phase I or Phase II Environmental Audit of the Property and any other environmental testing which Buyer deems reasonably

necessary to evaluate potential environmental risks. If such audit or tests reveal the existence of any toxic or hazardous waste, material or substance on, under or surrounding the Property, Buyer may terminate this Contract.

(f) Satisfaction of all existing mortgages and/or liens.

ARTICLE X - Notices

10.1 Unless otherwise provided herein, all notices shall be in writing and shall be deemed effective upon the earlier of either (a) personal delivery (b) facsimile or (c) deposit in the U.S. Mail, marked Certified or Registered, return receipt requested, with postage prepaid to Seller at 3613 Gaynor Road Extension, Eight Mile, Alabama 36613, and to Buyer at 775 N. University Boulevard, Suite 150, Mobile, AL 36608 (facsimile 251-460-1765).

ARTICLE XI - Representations and Warranties

11.1 Seller represents, warrants and covenants to Buyer as to the following matters, and shall be deemed to remake all of the following representations, warranties and covenants as of the Closing Date.

(a) All covenants, conditions, restrictions, easements and similar matters affecting the Property have been complied with.

(b) There is no pending or threatened litigation, arbitration, administrative action or examination, claim, or demand whatsoever relating to the Property or the furnishings and equipment contained in the premises and sold as part of this Agreement. No attachments, execution proceedings, liens, assignments or insolvency proceedings are pending, threatened or contemplated against Seller, the Property or the furnishings and equipment contained in the premises and sold as part of this Agreement. Seller is not contemplating the institution of insolvency proceedings.

(c) Seller has no knowledge of any pending or contemplated eminent domain, condemnation, or other governmental or quasi-governmental taking of any part or all of the Property.

(d) Seller has not been notified of any possible future improvements by any public authority, any part of the cost of which might be assessed against any part of the Property.

(e) To the best of Seller's knowledge, Seller: (i) has not used the Property for the

storage, treatment, generation, production or disposal of any toxic or hazardous waste, material or substance nor does Seller have knowledge of such use by others; (ii) has not caused or permitted and has no knowledge of the release of any toxic or hazardous waste, material or substance on or off site of the Property; (iii) has not received any notice from any governmental authority or other agency concerning the removal of any toxic or hazardous waste, material or substance from the Property; and (iv) has disclosed to Buyer the location of all underground storage tanks on the Property (if any).

(f) No event has occurred with respect to the Property which would constitute a violation of any applicable environmental law, ordinance or regulation.

(g) The execution and delivery of this Contract has been duly authorized and validly executed and delivered by Seller, and will not (i) constitute or result in the breach of or default under any oral or written agreement to which Seller is a party or which affects the Property; (ii) constitute or result in a violation of any order, decree or injunction with respect to which either Seller and/or the Property is/are bound; (iii) cause or entitle any party to have a right to accelerate or declare a default under any oral or written agreement to which Seller is a party or which affects the Property; and or (iv) violate any provision of any municipal, state or federal law, statutory or otherwise, to which either Seller or the Property may be subject.

11.2 As an inducement to Seller to enter into this Contract, Buyer represents that Buyer has the right, power and authority to purchase the Property in accordance with the terms and conditions of this Contract and that Buyer has validly executed and delivered this Contract.

11.3 Except as is expressly provided in this Contract, Buyer acknowledges that neither Seller nor any agent, attorney, employee or representative of Seller has made any representations as to the physical nature or condition of the Property.

11.4 All of the representations, warranties and covenants made by Seller in Article XI and elsewhere in this Contract shall survive the Closing for a period of two (2) years. Unless Buyer delivers notice to Seller of a breach of representation, warranty or covenant contained in Article XI or elsewhere in this Contract within two (2) years of the Closing Date, the representation, warranty or covenant shall be of no further force or effect.

ARTICLE XII - Miscellaneous

12.1 This Contract shall inure to the benefit of and bind the parties hereto, their respective heirs, executors, administrators, personal and/or legal representatives, successors and assigns.

12.2 This Contract constitutes the entire agreement between the parties and there are no representations, oral or written, relating to the Property or to this transaction which have not been incorporated herein. Any agreement hereafter made shall be ineffective to change, modify or discharge this Contract in whole or in part unless such agreement is in writing and signed by the party against whom enforcement of any change, modification or discharge is sought.

12.3 The headings of the Articles hereof have been inserted for convenience only and shall in no way modify or restrict any provisions hereof or be used to construe any such provisions.

12.4 If two or more persons constitute the Seller, the word "Seller" shall be construed as if it reads "Sellers" throughout this Contract.

12.5 This Contract shall be construed, interpreted and enforced in accordance with the laws of the State of Alabama. The parties agree and acknowledge that the only forum for any claim against Buyer pursuant to this Agreement is the Alabama State Board of Adjustment.

12.6 This Contract may be executed in multiple counterparts, each of which shall be considered to be an original document.

12.7 The Effective Date shall be the date of the last execution hereof.

12.8 Time is of the essence hereof.

12.9 Any condition or right of termination, cancellation or rescission granted by this Contract to Seller or Buyer may be waived by such party provided such waiver is in writing.

12.10 If the time period or date by which any right, option or election provided under this Contract must be exercised, or by which any act required hereunder must be performed, or by which the Closing must be held, expires or occurs on a Saturday, Sunday, or legal or bank holiday, then such time period or date shall be automatically extended through the close of business on the next regularly scheduled business day.

ARTICLE XIII - Acceptance

13.1 In the event this Contract is not signed simultaneously by both parties, it shall be considered to be an offer made by the party first executing it. In such event this offer shall expire at 12:00pm NOON, Friday, August 24, 2018 Central Daylight Time following the offer unless one copy of this Contract,

executed by the party to whom this offer had been made, shall have been mailed (in accordance with Article X hereof) or personally delivered to the party making the offer.

ARTICLE XIV – Broker Agency Disclosure: 34-27-8-(c)

The selling company is:	The listing company is:
USA Properties	**USA Properties**
TWO BLOCKS MAY BE CHECKED ☐ and is an Agent of the Seller ☒ and is an Agent of the Buyer ☐ and is an Agent of both Seller and Buyer acting as a limited dual consensual agent ☒ and is assisting the ☐ Buyer ☒ Seller as a transaction broker. Buyer(s) initials: RKD _____	**TWO BLOCKS MAY BE CHECKED** ☐ and is an Agent of the Seller ☒ and is an Agent of the Buyer ☐ and is an Agent of both Seller and Buyer acting as a limited dual consensual agent ☒ and is assisting the ☐ Buyer ☒ Seller as a transaction broker. Seller(s) initials: AM _____

14.1 Both Buyer and Seller agree and understand that USA Properties is acting as an agent of the Buyer in this transaction and is solely assisting Seller as a transaction broker. Seller understands that Seller is under no obligation to pay a commission to USA Properties with respect to this transaction.

Signed by Buyer this 29th day of August, 2018.

BUYER:

UNIVERSITY OF SOUTH ALABAMA

By: Robert K. Davis

Robert K. Davis

Signed by Seller this 27 day of August, 2018.

SELLER:

ALBERT L. MILLER

By: Albert L. Miller

Albert L. Miller

UNIVERSITY OF SOUTH ALABAMA

DISCLOSURE OF INFORMATION ON PURCHASE OF REAL PROPERTY PURSUANT TO ALABAMA ACT 2014-133

PROPERTY ADDRESS:

600 Caton Avenue
Mobile, Alabama 36617
Parcel Number 29-02-44-0-027-076.XXX
Key Number: 700575

APPRAISAL INFORMATION:

No appraisal was obtained. The Mobile County Revenue Commission reported a 2018 value of $8,300.00.

CONTRACTS RELATED TO THE PURCHASE:

Attached as Exhibit "A"

PURCHASE TERMS:

Cash Purchase

SOURCES OF FUNDS USED IN THE PURCHASE:

Unrestricted Funds

USA PROPERTIES
775 N. University Blvd. | Suite 150 | Mobile, Alabama 36608-4548
TEL: (251) 460-6100 | FAX: (251) 461-1765 | SouthAlabama.edu

REAL ESTATE PURCHASE CONTRACT

The **University of South Alabama** ("Buyer"), a public body corporate, whose principal address is 307 University Boulevard North, Mobile, AL 36688 ("Buyer's Address"), hereby agrees to buy and **Leonard C. & Grace Y. Wyatt** ("Seller"), whose principal address is 6427 Middle Ring Court, Mobile, Alabama 36608 ("Seller's Address"), hereby agrees to sell for the consideration and upon the terms hereinafter set forth, the real estate described as:

600 Caton Avenue, Mobile, Alabama 36617
Parcel: 29 02 44 0 027 076.XXX
Key Number: 700575

BEG AT INTER OF N ROW FILLINGIM ST & E ROW CATON AVE TH N 210 FT(S) TH E 68 FT S THE S 208 FT S TH W 68 FT(S) TO POB GRT LESS & EXC PT INTO ROW FOR FILLINGIM ST PER PROJECT STP MB-7531(600)

TOGETHER WITH all rights, privileges, tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining (the "Property").

ARTICLE I - Purchase Price and Condition of Property

1.1 The purchase price for the Property shall be ***EIGHT THOUSAND FIVE HUNDRED AND NO/100 DOLLARS ($8,500.00)*** (the "Purchase Price") and shall be payable on the day of Closing ("Closing Date") by cash, cashier's check, certified check or wire transfer. Seller shall pay the cost of acquiring a current title insurance policy for the benefit of Buyer, and the cost of document preparation, including a general warranty deed (the "Deed"). Buyer agrees to pay other closing and settlement costs. Property taxes shall be prorated as of the Closing date.

1.2 Seller agrees that the proceeds of this sale shall be used to satisfy any and all outstanding mortgages and/or liens that exist on the Property at the Closing of this transaction (the "Closing") before any remaining proceeds from the sale are given to Seller.

ARTICLE II - Closing

2.1 Unless otherwise extended by the provisions of the "Contract" or by agreement in

writing by the parties, the Closing of this transaction shall be held by or before September 30, 2018.

2.2 The Closing shall occur at the offices of McFadden Rouse & Bender, LLC, or such other location as may be agreed to in writing by Purchaser and Seller.

ARTICLE III - Possession

3.1 Seller and Buyer acknowledge and agree that until the Closing date, Seller shall have possession of the Property and shall continue to pay any and all expenses incurred by Seller such as yard maintenance and agrees to indemnify and hold Buyer harmless from any and all costs associated with same. Seller shall be responsible for insuring the property during the period of Seller's possession. Buyer shall bear no responsibility for risk of loss prior to the time that Seller vacates the property.

ARTICLE IV - Deed and Other Documents

4.1 Seller shall convey the Property to Buyer by recordable General Warranty Deed (the "Deed"), conveying good and marketable title of record to the Property, in fee simple, free and clear of all liens and encumbrances except for a lien of real property taxes not yet due and payable, any liens and encumbrances which do not interfere with Buyer's intended use of the Property, including existing easements, and other exceptions approved in writing by Buyer.

4.2 Seller shall execute and deliver with the Deed such other documents as may be required by any governmental entity or by the title insurance company as a condition to the issuance of its policy of title insurance in accordance with Article V, including, but not limited to:

(a) The standard affidavit required by the title insurance company for the removal of the standard preprinted exceptions from the title insurance policy; and

(b) A Certificate of Non-Foreign Status or other evidence satisfactory to Buyer and the title insurance company confirming that Buyer is not required to withhold or pay to the Internal Revenue Service any part of the "amount realized" as such term is defined in the Internal Revenue Code of 1986, as amended, and the regulations promulgated pursuant thereto.

ARTICLE V - Title Insurance

5.1 Buyer shall order a title insurance commitment or preliminary title report issued by the title company of Buyer's choosing (referred to as "Title Insurance Company") in which the Title Insurance Company commits that upon delivery and recordation of the Deed and other documents provided for in this Contract, it will issue, at its usual rate, an ALTA form B owner's policy with extended coverage or comparable form, insuring access to the Property and such other endorsements as Buyer may request (the "Policy"), insuring Buyer in the total amount of the Purchase Price, fee simple title to the Premises subject only to (a) the lien for real estate taxes not yet due and payable; (b) exceptions approved in writing by Buyer; and/or (c) such liens as are to be released and discharged at the Closing. Seller agrees to provide to Buyer and the Title Insurance Company all title information in Seller's possession relating to the Property together with a copy of the most recent tax bills relating to the Property.

5.2 Without limiting the foregoing or being limited thereby, the standard exceptions for parties in possession, mechanics' and materialmen's liens and matters which would be disclosed by an accurate survey shall be eliminated from said Policy.

5.3 Seller shall bear all costs and expenses incurred in connection with the issuance of said title commitment, Policy and any endorsements thereto which are required to conform the Policy to the terms and conditions of this Contract.

5.4 If the title insurance commitment or report shows any exceptions to title other than those referred to in Article 5.1 above, Buyer shall notify Seller in writing of the defects in title within ten (10) days after receipt of the title commitment (with copies of all documents referred to therein). Seller shall then have ten (10) days after receipt of such notice in which to cure such defects and furnish to Buyer satisfactory proof that such defects have been cured. Seller agrees to use its best efforts to cure such defects. If Seller fails or is unable to cure such title defects within such ten (10) day period or to obtain title insurance which will give affirmative coverage to Buyer against loss as a result of such title defects, Buyer shall have the option, to be exercised in its sole discretion, to (i) proceed with Closing of this transaction subject to such title defects, or (ii) terminate this Contract.

ARTICLE VI - Taxes and Assessments

6.1 Seller shall pay or credit against the Purchase Price all unpaid real estate taxes, including penalties and interest, for all tax years preceding the Closing Date, and shall credit a portion of such taxes for the tax year in which the Closing is held, prorated through the Closing Date. The proration of such taxes shall be based on a 365-day year and on the most recently available rate and valuation and the amount so computed and adjusted shall be final.

6.2 Seller shall pay any special assessments which (a) are a lien on the Property on the Closing Date, whether such assessments are past due, then due or thereafter to become due or (b) are not a lien but are then known and will be payable in whole or in part after the Closing Date.

ARTICLE VII - Utility Charges

7.1 Seller shall pay or credit on the Purchase Price all unpaid utility charges and all charges for services of any type furnished to the Property by all governmental agencies, public utilities and/or private utilities through the Closing Date.

ARTICLE VIII - Risk of Loss

8.1 The risk of loss, damage or destruction to the Property and any improvements thereon through condemnation, fire or otherwise shall be borne by Seller until the Closing.

ARTICLE IX - Conditions to Closing

9.1 Buyer's obligation to close this transaction is subject to the following conditions and covenants:

(a) Easements. Buyer may obtain at or prior to Closing all other easements or licenses deemed necessary by Buyer upon terms and conditions acceptable to Buyer. Seller agrees to reasonably cooperate with Buyer in obtaining any such easements or licenses.

(b) Survey. Buyer may obtain, at Buyer's sole cost, a certified ALTA survey, being a legal description, made by a licensed surveyor, showing the area, dimensions and location of the Property to the nearest monuments,

streets, alleys or property, the location of all improvements, utilities and encroachments, the location of all proposed and recorded easements against or appurtenant to the Property. If a survey is obtained and discloses any condition rendering the Property unusable, in Buyer's sole judgment, for the intended purpose of Buyer, Buyer may terminate this Contract for Purchase with no penalty.

(c) Title Insurance. Buyer shall have obtained from Seller a satisfactory title insurance commitment or preliminary title report in accordance with Article V above.

(d) Seller's Performance. Seller shall have performed all terms, covenants and obligations required of Seller hereunder.

(e) Environmental Audit and Testing. Buyer, at Buyer's expense, may obtain a current satisfactory Phase I or Phase II Environmental Audit of the Property and any other environmental testing which Buyer deems reasonably necessary to evaluate potential environmental risks. If such audit or tests reveal the existence of any toxic or hazardous waste, material or substance on, under or surrounding the Property, Buyer may terminate this Contract.

(f) Title to property with satisfaction of all existing mortgages and/or liens free and clear of all encumbrances.

(g) Demolition by Seller of all existing structures upon the property and removal of all debris associated therewith, to Buyer's reasonable satisfaction.

ARTICLE X - Notices

10.1 Unless otherwise provided herein, all notices shall be in writing and shall be deemed effective upon the earlier of either (a) personal delivery (b) facsimile or (c) deposit in the U.S. Mail, marked Certified or Registered, return receipt requested, with postage prepaid to Seller at 6427 Middle Ring Court, Mobile, Alabama 36608, and to Buyer at 775 N. University Boulevard, Suite 150, Mobile, AL 36608 (facsimile 251-460-1765).

ARTICLE XI - Representations and Warranties

11.1 Seller represents, warrants and covenants to Buyer as to the following matters, and shall be deemed to remake all of the following representations, warranties and covenants as of the Closing Date.

(a) All covenants, conditions, restrictions, easements and similar matters affecting the Property have been complied with.

(b) There is no pending or threatened litigation, arbitration, administrative action or examination, claim, or demand whatsoever relating to the Property or the furnishings and equipment contained in the premises and sold as part of this Agreement. No attachments, execution proceedings, liens, assignments or insolvency proceedings are pending, threatened or contemplated against Seller, the Property or the furnishings and equipment contained in the premises and sold as part of this Agreement. Seller is not contemplating the institution of insolvency proceedings.

(c) Seller has no knowledge of any pending or contemplated eminent domain, condemnation, or other governmental or quasi-governmental taking of any part or all of the Property.

(d) Seller has not been notified of any possible future improvements by any public authority, any part of the cost of which might be assessed against any part of the Property.

(e) To the best of Seller's knowledge, Seller: (i) has not used the Property for the storage, treatment, generation, production or disposal of any toxic or hazardous waste, material or substance nor does Seller have knowledge of such use by others; (ii) has not caused or permitted and has no knowledge of the release of any toxic or hazardous waste, material or substance on or off site of the Property; (iii) has not received any notice from any governmental authority or other agency concerning the removal of any toxic or hazardous waste, material or substance from the Property; and (iv) has disclosed to Buyer the location of all underground storage tanks on the Property (if any).

(f) No event has occurred with respect to the Property which would constitute

a violation of any applicable environmental law, ordinance or regulation.

(g) The execution and delivery of this Contract has been duly authorized and validly executed and delivered by Seller, and will not (i) constitute or result in the breach of or default under any oral or written agreement to which Seller is a party or which affects the Property; (ii) constitute or result in a violation of any order, decree or injunction with respect to which either Seller and/or the Property is/are bound; (iii) cause or entitle any party to have a right to accelerate or declare a default under any oral or written agreement to which Seller is a party or which affects the Property; and or (iv) violate any provision of any municipal, state or federal law, statutory or otherwise, to which either Seller or the Property may be subject.

11.2 As an inducement to Seller to enter into this Contract, Buyer represents that Buyer has the right, power and authority to purchase the Property in accordance with the terms and conditions of this Contract and that Buyer has validly executed and delivered this Contract.

11.3 Except as is expressly provided in this Contract, Buyer acknowledges that neither Seller nor any agent, attorney, employee or representative of Seller has made any representations as to the physical nature or condition of the Property.

11.4 All of the representations, warranties and covenants made by Seller in Article XI and elsewhere in this Contract shall survive the Closing for a period of two (2) years. Unless Buyer delivers notice to Seller of a breach of representation, warranty or covenant contained in Article XI or elsewhere in this Contract within two (2) years of the Closing Date, the representation, warranty or covenant shall be of no further force or effect.

ARTICLE XII - Miscellaneous

12.1 This Contract shall inure to the benefit of and bind the parties hereto, their respective heirs, executors, administrators, personal and/or legal representatives, successors and assigns.

12.2 This Contract constitutes the entire agreement between the parties and there are no representations, oral or written, relating to the Property or to this transaction which have not been incorporated herein. Any agreement hereafter made shall be ineffective to change, modify

or discharge this Contract in whole or in part unless such agreement is in writing and signed by the party against whom enforcement of any change, modification or discharge is sought.

12.3 The headings of the Articles hereof have been inserted for convenience only and shall in no way modify or restrict any provisions hereof or be used to construe any such provisions.

12.4 If two or more persons constitute the Seller, the word "Seller" shall be construed as if it reads "Sellers" throughout this Contract.

12.5 This Contract shall be construed, interpreted and enforced in accordance with the laws of the State of Alabama. The parties agree and acknowledge that the only forum for any claim against Buyer pursuant to this Agreement is the Alabama State Board of Adjustment.

12.6 This Contract may be executed in multiple counterparts, each of which shall be considered to be an original document.

12.7 The Effective Date shall be the date of the last execution hereof.

12.8 Time is of the essence hereof.

12.9 Any condition or right of termination, cancellation or rescission granted by this Contract to Seller or Buyer may be waived by such party provided such waiver is in writing.

12.10 If the time period or date by which any right, option or election provided under this Contract must be exercised, or by which any act required hereunder must be performed, or by which the Closing must be held, expires or occurs on a Saturday, Sunday, or legal or bank holiday, then such time period or date shall be automatically extended through the close of business on the next regularly scheduled business day.

ARTICLE XIII - Acceptance

13.1 In the event this Contract is not signed simultaneously by both parties, it shall be considered to be an offer made by the party first executing it. In such event this offer shall expire at 12:00pm NOON, Wednesday, September 5, 2018 Central Daylight Time following the offer unless one copy of this Contract, executed by the party to whom this offer had been made, shall have been mailed (in accordance with Article XI hereof) or personally delivered to the

party making the offer.

ARTICLE XIV – Broker Commissions

14.1 To the extent allowed by law, each party agrees to indemnify and hold the other party harmless from any cost, expense or liability (including reasonable attorney's fees) for any compensation, commissions or charges claimed by any real estate broker or agent employed or claiming to represent or to have been employed by the indemnifying party in connection with the negotiation of this transaction.

Signed by Buyer this 31st day of August, 2018.

BUYER:

UNIVERSITY OF SOUTH ALABAMA

By: Robert K. Davis

Robert K. Davis

Signed by Seller this 5th day of September, 2018.

SELLERS:

Leonard C. & Grace Y. Wyatt

By: Leonard C. Wyatt

Leonard C. Wyatt

By: Grace Y. Wyatt

Grace Y. Wyatt

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

November 10, 2018
11:00 a.m.

A meeting of the University of South Alabama Board of Trustees was duly convened by Judge Ken Simon, Chair *pro tempore*, on Saturday, November 10, 2018, at 11:08 a.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Scott Charlton, Tom Corcoran, Lenus Perkins, Jimmy Shumock, Ken Simon and Jim Yance. Participating by phone were Steve Furr, Ron Graham, Ron Jenkins, Steve Stokes, Margie Tuckson and Mike Windom.
Members Absent:	Alexis Atkins, Chandra Brown Stewart, Kay Ivey and Arlene Mitchell.
Administration and Others:	Owen Bailey, Kristin Dukes, Joel Erdmann, Monica Ezell, Mike Haskins, John Marymont, Randy Moon, John Smith, Margaret Sullivan, Tony Waldrop and Scott Weldon.
Media:	Jason Johnson (*Lagniappe*), Richard Narramore (*Vanguard*), Alyssa Newton (WPMI), Chad Pietri (WKRG), Asha Staples (WALA) and Creg Stephenson (*al.com*).

The meeting came to order and the attendance roll was called. Chairman Simon called for adoption of the revised agenda. On motion by Mr. Corcoran, seconded by Mr. Shumock, the Board voted unanimously to adopt the revised agenda.

In accordance with the provisions of the Alabama Open Meetings Act, Chairman Simon made a motion to hold an executive session for an approximate duration of 30 minutes for the purpose of discussing pending or imminent litigation with Associate University Attorney Ms. Kristin Dukes, as well as preliminary negotiations in trade competition, **ITEM 1**. He added Ms. Dukes had submitted the required written declaration for the minutes (for copies of policies and other authorized documentation, refer to **APPENDIX A**). Mr. Shumock seconded and the Board voted unanimously at 11:09 a.m. to convene an executive session as recorded below:

AYES:
Dr. Charlton
Mr. Corcoran
Dr. Furr
Mr. Graham
Capt. Jenkins
Mr. Perkins
Mr. Shumock
Chairman Simon
Dr. Stokes
Ms. Tuckson
Mr. Windom
Mr. Yance

Following the executive session, Chairman Simon called on President Waldrop for comments. President Waldrop talked about the benefits of an on-campus stadium. He credited Mr. Weldon and Dr. Smith for crafting a strong financial plan for funding of a stadium and he expressed appreciation to Mr. Corcoran, Mr. Shumock and Mr. Yance for the time and effort each had devoted to the process thus far.

Chairman Simon called for a report from the Budget and Finance Committee. Mr. Corcoran, Committee Chair, stated, at a meeting held earlier in the morning, the Committee voted unanimously to recommend Board approval of **ITEM 2** as follows, for which he moved for the approval of the Board of Trustees. Mr. Shumock seconded:

AUTHORIZATION OF THE UNIVERSITY PRESIDENT TO AWARD AND EXECUTE CONTRACTS FOR PHASE II AND FUTURE PHASES OF CONSTRUCTION OF AN ON-CAMPUS STADIUM

WHEREAS, it is the desire of the University of South Alabama Board of Trustees and University Administration to carry out the construction of an on-campus football stadium to be completed in time for the Fall 2020 football season, and

WHEREAS, the University has committed that the funding for the construction of the stadium, and resulting debt service on bonded indebtedness, will come from a combination of Athletics Department, Auxiliary Services, and public/private funding, and

WHEREAS, the University has further committed that no funding for the construction of the stadium, and resulting debt service on bonded indebtedness, will be derived from student tuition, fees or other levies placed on students, and

WHEREAS, in June 2018**,** the University of South Alabama Board of Trustees authorized the University President to execute a contract for site work for the construction of an on-campus football stadium, with said site work ongoing, and

WHEREAS, in September 2018**,** the Executive Committee of the University of South Alabama Board of Trustees authorized the University President to solicit bids for Phase II of the construction of the stadium, and

WHEREAS, Phase II of the stadium construction consists of the fabrication of the concrete cast-in-place lower bowl seating area (Phase IIA), the construction of the press tower shell (Phase IIB), the construction of the administration building shell (Phase IIC), and the installation of the primary underground utilities to the stadium (Phase IID), and

WHEREAS, the stadium construction schedule required to meet the Fall 2020 football season will require the solicitation of additional bids and contracts in the near future, and

WHEREAS, the University has secured commitments for funding from certain public and private partners, including Mobile County, and

WHEREAS, the Athletics Department and Auxiliary Services have committed significant financial support to assist in funding annual debt service payments on bonds issued for the construction of the stadium, and

WHEREAS, the University is continuing to actively seek additional private partners to assist in the funding of the stadium,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama authorizes the University President to award and execute construction contracts with Jesco, Inc., for Phases IIA and IIC, Wharton-Smith, Inc., for Phase IIB, and Persons Services for Phase IID to complete construction of Phase II of the stadium, and

BE IT FURTHER RESOLVED, the Board of Trustees of the University of South Alabama authorizes the University President to award and execute additional contracts for future phases of construction of the stadium, contingent upon securing appropriate funding.

Chairman Simon called for discussion and several questions concerning Phase II specifics were answered. Mr. Yance noted that Phase II bids totaled $1 million less than anticipated, and added the University would save about 15 percent in costs by Mr. Randy Moon serving as in-house general contractor. Mr. Weldon estimated bids for future phases of construction at between $12 to $15 million. Mr. Moon gave information on the bid process. Dr. Erdmann conveyed thanks for the numerous individuals who had input and spent many hours advancing the project. He and Chairman Simon shared gratitude for the hospitality of Ladd-Peebles Stadium, acknowledging its place as an integral component of the evolution of South's football program. President Waldrop talked about USA vs. ULM halftime plans later in the day, which would include a virtual tour of the new stadium and an announcement on the Board's approval of Phase II and future phases of construction if passed. Mr. Perkins requested regular reports to the Board on contracts awarded going forward and Chairman Simon suggested that the Budget and Finance Committee be the contact point for such reports. Mr. Corcoran and Mr. Weldon noted the next step would be preparations for a bond issue, which would be introduced at the December regular meeting. Chairman Simon called for a vote and the Board voted unanimously to approve the resolution as recorded below:

AYES:
Dr. Charlton
Mr. Corcoran
Dr. Furr
Mr. Graham
Capt. Jenkins
Mr. Perkins
Mr. Shumock
Chairman Simon
Ms. Tuckson
Mr. Windom
Mr. Yance

There being no further business, the meeting was adjourned at 12:04 p.m.

Attest to: Respectfully submitted:

_____ _____
James H. Shumock, Vice Chair Kenneth O. Simon, Chair *pro tempore*

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

AUDIT COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

AUDIT COMMITTEE

August 30, 2018
1:30 p.m.

A meeting of the Audit Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Jimmy Shumock, Chair, on Thursday, August 30, 2018, at 1:40 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Alexis Atkins, Ron Graham, Ron Jenkins (late arrival) and Jimmy Shumock.
Member Absent:	Scott Charlton.
Other Trustees:	Chandra Brown Stewart, Tom Corcoran, Steve Furr, Arlene Mitchell, Lenus Perkins, Ken Simon, Steve Stokes, Margie Tuckson, Mike Windom and Jim Yance.
Administration and Others:	Owen Bailey, Robert Berry, Lynne Chronister, Ken Davis, Joel Erdmann, Mike Finan, Happy Fulford, Mike Haskins, David Johnson, Melva Jones, John Marymont, Mike Mitchell, Grace Newcombe (SGA), Mark Peach and Ashley Willson (KPMG), Pat Pigott, Matthew Reichert (Faculty Senate), John Smith, Margaret Sullivan, Jean Tucker, Tony Waldrop and Scott Weldon.
Media:	Alyssa Newton (WPMI) and Lawrence Specker (*al.com*).

Following remarks by Provost Johnson, who called on USA freshman quintuplets Mr. Shipley Zimlich, Ms. Hallie Zimlich, Ms. Amelia Rose Zimlich, Ms. Isabella Zimlich and Ms. Sophia Zimlich to introduce themselves, the meeting came to order and the attendance roll was called. Mr. Shumock called for consideration of the minutes of the meeting held on May 31, 2018. On motion by Ms. Atkins, seconded by Mr. Graham, the Committee voted unanimously to adopt the minutes.

Mr. Shumock advised that KPMG partners Ms. Ashley Willson and Mr. Mark Peach spent time with Audit Committee members prior to the meeting to get acquainted and impart general information. As to **ITEM 7**, the KPMG Audit report, Ms. Willson and Mr. Peach discussed expectations for the financial audit covering the fiscal year ending September 30, 2018, as summarized in the document titled *University of South Alabama Report to the Audit Committee*.

Mr. Shumock invited participation in an educational session on risk assessment to be facilitated by Mr. Berry on August 31 following the Board meeting.

Mr. Shumock called for presentation of the independent audit of the USA Foundation (USAF) consolidated financial statements and the disproportionate share hospital (DSH) funds combined financial statements for the year ended June 30, 2018, **ITEM 8**. Mr. Davis reviewed audit highlights and noted an unqualified opinion on both audits conducted by the firm of Deloitte & Touche. At the request of Mr. Yance and Dr. Stokes, Mr. Weldon and Mr. Davis shared historical perspective on the

DSH funds held by the USAF and commented on distributions to the University from DSH funds and timber holdings.

There being no further business, the meeting was adjourned at 2:08 p.m.

Respectfully submitted:

_____
James H. Shumock, Chair



KPMG

University of South Alabama

Audit results

Basic financial statements for the year ended September 30, 2018

December 6, 2018

Introduction

To the Audit Committee of the University of South Alabama

We are pleased to have the opportunity to meet with you on December 6, 2018 to discuss the results of our audit of the basic financial statements of the University of South Alabama (the University) as of and for the year ended September 30, 2018. Our audit was conducted in accordance with the terms established in the audit engagement letter dated March 1, 2018.

We are providing this document in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This document should be read in conjunction with our audit plan, presented on August 30, 2018. We will be pleased to elaborate on the matters covered in this document when we meet.

Content

Audit matters	2
Internal control related matters	4
Other matters	5
Required communications and other matters	6

© 2018 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. NDPP 759131

Significant accounting policies and disclosures

Description of significant accounting policies

- The significant accounting policies are described in Note 1 to the basic financial statements
- No new significant accounting policies were adopted in 2018, except for GASB 75

Audit findings

Qualitative aspects

- The University's accounting policies have been consistently applied.
- The University's basic financial statements (including disclosures) are in accordance with U.S. GAAP.

Unusual transactions

- There were no significant unusual transactions noted during the 2018 audit.

KPMG

© 2018 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. NDPP 759131

Audit matters

Significant accounting estimates

Description of significant accounting estimates

- Allowances for uncollectible accounts and contractual adjustments
- Valuation of the liabilities associated with the General and Professional Liability Trust Funds and employee health insurance reserves
- Valuation of swaps

Audit findings

Significant assumptions used that have a high degree of subjectivity

- Management's estimates of the allowances for uncollectible accounts and contractual adjustments are based on, among other things, analyses of historical trends, the aging and mix of accounts receivable at year-end and expected third-party payment rates.
- Estimated professional and general liability costs and self-insurance reserves for employee health insurance are based on, among other things, reviews or occurrences accumulated by incident reporting systems, discussions with risk management professionals, actuarial valuations and consideration of recent developments.
- The fair value of the University's derivatives (swaps) is based on calculating future net settlement payments utilizing forward rates implied by the yield curve based on future spot interest rates. The payments are discounted using spot rates implied by the current yield curve for hypothetical zero- coupon bonds due on the date of future settlement.

Conclusions

- We evaluated the key factors and assumptions used in developing these accounting estimates, including possible management bias in developing the estimates, to determine that they are reasonable in relation to the basic financial statements of the University as a whole.

KPMG

© 2018 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. NDPP 759131

Internal control related matters

KPMG responsibilities

- The purpose of our audit was to express an opinion on the financial statements
- Our audit included consideration of internal control over financial reporting in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of internal control.
- We are not expressing an opinion on the effectiveness of internal control
- Our consideration of internal control was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Material weakness

A deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonably possibility exists when the likelihood of an event occurring is either reasonably possible or probable. Reasonably possible is defined as the chance of the future event or events occurring is more than remote but less than likely. Probable is defined as the future event or events are likely to occur.

Significant deficiency

A deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

KPMG

© 2018 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. NDPP 759131

Other matters

- Unmodified auditors' report (including emphasis of matter paragraph related to GASB 75)
- No uncorrected or corrected misstatements for the University
- No material weaknesses noted in internal controls for the University
- Separate management letter was issued
- In our professional judgment, KPMG is independent with respect to the University

© 2018 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. NDPP 759131

Required communications and other matters

Type	Response
Related parties	No significant findings and issues arising during the audit in connection with the entity's related parties.
Fraud	No actual or suspected fraud involving management, employees with significant roles in internal control, or others when fraud results in a material misstatement in the financial statements were identified during the audit.
Noncompliance with laws and regulations	No matters to report.
Subsequent events	No matters to report.
Other information	We will read the other information included in the University's basic financial statements and identify any matters that come to our attention that would cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation, appearing in the basic financial statements.

Type	Response
Significant difficulties, if any, encountered during the audit	No matters to report.
Disagreements with management, if any	No matters to report.
Significant findings or issues discussed, or the subject of correspondence, with management	No matters to report.
Management's consultation with other accountants	No matters to report.
Other findings or issues	No matters to report.
Written representations	Engagement letters, management representation letters and management letter were distributed under separate communication.

KPMG

© 2018 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. NDPP 759131

Presenters' contact details

Mark Peach
Partner

188 E Capitol Street
Suite 1100
Jackson, MS 39201
601-714-7452
mpeach@kpmg.com

Ashley Willson
Partner

188 E Capitol Street
Suite 1100
Jackson, MS 39201
601-714-7446
awillson@kpmg.com

© 2018 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. NDPP 759131

Questions?

For additional information and Audit Committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, please visit KPMG's Audit Committee Institute (ACI) at www.kpmg.com/ACI.

This presentation to the Audit Committee is intended solely for the information and use of the Audit Committee and management and is not intended to be and should not be used by anyone other than these specified parties. This presentation is not intended for general use, circulation or publication and should not be published, circulated, reproduced or used for any purpose without our prior written permission in each specific instance.



kpmg.com/socialmedia

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2018 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. NDPP 759131

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Basic Financial Statements and Single Audit Reporting
in Accordance with the Uniform Guidance

September 30, 2018

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
September 30, 2018

Table of Contents

	Page
Management's Discussion and Analysis (Unaudited)	1
Independent Auditors' Report	15
Basic Financial Statements:	
Statement of Net Position – University of South Alabama, September 30, 2018	17
Consolidated Statement of Financial Position – University of South Alabama Foundation, June 30, 2018	18
Statement of Net Position – USA Research and Technology Corporation, September 30, 2018	19
Statement of Net Position – University of South Alabama Health Care Authority, September 30, 2018	20
Statement of Revenues, Expenses, and Changes in Net Position – University of South Alabama, Year ended September 30, 2018	21
Consolidated Statement of Activities and Changes in Net Assets – University of South Alabama Foundation, Year ended June 30, 2018	22
Statement of Revenues, Expenses, and Changes in Net Position – USA Research and Technology Corporation, Year ended September 30, 2018	23
Statement of Revenues, Expenses, and Changes in Net Position – University of South Alabama Health Care Authority, Period August 1, 2017 (Inception) through September 30, 2018	24
Statement of Cash Flows – University of South Alabama, Year ended September 30, 2018	25
Notes to Basic Financial Statements	27
Schedules of Required Supplementary Information:	
Schedule of the University's Proportionate Share of the Net Pension Liability (Unaudited)	71
Schedule of University's Pension Contributions (Unaudited)	72
Schedule of the University's Proportionate Share of the Net OPEB Liability (Unaudited)	73
Schedule of the University's OPEB Contributions (Unaudited)	74
Notes to Required Supplementary Schedules (Unaudited)	75

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
September 30, 2018

Table of Contents

	Page
Schedule of Expenditures of Federal Awards and Single Audit Reports:	
Schedule of Expenditures of Federal Awards, Year ended September 30, 2018	77
Notes to Schedule of Expenditures of Federal Awards	83
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	85
Independent Auditors' Report on Compliance for Each Federal Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	87
Schedule of Findings and Questioned Costs – Year ended September 30, 2018	89

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Management's Discussion and Analysis (Unaudited)

September 30, 2018

Introduction

The following discussion presents an overview of the financial position and financial activities of the University of South Alabama (the University), including the University of South Alabama Health System (USA Health), a division of the University, at September 30, 2018 and 2017, and for the years then ended. This discussion has been prepared by University management and should be read in conjunction with the financial statements and notes thereto, which follow.

The basic financial statements of the University consist of the University and its component units. The financial position and results of operations of the component units either are blended with the University's financial position and results of operations or are discretely presented. The treatment of each component unit is governed by pronouncements issued by the Governmental Accounting Standards Board (GASB). As more fully described in note 1 to the basic financial statements, the University of South Alabama Professional Liability Trust Fund, the University of South Alabama General Liability Trust Fund and the USA HealthCare Management, LLC are reported as blended component units. The University of South Alabama Foundation, the USA Research and Technology Corporation and the University of South Alabama Health Care Authority (HCA) are discretely presented.

HCA was formed in May 2017 by the University as an Alabama public corporation pursuant to the University Authority Act of 2016. Operations commenced on August 1, 2017. HCA enhances the University's provision of patient care by providing it with a corporate structure which allows for greater flexibility and options to achieve goals consistent with the public health mission of the University. HCA provides group medical practices for physicians who strive to make a difference in the lives of those they serve through promoting excellent health care.

Due to the implementation of GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in 2018, the University only presented financial statements for 2018 and management's discussion and analysis for 2018 and 2017. Management's discussion and analysis for 2017 does not reflect the impact of the adoption of GASB No. 75 and, therefore, is not comparative to 2018.

Financial Highlights

At September 30, 2018 and 2017, the University had total assets and deferred outflows of $1,298,365,000 and $1,282,492,000, respectively; total liabilities and deferred inflows of $1,262,967,000 and $1,016,673,000, respectively; and net position of $35,398,000 and $265,819,000, respectively. The significant reduction in net position at September 30, 2018 is due to the implementation of GASB No. 75, which required the recognition of the University's proportionate share of the net other postemployment benefits liability (OPEB) and related expenses in the basic financial statements (see note 1 for further discussion).

An overview of each statement is presented herein along with financial analysis of the transactions impacting each statement. Where appropriate, comparative financial information is presented to assist in the understanding of this analysis.

Analysis of Financial Position and Results of Operations

Statement of Net Position

The statement of net position presents the assets, deferred outflows, liabilities, deferred inflows and net position of the University at September 30, 2018. Net position is displayed in three parts: net investment in capital assets, restricted and unrestricted. Restricted net position may be either expendable or nonexpendable and is the net position that is restricted by law or external donors. Unrestricted net position is generally designated by management for specific purposes, and is available for use by the University to meet current expenses for any purpose. The statement of net position, along with all of the University's basic financial statements, are prepared under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred by the University, regardless of when cash is exchanged.

Assets included in the statement of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, investments, and net patient receivables. Of these amounts, cash and cash equivalents, net patient receivables and investments comprise approximately 44%, 24% and 14%, respectively, of current assets at September 30, 2018. Noncurrent assets consist primarily of restricted cash and cash equivalents, restricted investments and capital assets.

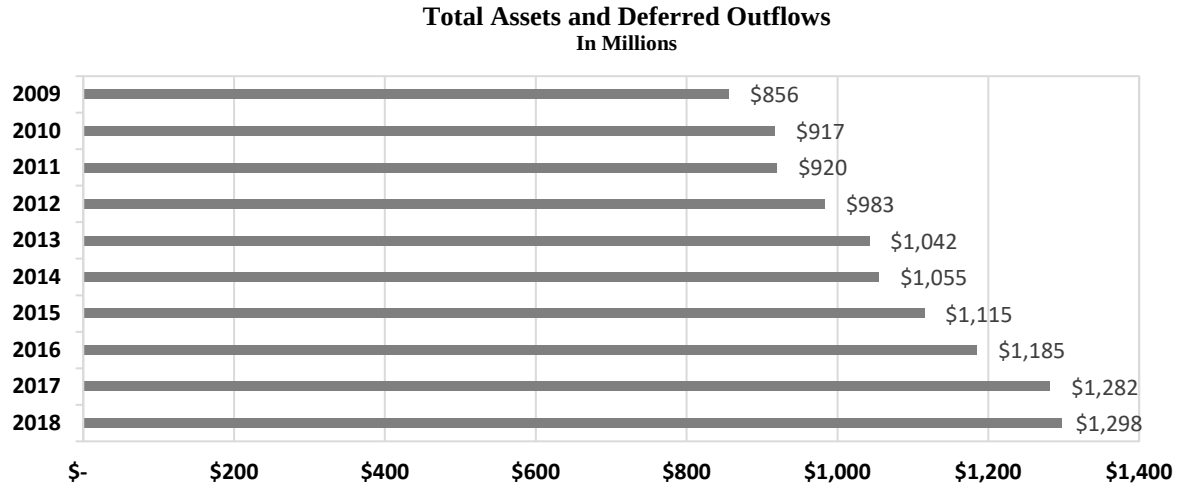
The condensed schedules of net position at September 30, 2018 and 2017 follow (in thousands):

Condensed Schedules of Net Position

	2018	2017
Assets:		
Current	$ 182,139	261,407
Capital assets, net	719,816	693,968
Other noncurrent	308,941	268,116
Total assets	1,210,896	1,223,491
Deferred outflows	87,469	59,001
Total assets and deferred outflows	1,298,365	1,282,492
Liabilities:		
Current	157,059	157,803
Noncurrent	1,006,862	818,105
Total liabilities	1,163,921	975,908
Deferred inflows	99,046	40,765
Total liabilities and deferred inflows	1,262,967	1,016,673
Net position:		
Net investment in capital assets	337,303	305,898
Restricted, nonexpendable	58,078	54,961
Restricted, expendable	68,311	62,676
Unrestricted	(428,294)	(157,716)
Total net position	$ 35,398	265,819

(Continued)

Total assets and deferred outflows of the University as of September 30 is as follows:



Net position represents the residual interest in the University's assets after liabilities are deducted. Net position is classified into one of four categories:

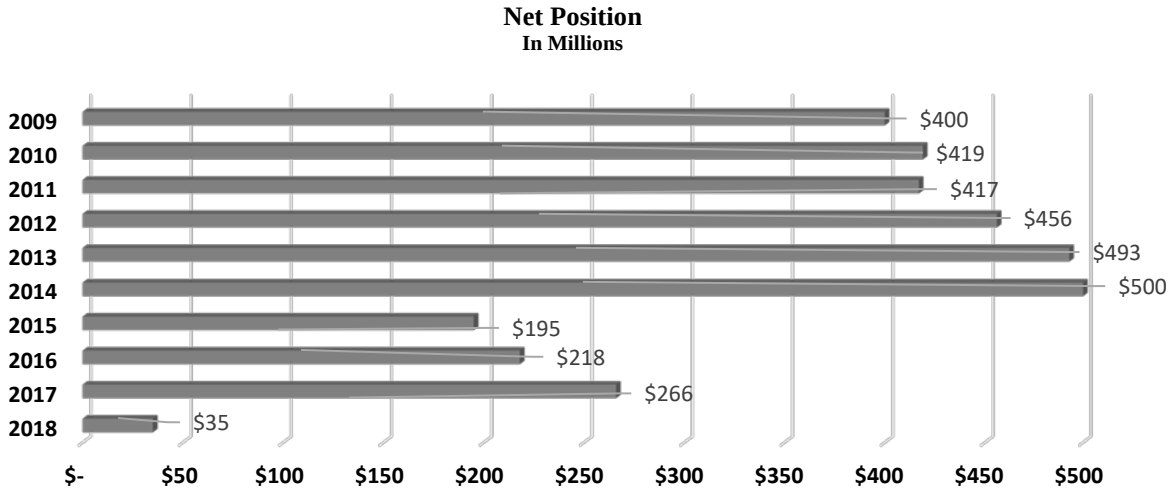
Net investment in capital assets represents the University's capital assets less accumulated depreciation and outstanding principal balances of the debt attributable to the acquisition, construction, or improvement of those assets.

Restricted nonexpendable net position consists primarily of the University's permanent endowment funds. In accordance with the policies of the University, the earnings from these funds may be expended, but the corpus may not be expended and must remain intact with the University in perpetuity.

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.

Unrestricted net position represents amounts not subject to externally imposed stipulations. Even though these funds are not legally restricted, the majority of the University's unrestricted net position has been internally designated for various projects, all supporting the mission of the University. Unrestricted net position includes funds for various academic and research programs, auxiliary operations (including student housing and dining services), student programs, capital projects and general operations. Also included in unrestricted net position at September 30, 2018 is the impact of the net pension liability recorded pursuant to the requirements of GASB Statement No. 68 and the impact of the net OPEB liability recorded pursuant to the requirements of GASB Statement No. 75.

Net position of the University as of September 30 is as follows:



All categories of restricted net position collectively increased by approximately 7% between September 30, 2018 and 2017, primarily due to the addition of restricted gifts to the University. Unrestricted net position decreased from $(157,716,000) to $(428,294,000) between September 30, 2018 and 2017 primarily due to the implementation of GASB Statement No. 75. A summary of unrestricted net position at September 30, 2018 is summarized as follows (in thousands):

Unrestricted net position related to net pension liability	$	(296,654)
Unrestricted net position related to net OPEB liability		(256,178)
Unrestricted net position related to other activity		124,538
Unrestricted net position	$	(428,294)

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total University net position are based on the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of this statement is to present the changes in net position resulting from operating and nonoperating revenues earned by the University, and operating and nonoperating expenses incurred by the University, as well as any other revenues, expenses, gains, and losses earned or incurred by the University.

Generally, operating revenues have the characteristics of exchange transactions and are received or accrued for providing goods and services to the various customers and constituencies of the University. These include patient service revenues (net of provision for bad debts), tuition and fees (net of scholarship allowances), most noncapital grants and contracts, revenues from auxiliary activities and sales and services of educational activities (primarily

athletic activities). Operating expenses are those expenses paid or incurred 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 have the characteristics of nonexchange transactions because generally no goods or services are provided. Such transactions include investment income, state appropriations, gifts and other contributions. State appropriations are required by GASB to be classified as nonoperating revenues. Nonoperating expenses are those expenses required in the operation and administration of the University, but not directly incurred to acquire or produce the goods and services provided in return for operating revenues. Such nonoperating expenses include interest on the University's indebtedness, losses related to the disposition of capital assets, transfers to affiliates to fund operations, and transfers to intergovernmental agencies related to medical expenditures.

The condensed schedules of revenues, expenses, and changes in net position for the years ended September 30, 2018 and 2017 follow (in thousands):

Condensed Schedules of Revenues, Expenses, and Changes in Net Position

	2018	2017
Operating revenues:		
Tuition and fees, net	$ 136,222	142,024
Patient service revenues, net	416,034	390,931
Federal, state and private grants and contracts	34,093	36,853
Other	66,730	92,674
	653,079	662,482
Operating expenses:		
Salaries and benefits	486,156	483,113
Supplies and other services	255,145	219,362
Other	78,081	64,942
	819,382	767,417
Operating loss	(166,303)	(104,935)
Nonoperating revenues and expenses:		
State appropriations	108,268	107,332
Net investment income	17,857	18,398
Other, net	22,674	20,613
Net nonoperating revenues	148,799	146,343
Income (loss) before capital contributions and grants and additions to endowment	(17,504)	41,408
Capital contributions and grants and additions to endowment	16,770	6,417
Increase (decrease) in net position	$ (734)	47,825

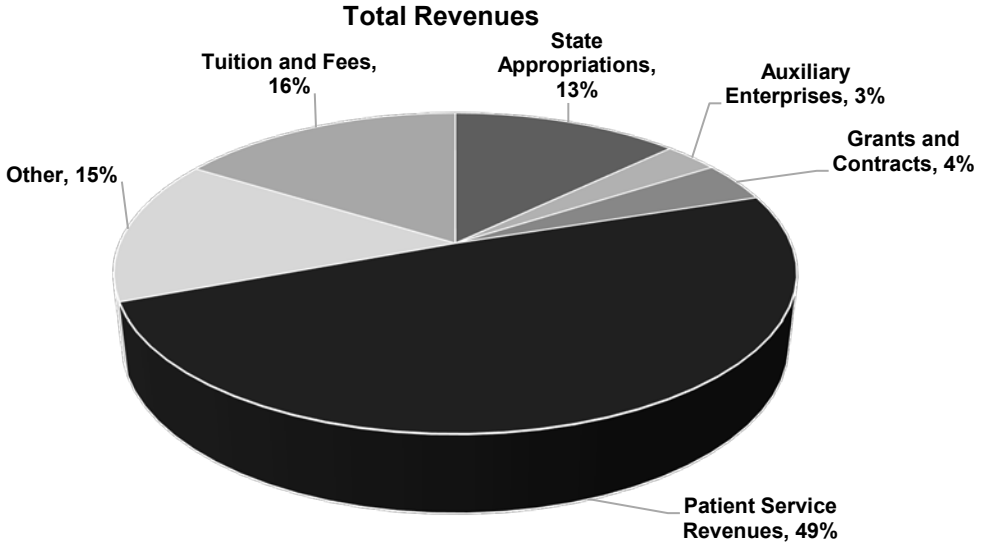
(Continued)

Condensed Schedules of Revenues, Expenses, and Changes in Net Position

	2018	2017
Beginning net position, before cumulative effect of change in accounting principle	$ 265,819	217,994
Cumulative effect of change in accounting principle	(229,687)	—
Beginning net position – as adjusted	36,132	217,994
Ending net position	$ 35,398	265,819

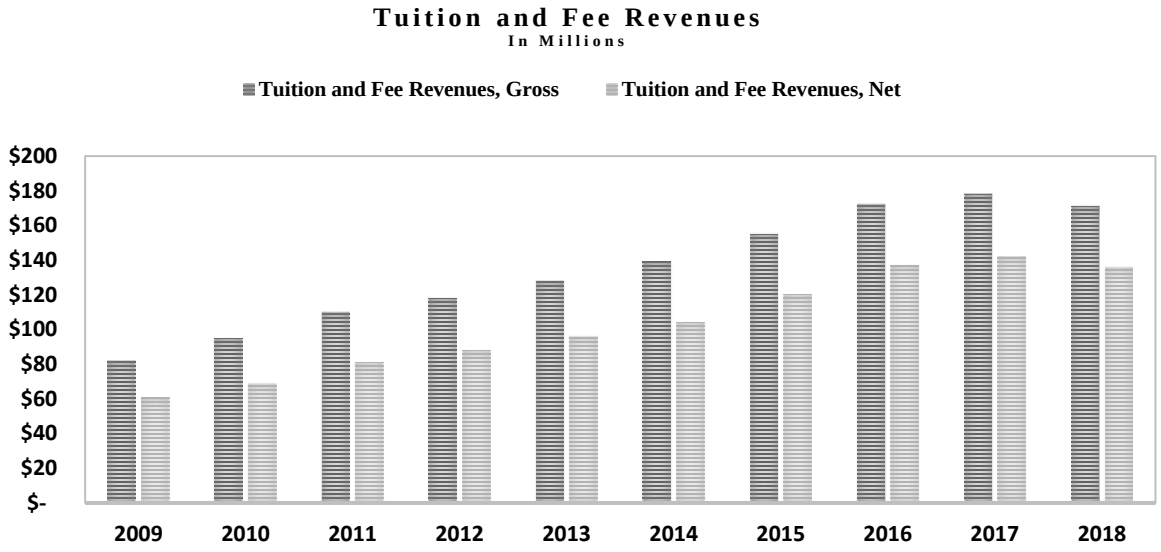
Approximately 49% and 47% of total revenues of the University were patient service revenues in 2018 and 2017, respectively. Excluding patient service revenues, tuition and fees charged to students represent the largest component of total University revenues, approximately 16% and 17% of total revenues in 2018 and 2017, respectively. Also in 2018 and 2017, state appropriations and grants and contracts (federal, state and private) represented approximately 17% of total revenues.

A summary of University revenues for the year ended September 30, 2018 is presented as follows:



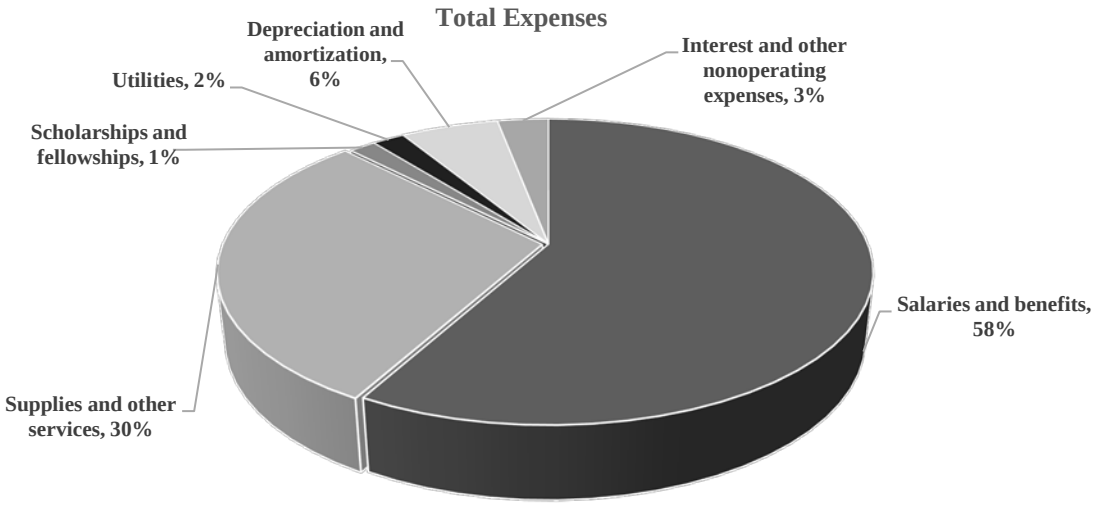
(Continued)

Tuition revenues and enrollment have generally increased in recent years. These increases are primarily due to increases in tuition and fee rates charged to students, the number of enrolled students and credit hours taken by those students. Additionally, tuition and fees as a percent of total operating revenues continue to increase, from 15% of operating revenues in 2009 to 21% in 2018. However, the University experienced a decrease in tuition revenues in the current year of approximately 4%, primarily due to a decline in international student enrollment. Tuition and fees, gross and net of scholarship allowances, for the past ten fiscal years are as follows:



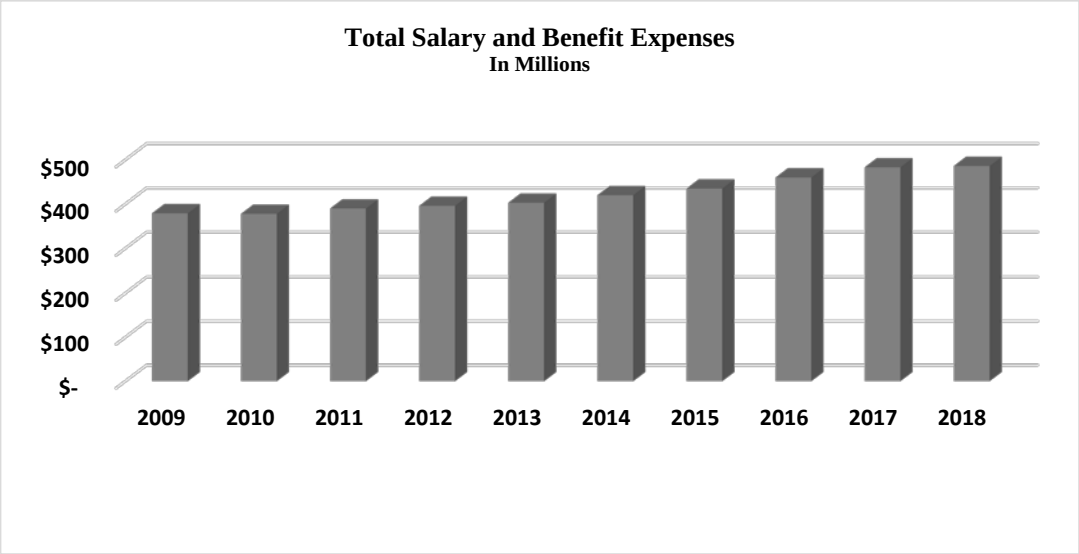
(Continued)

University expenses are presented using their natural expense classifications. A summary of University expenses for the year ended September 30, 2018 is presented as follows:



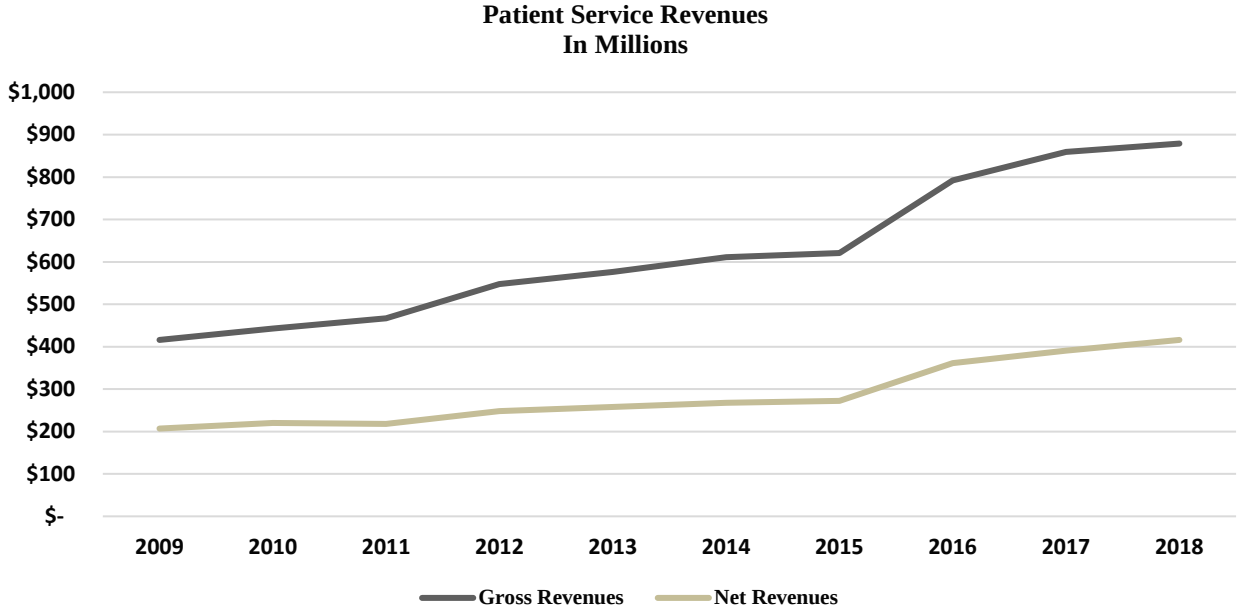
Functional classifications represent expenses categorized based on the function within the University. Such University functions include instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant and scholarships. Expenses related to auxiliary enterprise activities, USA Health and depreciation and amortization are presented separately. Functional expense information is presented in note 17 to the basic financial statements.

In 2018 and 2017, approximately 59% and 62%, respectively, of the University's total operating expenses were salaries and benefits.



For the years ended September 30, 2018 and 2017, the University reported operating losses of approximately $166,303,000 and $104,935,000, respectively. Operating losses are offset partially by state appropriations, which, as mentioned earlier, are reported as nonoperating revenues. After adding state appropriations and other nonoperating revenues and expenses, the total change in net position was approximately ($734,000) and $47,825,000, for the years ended September 30, 2018 and 2017, respectively.

USA Health represents a significant portion of total University revenues. Operating patient service revenues, gross and net, for the last ten fiscal years are presented as follows:



Statement of Cash Flows

The statement of cash flows presents information related to cash flows of the University. The statement presents cash flows by category: operating activities, noncapital financing activities, capital and related financing activities and investing activities. The net cash provided to, or used by, the University is presented by category.

Capital Assets and Debt Administration

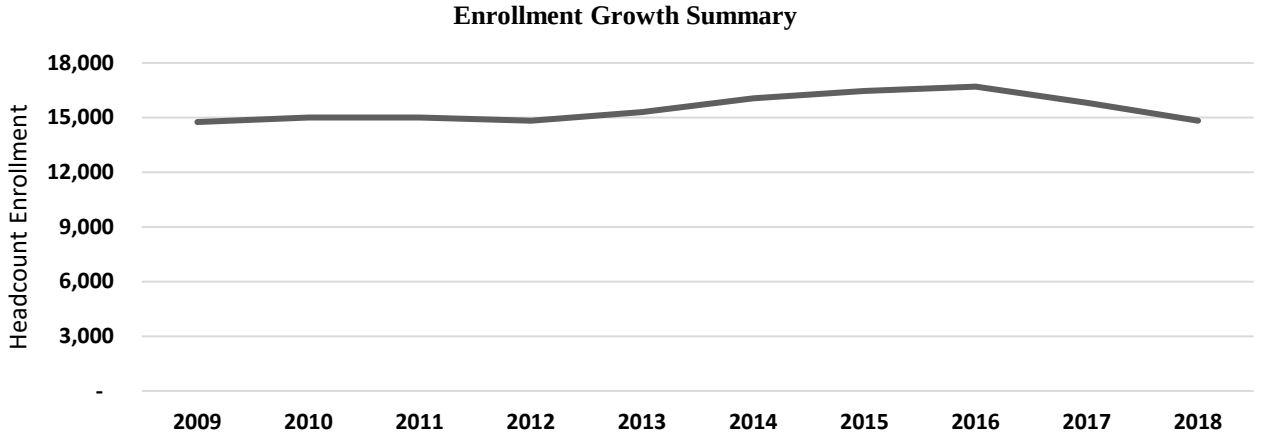
Total capital asset additions for the University were approximately $76,087,000 in 2018. Significant construction projects that remain in progress at September 30, 2018 include a new residence hall and major upgrades of infrastructure on the University's main campus. Major projects completed and placed into service in fiscal 2018 and 2017 included an electronic health record system, an addition to the Mitchell Cancer Institute, a professional medical office building near USA Children's and Women's Hospital, a professional medical office building in Fairhope, Alabama and major renovations to the Student Center Food Court. At September 30, 2018, the University had outstanding commitments of approximately $15,174,000 for various capital projects.

In June 2017, the University issued its University Facilities Revenue Bonds, Series 2017, with a face value of $38,105,000. The proceeds from the Series 2017 Bonds are being expended to construct a new residence hall on the campus of the University and to support ongoing infrastructure improvement projects.

The University's bond credit rating is A1 (Stable) as rated by Moody's Investors Services and A+ (Stable) as rated by Standard and Poor's Rating Services. Neither rating changed during 2018 or 2017.

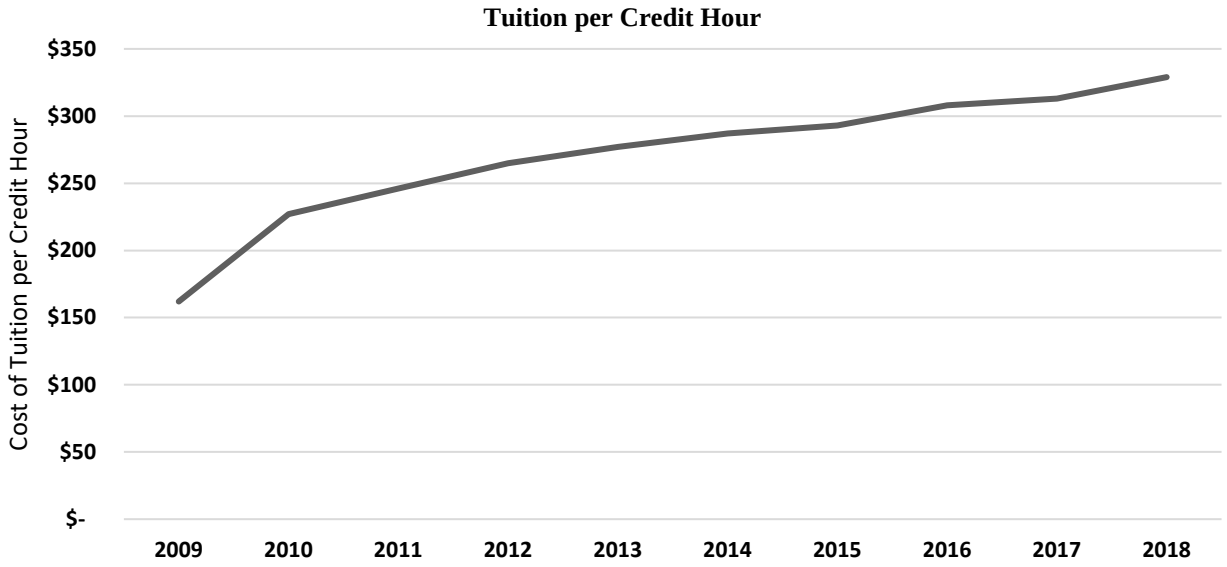
Economic Outlook

Tuition and fee rates have increased over the past ten years and, until the previous two years, student enrollment has generally increased. The University did experience a decline in enrollment of approximately 5% from Fall 2016 to Fall 2017 and an additional decline of 6% between Fall 2017 and Fall 2018, with both declines primarily resulting from a decrease in international student enrollment. The enrollment trend for the University between 2009 and 2018 is as follows:



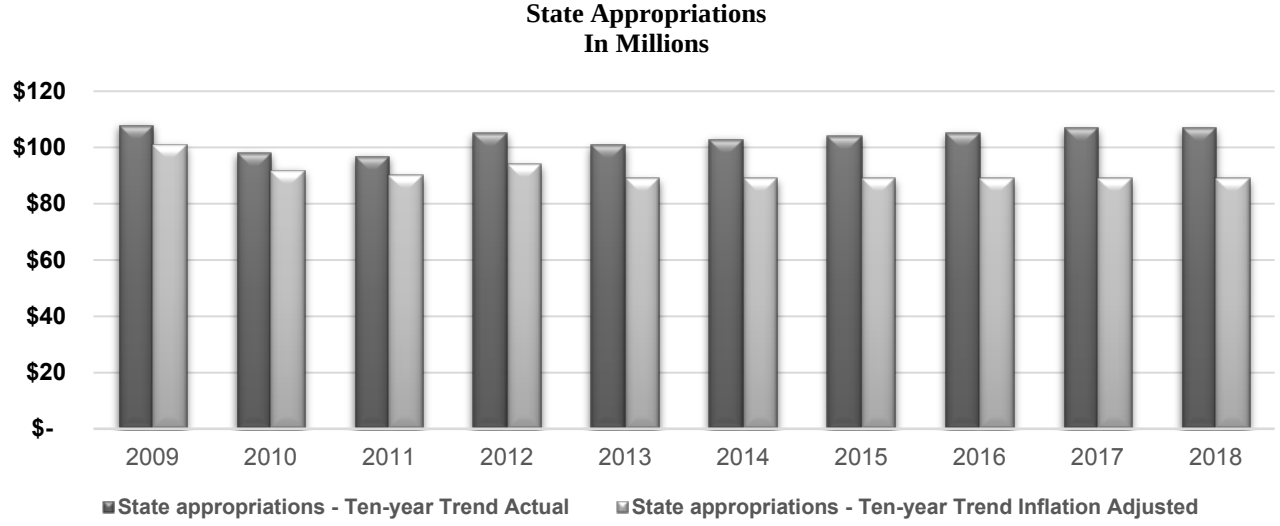
(Continued)

During the same period, in-state tuition per credit hour has increased by approximately 103%. The large increase in 2010 is the result of the University's bundling of tuition and required fees into a single per-hour charge. Similar increases have been experienced in out-of-state tuition and College of Medicine tuition. The trend of in-state tuition per credit hour between 2009 and 2018 is as follows:



A state appropriation in the amount of approximately $108,268,000 and $107,332,000 was authorized and received for the years ended September 30, 2018 and 2017, respectively. A state appropriation in the amount of $111,074,000, representing an increase of approximately 3%, has been authorized for the year ended September 30, 2019. While no announcement has been made, the University is aware that reductions in the 2019 appropriation are possible.

The ten-year trend of state appropriations for the University is as follows:



In addition to state appropriations, the University is subject to declines in general economic and political conditions in the United States and, specifically, the State of Alabama. Weakening of the economy, as well as changes in federal and state funding policies, could potentially have a 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 2019 beyond those unknown variables having a global effect on virtually all types of business operations.

Requests for Information

These basic financial statements are designed to provide a general overview of the University of South Alabama and its component units' financial activities and to demonstrate the University's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to G. Scott Weldon; Vice President for Finance and Administration; University of South Alabama Administration Building Room 170; Mobile, Alabama 36688. These basic financial statements can be obtained from our website at http:www.southalabama.edu/departments/financialaffairs/businessoffice/statements.html.

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

Independent Auditors' Report

The Board of Trustees
University of South Alabama:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of South Alabama, a component unit of the State of Alabama, (the University) and its aggregate discretely presented component units, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the consolidated financial statements of the University of South Alabama Foundation, which represent 94% and 99%, respectively, of the total assets and net assets or net position as of June 30, 2018 and 56% of revenues, gains and other support for the year then ended of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of South Alabama Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of South Alabama Foundation and the USA Research and Technology Corporation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its aggregate discretely presented component units as of September 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis Matter

As discussed in note 1(bb) to the basic financial statements, in 2018, the University adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 1-14, the schedule of the University's proportionate share of the net pension liability, schedule of University's pension contributions, schedule of the University's proportionate share of the net other postemployment benefit liability, and schedule of the University's OPEB contributions on pages 71 - 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2018, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Jackson, Mississippi
November 20, 2018

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)

Statement of Net Position

September 30, 2018

(In thousands)

Current assets:		
Cash and cash equivalents	$	79,955
Investments		24,889
Patient receivables (net of allowance for doubtful accounts of $87,653)		43,841
Accounts receivable, other		16,604
Notes receivable, net		7,800
Prepaid expenses, inventories, and other		9,050
Total current assets		182,139
Noncurrent assets:		
Restricted cash and cash equivalents		16,381
Restricted investments		245,068
Investments		43,207
Accounts receivable		3,299
Other noncurrent assets		986
Capital assets, net		719,816
Total noncurrent assets		1,028,757
Total assets		1,210,896
Deferred outflows		87,469
Total assets and deferred outflows		1,298,365
Current liabilities:		
Accounts payable and accrued liabilities		65,012
Unrecognized revenues		58,355
Deposits		2,926
Current portion of other long-term liabilities		6,669
Current portion of long-term debt		24,097
Total current liabilities		157,059
Noncurrent liabilities:		
Long-term debt, less current portion		369,534
Net pension liability		296,654
Net other postemployment benefits liability		256,178
Other long-term liabilities, less current portion		84,496
Total noncurrent liabilities		1,006,862
Total liabilities		1,163,921
Deferred inflows		99,046
Total liabilities and deferred inflows		1,262,967
Net position:		
Net investment in capital assets		337,303
Restricted, nonexpendable:		
Scholarships		28,470
Other		29,608
Restricted, expendable:		
Scholarships		17,127
Other		51,184
Unrestricted		(428,294)
Total net position	$	35,398

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION

(Discretely Presented Component Unit of the University of South Alabama)

Consolidated Statement of Financial Position

June 30, 2018

(In thousands)

Assets		
Cash and cash equivalents	$	1,099
Investments:		
Equity securities		137,722
Timber and mineral properties		160,949
Real estate		69,163
Other		5,805
Other assets		450
Total assets	$	375,188
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	184
Other liabilities		794
Total liabilities		978
Net assets:		
Unrestricted		97,487
Temporarily restricted		105,955
Permanently restricted		170,768
Total net assets		374,210
Total liabilities and net assets	$	375,188

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION

(Discretely Presented Component Unit of the University of South Alabama)

Statement of Net Position

September 30, 2018

(In thousands)

Assets:		
Current assets:		
Unrestricted cash and cash equivalents	$	435
Rent receivable		235
Prepaid expenses and other current assets		5
Total current assets		675
Noncurrent assets:		
Intangible assets, net		94
Capital assets, net		21,430
Total noncurrent assets		21,524
Deferred outflows		1,442
Total assets and deferred outflows		23,641
Liabilities:		
Current liabilities:		
Deposits, other current liabilities, and accrued expenses		207
Unrecognized rent revenue		384
Current portion of notes payable		727
Total current liabilities		1,318
Noncurrent liabilities:		
Notes payable, excluding current portion		20,058
Payable to University of South Alabama		1,461
Total noncurrent liabilities		21,519
Total liabilities		22,837
Net position:		
Net investment in capital assets		627
Unrestricted		177
Total net position	$	804

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(Discretely Presented Component Unit of the University of South Alabama)

Statement of Net Position

September 30, 2018

(In thousands)

Assets:		
Current assets:		
Cash and cash equivalents	$	393
Patient receivables (net of allowance for doubtful accounts of $36)		1,827
Inventories		228
Other current assets		349
Total current assets		2,797
Noncurrent assets:		
Capital assets		731
Total assets		3,528
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities		620
Accrued salaries and wages		890
Other current liabilities		798
Total current liabilities		2,308
Total liabilities		2,308
Net position:		
Net investment in capital assets		731
Unrestricted		489
Total net position	$	1,220

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Statement of Revenues, Expenses, and Changes in Net Position

Year ended September 30, 2018

(In thousands)

Operating revenues:		
Tuition and fees (net of scholarship allowances of $35,207)	$	136,222
Patient service revenues (net of provision for bad debts of $99,436)		416,034
Federal grants and contracts		16,411
State grants and contracts		7,790
Private grants and contracts		9,892
Auxiliary enterprises (net of scholarship allowances of $1,089)		25,907
Other operating revenues		40,823
Total operating revenues		653,079
Operating expenses:		
Salaries and benefits		486,156
Supplies and other services		255,145
Scholarships and fellowships		13,394
Utilities		16,076
Depreciation and amortization		48,611
Total operating expenses		819,382
Operating loss		(166,303)
Nonoperating revenues (expenses):		
State appropriations		108,268
Net investment income		17,857
Interest expense		(12,119)
Other nonoperating revenues		48,044
Other nonoperating expenses		(13,251)
Net nonoperating revenues		148,799
Loss before capital contributions and grants and additions to endowment		(17,504)
Capital contributions and grants		8,612
Additions to endowment		8,158
Decrease in net position		(734)
Net position:		
Beginning of year, before cumulative effect of change in accounting principle		265,819
Cumulative effect of change in accounting principle (note 1 (bb))		(229,687)
Beginning balance, as adjusted		36,132
End of year	$	35,398

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA FOUNDATION
(Discretely Presented Component Unit of the University of South Alabama)

Consolidated Statement of Activities and Changes in Net Assets

Year ended June 30, 2018

(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, losses and other support:				
Net realized and unrealized gains on investments	$ 4,059	15,887	—	19,946
Rents, royalties and timber sales	3,499	145	12	3,656
Interest and dividends	743	1,377	4	2,124
Gifts	75	3	1,039	1,117
Required match of donor contributions	(6)	2	4	—
Interfund interest	(367)	367	—	—
Other income	31	—	—	31
Net assets released from program restrictions	7,682	(7,682)	—	—
Total revenues, gains, losses and other support	15,716	10,099	1,059	26,874
Expenditures:				
Program services:				
Faculty support	2,242	—	—	2,242
Scholarships	1,139	—	—	1,139
Other academic programs	6,507	—	—	6,507
Total program service expenditures	9,888	—	—	9,888
Management and general	2,118	—	—	2,118
Other investment expense	1,752	—	—	1,752
Depletion expense	4,072	—	—	4,072
Depreciation expense	77	—	—	77
Total expenditures	17,907	—	—	17,907
Change in net assets	(2,191)	10,099	1,059	8,967
Net assets – beginning of year	99,678	95,856	169,709	365,243
Net assets – end of year	$ 97,487	105,955	170,768	374,210

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION

(Discretely Presented Component Unit of the University of South Alabama)

Statement of Revenues, Expenses, and Changes in Net Position

Year ended September 30, 2018

(In thousands)

Operating revenues	$	3,510
Operating expenses:		
Building management and operating expenses		1,096
Depreciation and amortization		1,074
Legal and administrative fees		185
Insurance		35
Total operating expenses		2,390
Operating income		1,120
Nonoperating revenues (expenses):		
Donations		107
Interest expense		(1,069)
Debt issuance expense		(82)
Other		(3)
Net nonoperating expenses		(1,047)
Change in net position		73
Net position:		
Beginning of year		731
End of year	$	804

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(Discretely Presented Component Unit of the University of South Alabama)

Statement of Revenues, Expenses, and Changes in Net Position

Period August 1, 2017 (inception) through September 30, 2018

(In thousands)

Operating revenues:		
Patient service revenues (net of provision for bad debts of $77)	$	16,863
Other operating revenues		651
Total operating revenues		17,514
Operating expenses:		
Salaries and benefits		13,592
Building and equipment expenses		1,537
Medical and surgical supplies		6,791
Other expenses		3,205
Depreciation and amortization		134
Total operating expenses		25,259
Operating loss		(7,745)
Nonoperating revenues:		
Support from University of South Alabama		8,953
Other nonoperating revenues		12
Total nonoperating revenues		8,965
Increase in net position		1,220
Net position at inception		—
Net position at end of year	$	1,220

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)

Statement of Cash Flows

Year ended September 30, 2018

(In thousands)

Cash flows from operating activities:		
Receipts related to tuition and fees	$	139,852
Receipts from and on behalf of patients and third-party payers		429,955
Receipts from grants and contracts		32,812
Receipts related to auxiliary enterprises		25,615
Payments to suppliers and vendors		(262,895)
Payments to employees and related benefits		(464,167)
Payments for scholarships and fellowships		(13,006)
Other operating receipts		32,069
Net cash used in operating activities		(79,765)
Cash flows from noncapital financing activities:		
State appropriations		108,268
Endowment gifts		8,158
Agency funds received		1,645
Agency funds disbursed		(747)
Student loan program receipts		151,313
Student loan program disbursements		(152,448)
Other nonoperating revenues		19,730
Other nonoperating expenses		(13,251)
Net cash provided by noncapital financing activities		122,668
Cash flows from capital and related financing activities:		
Capital contributions and grants		8,612
Purchases of capital assets		(68,345)
Proceeds from sales of capital assets		153
Principal payments on capital debt		(23,088)
Interest payments on capital debt		(11,931)
Net cash used in capital and related financing activities		(94,599)
Cash flows from investing activities:		
Interest and dividends on investments		14,950
Purchases of investments		(29,599)
Proceeds from sales of investments		26,817
Net cash provided by investing activities		12,168
Net decrease in cash and cash equivalents		(39,528)
Cash and cash equivalents (unrestricted and restricted):		
Beginning of year		135,864
End of year	$	96,336

(Continued)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)

Statement of Cash Flows

Year ended September 30, 2018

(In thousands)

Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(166,303)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense		48,611
Changes in assets and liabilities, net:		
Student receivables		2,198
Net patient receivables		5,897
Grants and contracts receivables		661
Other receivables		(8,794)
Prepaid expenses, inventories, and other		9,647
Accounts payable and accrued liabilities		29,793
Unrecognized revenues		(1,475)
Net cash used in operating activities	$	(79,765)
Noncash investing, noncapital financing, and capital and related financing transactions:		
Net increase in fair value of investments recognized as a component of investment income	$	10,424
Addition of capital leases		4,940
Additional maturity on capital appreciation on bonds payable and other borrowings recorded as interest expense		427
Gifts of capital and other assets		1,697
Capitalization of construction period interest		1,105
Decrease in accounts payable related to capital assets		(4,666)

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

On May 3, 1963, the Governor of Alabama signed enabling legislation creating the University of South Alabama (the University). The accompanying basic financial statements present the financial position and activities of the University, which is a component unit of the State of Alabama. The financial statements of the University present the financial position, changes in financial position and, where applicable, cash flows of only that portion of the basic financial statements and the aggregate discretely presented component units of the State of Alabama that is attributable to the transactions of the University.

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*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* and GASB Statement No. 80*, Blending Requirements for Certain Component Units,* consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization is included as a component unit. Accordingly, the basic financial statements include the accounts of the University, as the primary government, and the accounts of the entities discussed below as component units.

GASB Statement No. 61 amends GASB Statements No. 14 and No. 39, and provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government. 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 as of September 30, 2018, the University reports the University of South Alabama Foundation (USA Foundation), the USA Research and Technology Corporation (the Corporation) and the University of South Alabama Health Care Authority (HCA) as discretely presented component units.

The University is also affiliated with the South Alabama Medical Science Foundation (SAMSF), Gulf Coast TotalCare (Gulf Coast) and the University of South Alabama Foundation for Research and Commercialization (FRAC). These entities are considered component units of the University under the provisions of GASB Statements No. 14, 39 and 61. However, these entities are not discretely presented in the accompanying financial statements as the University does not consider them significant enough to warrant inclusion in the University's reporting entity.

GASB Statement No. 61 and GASB Statement No. 80 require 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 and No. 80. Based on these requirements, the University reports the Professional Liability Trust Fund (PLTF),

General Liability Trust Fund (GLTF) and USA HealthCare Management, LLC (HCM) as blended component units. All significant transactions among the University and its blended component units have been eliminated in consolidation.

(b) Professional Liability and General Liability Trust Funds

The medical malpractice liability of the University is maintained and managed in its separate Professional Liability Trust Fund in which the University, HCM, SAMSF and HCA are the only participants. In accordance with the bylaws of the PLTF, the president of the University is responsible for appointing members of the PLTF policy committee. Additionally, the general liability of the University, HCM, SAMSF, the Corporation and HCA is maintained and managed in its General Liability Trust Fund for which the University, as defined by GASB Statement No. 14, is responsible. The PLTF and GLTF are separate legal entities, which are governed by the University Board of Trustees through the University president. As such, PLTF and GLTF are reported as blended component units (see note 18 for further discussion of, and disclosure for, these entities).

(c) USA HealthCare Management, LLC

In June 2010, the University's Board of Trustees approved the formation of USA HealthCare Management, LLC. HCM was organized for the purpose of managing and operating on behalf of, and as agent for, substantially all of the health care clinical enterprise of the University. The University is the sole member of HCM. HCM commenced operations in October 2010, and is reported as a blended component unit (see note 18 for further discussion of, and disclosure for, this entity).

(d) University of South Alabama Health Care Authority

In May 2017, the University's Board of Trustees approved the formation of the University of South Alabama Health Care Authority. The HCA is a public corporation created under and pursuant to the provisions of the State of Alabama University Authority Act of 2016. The HCA employs physicians and staff of certain physician practice groups as determined appropriate by the University. Operations commenced on August 1, 2017. Since inception, HCA's operations have been partially funded by the University, with total support amounting to $8,953,000 during the period August 1, 2017 (inception) through September 30, 2018. This support is reported in fiscal 2018 in nonoperating expenses on the University's statement of revenues, expenses, and changes in net position. Due to the significance of the relationship between the University and HCA, the HCA is considered a component unit of the University. The accompanying statement of net position and statement of revenues, expenses, and changes in net position for HCA as of and for the period August 1, 2017 (inception) through September 30, 2018 are discretely presented.

(e) University of South Alabama Foundation

The University of South Alabama 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. Total

distributions received or accrued by the University for the year ended September 30, 2018 were $9,703,000, and are included primarily in other nonoperating revenues and capital contributions and grants in the University's statement of revenues, expenses, and changes in net position. The USA Foundation presents its financial statements in accordance with standards issued by the Financial Accounting Standards Board (FASB). The USA Foundation is reported in separate financial statements because of the difference in the financial reporting format since the USA Foundation follows FASB rather than GASB pronouncements. The USA Foundation has a June 30 fiscal year end, which differs from the University's September 30 fiscal year end. In accordance with GASB Statement No. 14 and GASB Statement No. 61, this discretely presented unit has been included with the most recent fiscal year. The accompanying consolidated statement of financial position and statement of activities and changes in net assets for the USA Foundation as of and for the year ended June 30, 2018 are discretely presented.

(f) USA Research and Technology Corporation

USA Research and Technology Corporation is a not-for-profit corporation that exists for the purpose of furthering the educational and scientific mission of the University by developing, attracting, and retaining technology and research industries in Alabama that will provide professional and career opportunities to the University's students and faculty. Because of the significance 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 GASB. The accompanying statement of net position and statement of revenues, expenses, and changes in net position for the Corporation as of and for the year ended September 30, 2018 are discretely presented.

(g) 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, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. 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.

(h) 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.

(i) Cash and Cash Equivalents

Cash and cash equivalents are defined as petty cash, demand accounts, certificates of deposit, and any short-term investments that take on the character of cash. These investments have maturities of less than three months at the time of purchase and include repurchase agreements and money market accounts.

(j) Investments and Investment Income

The University reports the fair value of investments using the three-level hierarchy established under GASB Statement No. 72, *Fair Value Measurement and Application*. The fair value of alternative investments (low-volatility multi-strategy funds of funds) and certain private equity partnerships do not have readily ascertainable market values and the University values these investments in accordance with valuations provided by the general partners or fund managers of the underlying partnerships or companies, typically based on net asset value (NAV) of the partnership or commingled vehicle. Because some of these investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the fair value that would have been used had a ready market for the investment existed. Investments received by gift are recorded at fair value at the date of receipt. Changes in the fair value of investments are reported in net investment income.

(k) Derivatives

The University has adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 establishes a framework for accounting and financial reporting related to derivative instruments, requiring the fair value of derivatives to be recognized in the basic financial statements. At September 30, 2018, the University had two hedging derivative instruments, interest rate swaps, in effect. In accordance with hedge accounting, the changes in fair values of the interest rate swaps are reported as changes in deferred inflows and outflows and the fair values of the interest rate swaps are recognized in other long-term liabilities and deferred inflows and outflows on the statement of net position since the interest rate swaps were deemed effective.

(l) Deferred Outflows and Inflows of Resources

Deferred outflows of resources consist of employer contributions to the Teacher's Retirement System of Alabama and the Public Education Employees Health Insurance Plan subsequent to the plans' measurement dates, changes in proportion and differences between employer contributions and proportionate share of contributions related to the OPEB plan, changes in actuarial and other assumptions related to the pension plan and the loss on the defeasement of certain bond amounts.

Deferred inflows of resources consist of the proportionate share of the differences between expected and actual experience related to the pension plan, net difference between projected and actual earnings on pension and OPEB plan investments, changes of assumptions in OPEB plan, changes in proportion and differences between employer contributions and proportionate share of contributions in pension plan, fair values of interest rate swaps and gain on the refunding of certain bond amounts.

(m) Bond Premiums, Discounts, and Debt Extinguishment Costs

Bond premiums, discounts, and debt extinguishment costs associated with the issuance of certain bond series are capitalized and amortized over the life of the respective bond series on a straight-line basis in accordance with generally accepted accounting principles.

(n) Accounts Receivable

Patient receivables primarily result from hospital and ambulatory patient service revenues. 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 and patient receivables are recorded net of estimated uncollectible amounts.

(o) Inventories

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

(p) Capital Assets

Capital assets are recorded at cost, if purchased, or, if donated, at acquisition value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable assets 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 statement of revenues, expenses, and changes in net position.

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 constructed assets are capitalized as a component of the cost of acquiring those assets. The amount of interest capitalized for the year ended September 30, 2018 was approximately $1,105,000.

The University evaluates impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. For the year ended September 30, 2018, no impairments were recorded.

(Continued)

(q) Unrecognized Revenues

Student tuition, fees, and dormitory rentals are initially recorded as unrecognized revenues and then recognized over the applicable portion of each school term.

(r) Cost Sharing Multiple-Employer Pension Plan

Employees of the University are covered by a cost sharing multiple-employer defined benefit pension plan (the Plan) administered by the Teachers' Retirement System of Alabama (TRS). The TRS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as expenses when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the GASB. Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

(s) Postemployment Benefits Other Than Pensions (OPEB)

Employees of the University are covered by a cost sharing multiple-employer other post employment benefit plan administered by the Alabama Retired Education Employees Health Care Trust (Trust). The Trust's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. In accordance with GASB, the Trust is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

(t) Classification of Net Position

The University's net position is classified as follows:

Net investment in capital assets reflects 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 for which donors or other outside sources have stipulated, as a condition of the gift instrument, that 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, patient service revenues, 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 position may be designated for specific purposes by action of management or the Board of Trustees, they are available for use at the discretion of the governing board to meet current expenses for any purpose. Substantially all unrestricted net position is 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.

(u) 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 statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount 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 a nonexchange transaction. To the extent that revenues from such programs satisfy tuition and fees and certain other student charges, the University has recorded a scholarship discount and allowance.

(v) 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, of the endowment assets. The law also allows the University to appropriate for expenditure or accumulate to an endowment fund such amounts as the University determines to be prudent for the purposes for which the endowment fund was established. The University's endowment spending policy provides that 4.5% of the five-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 position.

(w) 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; patient service revenues, net of provision for bad debts; most federal, state, and local grants and contracts; and sales and services of auxiliary enterprises, net of scholarship allowances.

(Continued)

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

(x) 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.

(y) 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.

(z) Patient Service Revenues and Electronic Health Records Incentive Program

Patient service revenues are 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.

The Centers for Medicare and Medicaid Services (CMS) has implemented provisions of the American Recovery and Reinvestment Act of 2009 that provide incentive payments for the meaningful use of certified electronic health record (EHR) technology. CMS has defined meaningful use as meeting certain objectives and clinical quality measures based on current and updated technology capabilities over predetermined reporting periods as established by CMS. The Medicare EHR incentive program provides annual incentive payments to eligible professionals, and hospitals, that are meaningful users of certified EHR technology. The Medicaid EHR incentive program provides annual incentive payments to eligible professionals and hospitals for efforts to adopt, implement, and meaningfully use certified EHR technology. USA Health, a division of the University, which includes two hospitals and a cancer treatment center, utilizes a grant accounting model to recognize EHR incentive revenues. EHR incentive revenue is recorded ratably throughout the incentive reporting period when it is reasonably assured that it will meet the meaningful use objectives for the required reporting period and that the grants will be received. The EHR reporting period for hospitals is based on the federal fiscal year, which runs from October 1 through September 30.

University Hospital has met the Medicare and Medicaid meaningful use objectives for fiscal year 2017 and also expects to meet meaningful use objectives in fiscal 2018. No meaningful use payment is expected for fiscal year 2018 as a result of the transition to the Merit-Based Incentive Payment System, which is an ambulatory Eligible Professional attestation. While University Hospital is moving to Penalty Aversion, it is still in the Meaningful Use program for eligible hospitals. Any payment adjustments for fiscal year 2017 and 2018 will not be paid until 2019.

(aa) Compensated Absences

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

(bb) Recently Adopted Accounting Pronouncements

In 2018, the University adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which updates the reporting guidance for governmental institutions that provide other postemployment benefits by requiring the recognition of the University's proportionate share of the net OPEB liability, based on an actuarial valuation, and the OPEB expense in the basic financial statements. The statement also enhances financial statement note disclosures. The adoption of the provisions of GASB No. 75 resulted in a restatement of beginning unrestricted net position at October 1, 2017 by decreasing unrestricted net position $229,687,000 (see note 13 for further discussion).

(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 these designations, no provision for income taxes has been made in the accompanying basic financial statements.

In addition, the University's discretely presented component units, except for HCA, are tax-exempt entities under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). The income of HCA is excluded from federal and state income taxation pursuant to the provisions of Section 115(1) of the Internal Revenue Code. Consistent with these designations, no provision for income taxes has been made in the accompanying discretely presented 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, 2018, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately $11.4 billion. The University had cash and cash equivalents, including restricted cash and cash equivalents, in the pool of $96,336,000 at September 30, 2018.

At September 30, 2018, restricted cash and cash equivalents consist of $6,411,000 related to cash included in the PLTF and GLTF to pay insurance liability claims, $1,722,000 related to collateral requirements of HCM, $8,189,000 of unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture, and $59,000 related to endowment funds.

(4) Investments

(a) University of South Alabama

The investments of the University are invested pursuant to the University of South Alabama "Nonendowment Cash Pool Investment Policies," 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 commingled 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.

The investments of the blended component units of the University are invested pursuant to the separate investment policy shared by the PLTF and GLTF (the Trust Fund Investment Policy.) The objectives of the Trust Fund Investment Policy are to provide a source of funds to pay general and professional liability claims and to achieve long-term capital growth to help defray future funding requirements. Additionally, certain investments of the University's component units, both blended and discretely presented, are subject to UPMIFA as well as any requirements placed on them by contract or donor agreements.

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.

Investments of the University, by type, at fair value, are as follows at September 30, 2018 (in thousands):

U.S. Treasury securities	$	9,139
U.S. federal agency notes		103,119
Commingled equity funds		113,863
Commingled fixed income funds		38,184
Marketable equity securities		12,803
Real estate		275
Private equity		2,049
Managed income alternative investments (low-volatility multi-strategy funds of funds)		33,732
	$	313,164

(Continued)

At September 30, 2018, restricted investments consist of endowment funds, funds held in the PLTF and GLTF to pay insurance liability claims and funds related to collateral requirements of the interest rate swaps.

At September 30, 2018, $19,120,000 of cumulative appreciation in fair value of investments of donor-restricted endowments was recognized and is included in restricted expendable net position in the accompanying statement of net position.

(i) Credit Risk and Concentration of Credit Risk

Nonendowment Cash Pool Investment Policy

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

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

Endowment Fund Investment Policy

The University Investment Policies limit investment in fixed income securities to securities with a minimum "BAA" rating, at the time of purchase, by both Moody's and Standard and Poor's. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's. Investment in fixed income securities within the fixed income portfolio shall be restricted to only investment grade bonds rated "BAA" or higher. Any investment in below investment grade bonds shall be considered an equity or fixed income alternative investment.

Additionally, the University Investment Policies require that not more than 5% of the Endowment Fund assets of the University be allocated to an individual investment manager and no more than 25% of the Endowment Fund assets be allocated to a "Funds of Funds" or multi-manager fund.

The University's exposure to credit risk and concentration of credit risk at September 30, 2018 is as follows:

	Credit rating	Percentage of total investments
Federal National Mortgage Association	AAA	9.1 %
Federal Home Loan Mortgage Corporation	AAA	4.6
Federal Farm Credit Banks Funding Corporation	AAA	9.9
Common Fund Bond Fund	AAA	10.4
Federal Farm Credit Banks Debenture	AAA/AA+	8.7
PIMCO Pooled Bond Fund	BAA+/AA/A	1.8
Federal Home Loan Banks Debenture	AAA/AA+	0.6
US Treasury securities	AAA/AA+	2.9

(ii) Interest Rate Risk

At September 30, 2018, the maturity dates of the University's fixed income investments are as follows (in thousands):

		Years to maturity			
	Fair value	Less than 1	1–5	6–10	More than 10
U.S. Treasury securities	$ 9,139	9,139	—	—	—
U.S. federal agency notes	103,119	23,819	79,300	—	—
Commingled fixed income funds	38,184	2,936	—	2,707	32,541
	$ 150,442	35,894	79,300	2,707	32,541

Commingled fixed income funds are classified based on the weighted average maturity of the individual investment instruments within each fund.

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.

(iii) Mortgage-Backed Securities

The University, from time to time, invests in mortgage-backed securities such as the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and other government sponsored enterprises of the United States government. The University invests in these securities to increase the yield and return on its investment portfolio given the available alternative investment opportunities.

(iv) Fair Value Measurement

Fair value measurements represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The University measures and records its investments using fair value measurement guidelines established by GASB Statement No. 72. These guidelines prioritize the inputs of valuation techniques used to measure fair value, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The level in the fair value hierarchy that determines the classification of an asset or liability depends on the lowest level input that is significant to the fair value measurement. Observable inputs are derived from quoted market prices for assets or liabilities traded on an active market where there is sufficient activity to determine a readily determinable market price. Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable inputs. The University's assets that have unobservable inputs consist of the investment in real estate, with fair value based on an independent third party appraisal performed by qualified appraisers specializing in real estate investments, and of investments in private capital, with fair value determined by the investment managers and primarily utilizes management assumptions and best estimates after considering internal and external factors. Other assets included in the University's investment portfolio with unobservable inputs are the shares or units in certain partnerships or other commingled funds that do not have readily determinable fair values. For these funds, fair value is estimated using the net asset value reported by the investment managers as a practical expedient to fair value. Such investments have not been categorized within the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of net position.

The following tables summarize the fair value measurements for all investment assets and liabilities carried at fair value as of September 30, 2018 (in thousands):

Description	Asset fair value measurements at September 30, 2018			
	Level 1	Level 2	Level 3	Total
U.S. Treasury securities	$ 9,139	—	—	9,139
U.S. federal agency notes	—	103,119	—	103,119
Commingled equity funds	66,895	46,968	—	113,863
Commingled fixed income funds	5,642	32,542	—	38,184
Marketable equity securities	12,803	—	—	12,803
Private equity	—	—	1,640	1,640
Real estate	—	—	275	275
Total investments at fair value	$ 94,479	182,629	1,915	279,023
Investments measured at NAV:				
Private equity				409
Managed income alternative investments (low volatility multi-strategy funds of funds)				33,732
Total investments				$ 313,164

Description	Liability fair value measurements at September 30, 2018			
	Level 1	Level 2	Level 3	Total
Interest rate exchange agreements	$ —	33,826	—	33,826

A rollforward schedule of amounts for Level 3 financial instruments for the fiscal year ended September 30, 2018 is as follows (in thousands):

Description	Private equity and real estate
Beginning balance	$ 1,144
Purchases	665
Net realized/unrealized gains	303
Sales	(197)
Ending balance	$ 1,915

(Continued)

(b) University of South Alabama Foundation

Investments in securities consist primarily of equity securities totaling $137,722,000 at June 30, 2018.

Investment income was comprised of the following for the year ended June 30, 2018 (in thousands):

Unrealized gains	$	15,736
Realized gains		4,210
Timber sales		2,921
Interest and dividends		2,124
Rents		646
Royalties		89
	$	25,726

Investment related expenses in the amount of $347,000, are included in the USA Foundation's management and general expenses in the accompanying consolidated statement of activities and changes in net assets.

Real estate at June 30, 2018 consisted of the following property held (in thousands):

Land and land improvements – held for investment	$	68,071
Building and building improvements – held for investment		1,092
	$	69,163

Timber and mineral properties are stated at fair value. Depletion of mineral properties is recognized over the remaining producing lives of the properties based on total estimated production and current-period production. Depletion of timber properties is recognized on a specific identification basis as timber rights are sold or on a unit basis for sales made on that basis. Reforestation costs consisting of site preparation and planting of seedlings are capitalized.

Investments at June 30, 2018, include an equity interest in a timberland management company. The company's primary assets consist of timberland. The Foundation's proportionate share of the fair value of the company is based upon the valuation from the trustee responsible for the management of the company and the timber valuation.

The USA Foundation has adopted Accounting Standards Codification (ASC) 820, *Fair Value Measurement and Disclosures*. ASC 820 provides a single definition of fair value and a hierarchical framework for measuring it, as well as establishing additional disclosure requirements about the use of fair value to measure assets and liabilities. Fair value measurements are classified as either observable or unobservable in nature. Observable fair values are derived from quoted market prices for investments traded on an active exchange or in dealer markets where there is sufficient activity and liquidity to allow price discovery by substantially all market participants (Level 1). The USA Foundation's observable values consist of investments in exchange-traded equity securities with a readily determinable market

(Continued)

price. Other observable values are fair value measurements derived either directly or indirectly from quoted market prices (Level 2). Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable (Level 3). The USA Foundation's unobservable values consist of investments in timber and real estate with fair values based on independent third-party appraisals performed by qualified appraisers specializing in timber and real estate investments.

The USA Foundation's investment assets at June 30, 2018, are summarized based on the criteria of ASC 820 as follows (in thousands):

	Fair value measurements at June 30, 2018			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity securities	$ 84,072	—	—	84,072
Timber and mineral properties	—	—	160,949	160,949
Real estate	—	—	69,163	69,163
Other investments	—	—	5,805	5,805
	$ 84,072	—	235,917	319,989
Investment in Commonfund measured at NAV				53,650
				$ 373,639

For the year ended June 30, 2018, activity in investment assets valued at fair value based on unobservable values is as follows (in thousands):

Description	**Timber and mineral properties**	**Real estate**	**Other investments**	**Total**
Beginning balance	$ 160,351	69,186	5,808	235,345
Net unrealized gains	4,533	10	(3)	4,540
Additions	25	7	—	32
Reforestation	112	—	—	112
Depreciation/depletion	(4,072)	(40)	—	(4,112)
Ending balance	$ 160,949	69,163	5,805	235,917

As of June 30, 2018, the USA Foundation has no outstanding commitments to purchase securities or other investments. Additionally, substantially all of the USA Foundation's equity securities at June 30, 2018 are considered readily liquid. Timber and mineral properties, real estate, and other investments are generally considered illiquid.

(5) Capital Assets

(a) University of South Alabama

A summary of the University's capital asset activity for the year ended September 30, 2018 follows (in thousands):

	Beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated:					
Land and other	$ 22,840	266	—	—	23,106
Construction-in-progress	130,024	49,188	(94,218)	(1,522)	83,472
	152,864	49,454	(94,218)	(1,522)	106,578
Capital assets being depreciated:					
Land improvements	33,814	361	5,416	—	39,591
Buildings, fixed equipment, and infrastructure	751,117	3,472	32,031	—	786,620
Other equipment	175,916	18,912	56,771	(5,414)	246,185
Library materials	71,070	3,888	—	—	74,958
	1,031,917	26,633	94,218	(5,414)	1,147,354
Less accumulated depreciation for:					
Land improvements	(21,846)	(1,378)	—	—	(23,224)
Buildings, fixed equipment, and infrastructure	(278,953)	(22,645)	—	—	(301,598)
Other equipment	(135,026)	(21,400)	—	5,237	(151,189)
Library materials	(54,988)	(3,117)	—	—	(58,105)
	(490,813)	(48,540)	—	5,237	(534,116)
Capital assets being depreciated, net	541,104	(21,907)	94,218	(177)	613,238
Capital assets, net	$ 693,968	27,547	—	(1,699)	719,816

At September 30, 2018, the University had commitments of approximately $15,174,000 related to various construction projects.

(Continued)

(b) USA Research and Technology Corporation

Changes in capital assets for the year ended September 30, 2018 are as follows (in thousands):

	Beginning balance	Additions	Transfers	Reductions	Ending balance
Land	$ 223	—	—	—	223
Land improvements	1,976	—	—	—	1,976
Buildings	28,291	12	—	—	28,303
Tenant improvements	1,155	682	3	—	1,840
Other equipment	275	111	—	(13)	373
Construction in progress - nondepreciable	3	—	(3)	—	—
	31,923	805	—	(13)	32,715
Less accumulated depreciation for:					
Land improvements	(1,218)	(94)	—	—	(1,312)
Buildings	(8,037)	(732)	—	—	(8,769)
Tenant improvements	(759)	(195)	—	—	(954)
Other equipment	(220)	(30)	—	—	(250)
	(10,234)	(1,051)	—	—	(11,285)
Capital assets, net	$ 21,689	(246)	—	(13)	21,430

(Continued)

(6) Noncurrent Liabilities

A summary of the University's noncurrent liability activity for the year ended September 30, 2018 follows (in thousands):

	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Long-term debt:						
Bonds payable	$ 389,424	427	(19,650)	370,201	18,262	351,939
Notes payable	5,542	—	(382)	5,160	867	4,293
Capital lease obligations	17,332	4,940	(4,002)	18,270	4,968	13,302
Total long-term debt	412,298	5,367	(24,034)	393,631	24,097	369,534
Other noncurrent liabilities:						
Net pension liability	336,477	—	(39,823)	296,654	—	296,654
Net OPEB liability	—	256,178	—	256,178	—	256,178
Other long-term liabilities	101,992	2,067	(12,894)	91,165	6,669	84,496
Total other noncurrent liabilities	438,469	258,245	(52,717)	643,997	6,669	637,328
Total noncurrent liabilities	$ 850,767	263,612	(76,751)	1,037,628	30,766	1,006,862

Other long-term liabilities primarily consist of self-insurance liabilities, liabilities related to compensated absences, and the fair value of derivatives. Amounts due within one year are included in current portion of other long-term liabilities.

During 2017, the University entered into a note payable for a period of ten years payable monthly at $19,000. This agreement commenced in November 2016 to finance improvements of the HVAC system. The amount outstanding on the note at September 30, 2018 is $1,831,000, and is reported as long-term debt (and current portion thereof) in the statement of net position.

In March 2015, the University entered into a variable interest rate revolving line of credit with Compass Bank to, among other reasons, fund the acquisition of certain real property by USA Health. The total amount available under the line of credit was $5,000,000 and interest on the outstanding amounts accrued at the rate of the London InterBank Offered Rate (LIBOR) plus 1.00%. In July 2018, the University converted the line of credit into a term loan for a period of five years, with monthly payments of $63,000 and interest accruing at the fixed rate of 3.85% per annum. The amount outstanding at September 30, 2018 is $3,329,000, and is reported as long-term debt (and current portion thereof) in the statement of net position.

(Continued)

(a) USA Research and Technology Corporation

(i) Notes Payable

Notes payable consisted of the following (in thousands):

PNC Bank promissory note, 4.38%, payable through 2028	$	13,066
PNC Bank promissory note, 4.50%, payable through 2021		7,719
	$	20,785

During 2018, a variable interest rate note payable to Wells Fargo Bank, N.A. was refunded with the proceeds of a loan from PNC Bank, N.A. The note payable to Wells Fargo Bank, N.A. was incurred by the Corporation to acquire Buildings II and III in the USA Technology & Research Park and to provide funds for renovations and tenant finishing costs. In addition to refunding the Wells Fargo note payable, the refunding proceeds were used to terminate an interest rate swap that was used to fix the interest rate on the Wells Fargo note. Over the term of each note payable, the cash flows required to service the PNC Bank note payable exceed the cash flows required to service the Wells Fargo note payable by $2,352,759. The economic loss due to the refunding was $587,552. The first promissory note payable to PNC Bank has a 10-year term and amortization is based on a 20-year term. The promissory note payable is secured by an interest in tenant leases for Buildings II and III, and an interest in income received from rental of Buildings II and III. The Corporation agreed to not transfer or encumber the buildings or its leasehold interest in the real estate on which the buildings stand.

The second promissory note payable to PNC Bank has a 10-year term and amortization is based on a 20-year term. The promissory note payable is secured by an interest in tenant leases for Building I and the dialysis services building, and an interest in income received from rental of Building I and the dialysis services building. The Corporation agreed to not transfer or encumber the buildings or its leasehold interest in the real estate on which the buildings stand.

In connection with each PNC note, the University entered into an agreement with the lender providing that for any year in which the Corporation's debt service coverage ratio is less than 1 to 1, the University will pay the Corporation rent equal to the amount necessary to bring the ratio to 1 to 1. The debt service coverage ratio is calculated by dividing the sum of unrestricted cash and cash equivalents at the beginning of the year (reduced by current year capital asset additions) and current year change in net position (determined without depreciation, amortization, and interest expenses) by current year debt service. For fiscal 2018, the Corporation's debt service coverage ratio was 1.13 to 1. Management believes the Corporation was in compliance with its debt covenants, including the debt service coverage ratio covenant, at September 30, 2018.

(ii) Debt Service on Long-Term Obligations

At September 30, 2018, total future debt service by fiscal year is as follows (in thousands):

	Debt service on notes		
	Principal	**Interest**	**Total**
2019	$ 727	905	1,632
2020	760	872	1,632
2021	7,568	631	8,199
2022	485	504	989
2023	507	482	989
2024–2028	10,738	1,964	12,702
Total	$ 20,785	5,358	26,143

(iii) Derivative Transaction

The Corporation was a party to a derivative with Wells Fargo Bank, N.A., the counterparty (successor to Wachovia Bank, N.A. the original counterparty). The derivative was a “receive-variable, pay-fixed” interest rate swap entered into in connection with the promissory note to Wells Fargo Bank, N.A.

Under the swap, the Corporation paid Wells Fargo a fixed payment of 6.10% and received a variable payment of the one-month LIBOR rate plus 0.85%. Conversely, the Wells Fargo loan bore interest at the one-month LIBOR rate plus 0.85%. The Corporation paid $329,600 under the interest rate swap agreement for the year ended September 30, 2018, which is reflected as an increase in interest expense.

The swap terminated on June 20, 2018 as part of a transaction refunding the Wells Fargo loan with the proceeds of a loan from PNC Bank. The fee paid by the Corporation to Wells Fargo to terminate the swap was $1,478,000. Pursuant to GASB Statement No. 65, the fee is reported in deferred outflows on the statement of net position and amortized to interest expense according to the percentage of annual interest paid on the loan from PNC Bank to the total interest to be paid on that loan over the 118 months that were remaining on the Wells Fargo loan when the swap was terminated.

(Continued)

(7) Bonds Payable

Bonds payable consisted of the following at September 30, 2018 (in thousands):

Capital Appreciation Series 1999 Bonds, 4.70% to 5.25%, payable through November 2018	$	7,496
University Facilities Revenue Capital Improvement Bonds, Series 2010, 3.81%, payable through August 2030		20,482
University Facilities Revenue Capital Improvement Bonds, Series 2012-A, 2.92% payable through August 2032		18,842
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2.83% payable through August 2033		25,589
University Facilities Revenue Capital Improvement Bonds, Series 2013-B, 2.83% payable through August 2033		6,397
University Facilities Revenue Capital Improvement Bonds, Series 2013-C, 2.78% payable through August 2028		7,112
University Facilities Revenue Refunding Bonds, Series 2014-A, variable rate payable at 68% of LIBOR plus 0.73%, 2.21% at September 30, 2018, payable through March 2024		39,030
University Facilities Revenue Capital Improvement Bonds, Series 2015, 2.47% payable through August 2030		4,500
University Facilities Revenue Refunding Bonds, Series 2016, 3.00% to 5.00% payable through November 2037		85,605
University Facilities Revenue Refunding Bonds, Series 2016-B, variable rate payable at 68% of one-month LIBOR plus 0.72%, 2.20% at September 30, 2018, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2021		20,000
University Facilities Revenue Refunding Bonds, Series 2016-C, variable rate payable at 68% of one-month LIBOR plus 0.77%, 2.25% at September 30, 2018, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2023		35,000
University Facilities Revenue Refunding Bonds, Series 2016-D, variable rate payable at 68% of one-month LIBOR plus 0.83%, 2.31% at September 30, 2018, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2026		45,000
University Facilities Revenue Bonds, Series 2017, 2.00% to 5.00%, payable through October 2037		36,230
		351,283
Plus unamortized premium		20,761
Less unaccreted discount		(3)
Less unamortized debt extinguishment costs		(1,840)
	$	370,201

(Continued)

Substantially all student tuition and fee and auxiliary revenues secure University bonds. Additionally, security for all bonds includes Children's and Women's Hospital revenues in an amount not exceeding $10,000,000. Capital Appreciation Series 1999 Bonds began maturing in November 2011. Series 1999 Bonds are not redeemable prior to maturity. Series 2008 Bonds were paid in full in August 2018. The Series 2010 Bonds began maturing in August 2011 and are redeemable beginning in February 2020. The Series 2012-A and 2012-B Bonds began maturing in August 2013. The Series 2012-A Bonds are redeemable beginning in August 2021 and the Series 2012-B Bonds were paid in full in February 2018. The Series 2013-A, 2013-B and 2013-C Bonds began maturing in August 2014 and are redeemable beginning in June 2023. The Series 2014-A bonds began maturing in March 2015 and are redeemable by the University at any time. The Series 2015 Bonds began maturing in August 2015 and are redeemable beginning in June 2020. The Series 2016 Bonds will begin maturing in November 2018 and are redeemable beginning in November 2026. The Series 2016-B, C & D Bonds will begin maturing in December 2024 and are redeemable beginning in December 2017. The Series 2017 Bonds began maturing in October 2017 and are redeemable beginning in October 2027.

In September 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016, with a face value of $85,605,000. The proceeds from the Series 2016 Bonds were used to partially defease the Series 2008 Bonds. The funds were deposited into escrow trust funds to provide for the subsequent repayment of the Series 2008 Bonds when they are called in December 2018. Neither the asset of the escrow trust account, nor the defeased indebtedness is included in the accompanying statement of net position. The loss on the defeasement of the Series 2008 Bonds of $7,859,000 was recorded as a deferred outflow and is being amortized over the remaining life of the Series 2016 Bonds and the balance of the related deferred outflow totaled $7,051,000 at September 30, 2018. The principal outstanding on all defeased bonds is $93,540,000 at September 30, 2018. The undefeased portion of the Series 2008 bonds was paid in full in August 2018.

In December 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016-B, C & D, with a face value totaling $100,000,000. The proceeds refunded the remaining outstanding Series 2006 Bonds. The gain on the refunding of the Series 2006 Bonds of $4,539,000 was recorded as a deferred inflow and is being amortized over the remaining life of the Series 2016-B, C & D Bonds and the balance of the related net deferred inflow at September 30, 2018 totaled $4,122,000.

During the year ended September 30, 2018, the maturity value of the Capital Appreciation Bonds increased $427,000, over the original principal amount of $19,810,000, reflecting accretion of interest.

Approximately $8,189,000 of proceeds from the issuance of the Series 2017 Bonds remained unspent at September 30, 2018 and is included in restricted cash and cash equivalents in the accompanying statement of net position. These funds are restricted for capital purposes as outlined in the bond indenture.

The University is subject to arbitrage restrictions on its bonded indebtedness prescribed by the U.S. Internal Revenue Service. As such, amounts are accrued as needed in the University's basic financial statements for any expected arbitrage liabilities. At September 30, 2018, no amounts were due or recorded in the financial statements.

The University is subject to restrictive covenants related to its bonds payable. At September 30, 2018, management believes the University complied with such financial covenants.

Debt Service on Long-Term Obligations

Total debt service (which includes bonds and notes payable) by fiscal year is as follows as of September 30, 2018 (in thousands):

	Debt service on notes and bonds			
	Principal	Interest	Additional maturity	Total
2019	$ 18,182	9,838	(49)	27,971
2020	17,269	9,438	—	26,707
2021	18,032	9,002	—	27,034
2022	18,824	8,549	—	27,373
2023	19,528	8,076	—	27,604
2024–2028	93,045	32,905	—	125,950
2029–2033	94,366	18,498	—	112,864
2034–2038	77,246	4,816	—	82,062
Subtotal	356,492	$ 101,122	(49)	457,565
Plus (less):				
Additional maturity	(49)			
Unamortized bond premium	20,761			
Unaccreted bond discount	(3)			
Unamortized debt extinguishment costs	(1,840)			
Total	$ 375,361			

The principal amount of debt service due on bonds at September 30, 2018, includes $427,000, representing additional maturity value on Capital Appreciation Series 1999 Bonds. These bonds mature through fiscal 2019. Although this additional maturity is presented as principal on the debt service schedule above, it is also recognized as interest expense on an annual basis in the University's basic financial statements as it accretes.

(8) Capital Lease Obligations

The University has entered into various capital leases as a method of financing medical equipment, computer software and hardware, a heat recovery system, and other office equipment.

Future minimum capital lease payments at September 30, 2018 are as follows (in thousands):

Year ending September 30:		
2019	$	5,495
2020		5,198
2021		5,077
2022		3,505
2023		153
		19,428
Less amounts representing interest		(1,158)
Net minimum lease payments	$	18,270

These amounts are included in long-term debt (and current portion thereof) in the accompanying statement of net position.

(9) Derivative Transactions – Interest Rate Swaps

The University is a party to two derivatives with Wells Fargo Bank, the counterparty. In December 2013, Wells Fargo exercised its option with respect to the synthetic advance refunding of the Series 2004 Bonds to enter into an interest rate swap agreement with the University with an effective date of March 15, 2014. The resulting derivative is a “receive-variable, pay-fixed” interest rate swap. As part of the overall plan of the synthetic refunding of the Series 2004 Bonds, the University redeemed those bonds in April 2014 with proceeds from the Series 2014-A Bonds.

In September 2016, Wells Fargo exercised its option with respect to the synthetic advance refunding of the Series 2006 Bonds to enter into an interest rate swap agreement with the University with an effective date of September 1, 2016. The resulting derivative is a “receive-variable, pay-fixed” interest rate swap. As part of the overall plan of the synthetic refunding of the Series 2006 Bonds, the University redeemed those bonds in December 2016 with proceeds from the Series 2016-B, C & D Bonds.

Objective of the transactions. As noted, both interest rate swaps were the result of the original January 2008 synthetic advance refunding of the Series 2004 and Series 2006 Bonds. The objective of these transactions was to realize debt service savings currently from future debt refunding and create an economic benefit to the University.

The 2014 swap will terminate in March 2024, when the Series 2014-A Bonds mature. The notional amount of the swap will at all times match the outstanding principal amount of the bonds. Under the swap, the University pays the counterparty a fixed semi-annual payment based on an annual rate of 4.9753% and receives on a monthly basis a variable payment of 68% of the one-month LIBOR plus 0.25%. Conversely, the Series 2014-A Bonds bear interest on a monthly basis at 68% of the one-month LIBOR rate plus 0.73%.

The 2016 swap will terminate in December 2036, when the Series 2016-B, C & D Bonds mature. The notional amount of the swap will at all times match the outstanding principal amount of the bonds. Under the swap,

the University pays the counterparty a fixed semi-annual payment based on an annual rate of 5% and receives on a monthly basis a variable payment of 68% of the one-month LIBOR plus 0.25%. Conversely, the Series 2016-B, C & D Bonds bear a weighted average interest on a monthly basis at 68% of the one-month LIBOR rate plus 0.79%.

Fair value. The 2014 interest rate swap had a negative fair value of approximately $(9,138,000) at its inception. This amount, net of any amortization and adjustments to fair market value, is reported as a borrowing arising from the 2014 interest rate swap as other long-term liabilities in the amount of ($3,597,000) in the statement of net position at September 30, 2018. The change in the fair value of the swap of $2,268,000 during the year ended September 30, 2018, is reported as a deferred inflow and contra liability (other long-term liabilities) in the statement of net position since the interest rate swap is a hedging derivative instrument. Net deferred inflows of resources for the 2014 interest rate swap totaled $1,429,000 at September 30, 2018.

The 2016 interest rate swap had a negative fair value of approximately $(48,530,000) at its inception. This amount, net of any amortization and adjustments to fair market value, is reported as a borrowing arising from the 2016 interest rate swap as other long-term liabilities in the amount of ($30,229,000) in the statement of net position at September 30, 2018. The change in the fair value of the swap of $9,514,000 during the year ended September 30, 2018, is reported as a deferred inflow and contra liability (other long-term liabilities) in the statement of net position since the interest rate swap is a hedging derivative instrument. Net deferred inflows of resources for the 2016 interest rate swap totaled $13,308,000 at September 30, 2018.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement.

Risks Associated with these Transactions

Interest rate risk. As the LIBOR rate decreases, the net payments on the swaps increase. This, however, is mitigated by the fact that a decline in the LIBOR rate will also result in a decrease of the University's interest payments on the Series 2014-A and Series 2016-B, C & D Bonds. The University's exposure is limited to 0.48% and 0.54% of the notional amounts, the difference in the payment from the counterparty and the interest payment on the Series 2014-A and Series 2016-B, C & D Bonds.

Credit risk. As of September 30, 2018, the University was not exposed to credit risk on the interest rate swaps because they had a negative fair value. However, if interest rates change and the fair value of the derivatives become positive, the University would have a gross exposure to credit risk in the amount of the derivative's fair value. The counterparty was rated Aa2 by Moody's Investor Services and A+ by Standard & Poor's Ratings Services as of September 30, 2018.

Termination risk. The University may be required to terminate the swaps based on certain standard default and termination events, such as failure to make payments, breach of agreements and bankruptcy. As of the current date, no events of termination have occurred.

Derivative payments and hedged debt. As interest rates fluctuate, variable rate debt interest and net derivative payments will fluctuate. Using interest rates as of September 30, 2018 and calculating interest for subsequent years using forward rates of one month LIBOR, debt service requirements for the 2014 interest rate swap payments, by fiscal year, are as follows (in thousands):

	Variable rate loan		Interest rate	
	Principal	Interest	swap, net	Total
2019	$ 665	820	1,291	2,776
2020	6,925	798	1,106	8,829
2021	7,280	640	877	8,797
2022	7,655	463	646	8,764
2023	8,050	284	397	8,731
2024	8,455	96	135	8,686
Total	$ 39,030	3,101	4,452	46,583

Debt service requirements for the 2016 interest rate swap payments, by fiscal year, are as follows (in thousands):

	Variable rate loan		Interest rate	
	Principal	Interest	swap, net	Total
2019	$ —	2,178	3,362	5,540
2020	—	2,358	3,183	5,541
2021	—	2,362	3,177	5,539
2022	—	2,341	3,199	5,540
2023	—	2,338	3,202	5,540
2024–2028	24,180	10,603	14,470	49,253
2029–2033	37,890	6,693	9,220	53,803
2034–2037	37,930	1,621	2,661	42,212
Total	$ 100,000	30,494	42,474	172,968

(10) Patient Service Revenues

USA Health has 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 USA Health's 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, USA Health is 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. USA Health is generally paid for certain retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by USA Health and audits by the Medicare fiscal intermediary.

University Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2012.

USA Children's & Women's Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2016.

Revenues from the Medicare program accounted for approximately 18% of USA Health's net patient service revenues for the year ended September 30, 2018.

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, USA Health is paid at a tentative rate with final settlement determined after submission of annual cost reports by USA Health and audits thereof by Blue Cross.

University Hospital's and USA Children's & Women's Hospital's Blue Cross cost reports have been audited by Blue Cross through September 30, 2016. The settlement process changed in April 2017 and future settlements will be based on outpatients for the periods prior to April 2017. Blue Cross Cost findings are no longer required and it is not anticipated that settlements will occur for 2018 and future periods.

Revenues from the Blue Cross program accounted for approximately 28% of USA Health's net patient service revenues for the year ended September 30, 2018.

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.

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

Revenues from the Medicaid program accounted for approximately 32% of USA Health's net patient service revenues for the year ended September 30, 2018.

Other – USA Health has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payments to USA Health under these agreements include discounts from established charges and prospectively determined daily and case rates.

The composition of net patient service revenues for the year ended September 30, 2018 follows (in thousands):

Gross patient service revenues	$	879,476
Less:		
Provision for contractual and other adjustments		(364,006)
Provision for bad debts		(99,436)
	$	416,034

Changes in estimates related to prior cost reporting periods resulted in an increase of approximately $5,568,000 in patient service revenues for the year ended September 30, 2018.

(11) Defined Benefit Cost Sharing Pension Plan

Employees of the University are covered by a cost sharing multiple-employer defined benefit pension plan administered by the TRS.

(a) Plan Description

The TRS was established in September 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

(b) Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after ten years of creditable service. Tier 1 TRS members who retire after age sixty with ten years or more of creditable service or with twenty-five years of services (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or formula method, with the member receiving payment under the method that yields the higher monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest three of the last ten years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age sixty-two with ten years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest five of the last ten years) for each year of service. Members are eligible for disability retirement if they have ten years of credible service, are currently in-service, and determined by the RSA Medical

(Continued)

Board to be permanently incapacitated form further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status, and eligibility for retirement.

(c) Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered Tier 1 members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rates were 12.24% of annual pay for Tier 1 members and 11.01% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the University were $22,951,000 for the year ended September 30, 2018.

(d) Pension Liabilities, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the University reported a liability of $296,654,000, for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016. The University's proportion of the collective net pension liability is based on the employer's shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At the measurement date of September 30, 2017, the University's proportion of contributions to the pension plan was 3.018313%, which was a decrease of 0.089735% from its proportion measured as of September 30, 2016.

For the year ended September 30, 2018, the University recognized pension expense of approximately $16,792,000, which is included in salaries and benefits on the statement of revenues, expenses, and changes in net position.

At September 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	$ —	17,737
Changes of assumptions	17,706	—
Differences between expected and actual experience	—	12,718
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	21,769
Employer contributions subsequent to measurement date	22,262	—
	$ 39,968	52,224

At September 30, 2018, approximately $22,262,000 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ending September 30:	
2019	$ (11,594)
2020	(4,295)
2021	(9,985)
2022	(7,990)
2023	(654)
	$ (34,518)

(e) Actuarial Assumptions

The total pension liability as of September 30, 2018 was determined by an actuarial valuation as of September 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 %
Investment rate of return*	7.75
Projected salary increases	3.25–5.00

* Net of pension plan investment expense

(Continued)

The actuarial assumptions used in the September 30, 2016 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015. Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target allocation	Long-term expected rate of return*
Fixed income	17.00 %	4.40 %
U.S. large stocks	32.00	8.00
U.S. mid stocks	9.00	10.00
U.S. small stocks	4.00	11.00
International developed market stocks	12.00	9.50
International emerging market stocks	3.00	11.00
Alternatives	10.00	10.10
Real estate	10.00	7.50
Cash equivalents	3.00	1.50
	100.00 %	

* Includes assumed rate of inflation of 2.50%

(f) Discount Rate

The discount rate used to measure the total pension liability as of September 30, 2018 was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

(g) Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate (in thousands):

	1% Decrease (6.75)%	Current rate (7.75)%	1% Increase (8.75)%
University's proportionate share of collective net pension liability	$ 409,181	296,654	201,465

(h) Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2017 as well as prior year reports. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2017. The auditors' report dated April 4, 2018 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities as of September 30, 2017 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

(12) Other Employee Benefits

(a) Other Pension Plans

Certain employees of the University also participate in a defined contribution pension plan. The defined contribution pension plan covers certain academic and administrative employees, and participation by eligible employees is optional. The plan is administered by the University and the plan assets are held in annuity contracts and custodial accounts. The annuity contracts are with, and the custodial account assets are invested through investment options offered by, Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC). Under this plan, contributions by eligible employees are matched equally by the University up to a maximum of 3% of current annual pay. The University contributed $551,000 in 2018, representing 241 employees participating in this Plan.

All employees of HCM working at least half time are eligible to participate in a defined contribution pension plan. The plan is administered by HCM and the plan assets are held in annuity contracts and custodial accounts. The annuity contracts are with, and the custodial account assets are invested through investment options offered by, TIAA-CREF and VALIC. Under this plan, contributions by eligible employees are matched equally by HCM up to a maximum of 5% of current annual pay. HCM contributed $4,703,000 in 2018, representing 1,369 employees, participating in this plan. University employees as of September 30, 2010, who later transfer to HCM, are immediately vested in the plan. All other employees

do not vest until they have held employment with HCM for thirty-six months; at which time they become 100% vested in the plan.

(b) 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 separation of employment, employees who were hired before January 1, 2012 are paid all unused accrued vacation at their regular rate of pay up to a maximum of two times their annual accumulation rate. Employees hired after January 1, 2012 are not eligible for payment of unused accrued vacation or PTO hours upon separation of employment. The accompanying statement of net position include accruals for vacation pay and paid time off of approximately $13,793,000 at September 30, 2018. The accrual is included in other long-term liabilities (and current portion thereof) in the accompanying basic financial statements. No accrual is recognized for sick leave benefits since no terminal cash benefit is available to employees for accumulated sick leave.

(13) Other Post-Employment Benefit Plans

Retirees of the University are covered by the Public Education Employees Health Insurance Plan (PEEHIP), which is a cost sharing multiple-employer defined benefit OPEB plan administered by the TRS.

(a) Plan Description

The Alabama Retiree Health Care Funding Act of 2007 authorized and directed the Public Education Employees Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the PEEHIP. The PEEHIP was established in 1983 pursuant to the provisions of the Code of Alabama 1975, Title 16, Chapter 25A to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions and to fund benefits related to the plan. The responsibility for the general administration and operation of the PEEHIP is vested in its Board, which consists of 15 trustees. Title 16-Chapter 25 of the code of Alabama grants the authority to establish and amend the benefit terms to the PEEHIP Board. Effective for the year ended September 30, 2018, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* requires the reporting of the net OPEB liability and the OPEB expense in the financial statements as well as enhanced financial statement note disclosures.

(b) Benefits Provided

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees or active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO). In addition to or in lieu of the basic hospital medical plan or HMO, the PEEHIP offers four optional plans: Hospital Indemnity, Cancer, Dental, and Vision. Also, PEEHIP members (only active and non-Medicare eligible) may elect the Supplemental Plan as their hospital medical coverage instead of the PEEHIP Hospital Medical Plan. This Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer.

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for

PEEHIP retirees. The Medicare Advantage Prescription Drug (MAPD) plan is fully insured by United Healthcare and members are able to have all of their Medicare Part A, Part B, and Part D in one convenient plan.

(c) Contributions

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

Total employer contributions to the OPEB plan from the University were $7,728,000 for the year ended September 30, 2018.

(d) OPEB Liabilities, OPEB Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2018, the University reported a liability of $256,178,000, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016. The University's proportion of the net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At the measurement date of September 30, 2017, the University's proportion of contributions to the OPEB plan was 3.449076%, which was an increase of 0.485263% from its proportion measured as of September 30, 2016.

For the year ended September 30, 2018, the University recognized OPEB expense of approximately $21,731,000, which is included in salaries and benefits on the statement of revenues, expenses, and changes in net position.

At September 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on OPEB plan investments	$ —	1,364
Changes of assumptions	—	26,599
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,722	—
Employer contributions subsequent to the measurement date	7,728	—
	$ 40,450	27,963

At September 30, 2018, approximately $7,728,000 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Year ending September 30:	
2019	$ 830
2020	830
2021	830
2022	830
2023	1,171
Thereafter	268
	$ 4,759

(Continued)

(e) Actuarial Assumptions

The total OPEB liability as of September 30, 2018 was determined by an actuarial valuation performed as of September 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases*	3.25%–5.00%
Long-term investment rate of return**	7.25%
Municipal bond index rate at the measurement date	3.57%
Municipal bond index rate at the prior measurement date	2.93%
Projected year for fiduciary net position to be depleted	2042
Single equivalent interest rate at the measurement date	4.63%
Single equivalent interest rate at the prior measurement date	4.01%
Healthcare cost trend rate	
Pre-medicare eligible	7.75%
Medicare eligible	5.00%
Ultimate trend rate	
Pre-medicare eligible	5.00%
Medicare eligible	5.00%
Year of ultimate trend rate	2022

* Includes 3.00% wage inflation

** Compounded annually, net of investment expense, and includes inflation

Rates of mortality for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the TRS on September 13, 2016. The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2016 valuation were based on a review of recent plan experience done concurrently with the September 30, 2016 valuation.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

(Continued)

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class are summarized in the following table:

	Target allocation	Long-term expected real rate of return*
Fixed income	30.00 %	4.40 %
U.S. large stocks	38.00	8.00
U.S. mid stocks	8.00	10.00
U.S. small stocks	4.00	11.00
International developed market stocks	15.00	9.50
Cash	5.00	1.50
	100.00 %	

* Geometric mean, includes 2.5% inflation

(f) Discount Rate

The discount rate used to measure the total OPEB liability at September 30, 2017 was 4.63%. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating employers must contribute for each active employee. Approximately 27.08% of the employer contributions were used to assist in funding retiree benefit payments in 2016 and it is assumed that amount will increase by 3.00% per year. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2115. The long-term rate of return is used until the assets are expected to be depleted in 2042, after which the municipal bond rate is used.

(g) Sensitivity of the University's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates and Discount Rates

The following table presents the University's proportionate share of the net OPEB liability calculated using the health care cost trend rate of 7.75%, as well as what the net OPEB liability would be if calculated using 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate (in thousands):

	1% Decrease (6.75)%	Current rate (7.75)%	1% Increase (8.75)%
University's proportionate share of collective net OPEB liability	$ 206,833	256,178	319,846

(Continued)

The following table presents the University's proportionate share of the net OPEB liability calculated using the discount rate of 4.63%, as well as what the net OPEB liability would be if calculated using 1-percentage point lower (3.63%) or 1-percentage point higher (5.63%) than the current rate (in thousands):

	1% Decrease (3.63)%	Current rate (4.63)%	1% Increase (5.63)%
University's proportionate share of collective net OPEB liability	$ 309,666	256,178	213,541

(h) OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the Alabama Retired Education Employees' Health Care Trust's financial statements for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2017. Additional financial and actuarial information is available at www.rsa-al.gov.

(14) Risk Management

The University, HCM, SAMSF and HCA participate in the PLTF and the University, HCM, SAMSF, the Corporation and HCA participate in the GLTF. An independent trustee administers both funds. These trust funds are revocable and use contributions by the University and HCA, together with earnings thereon, to pay liabilities arising from the performance of its employees, trustees and other individuals acting on behalf of the University. Any risk related to the payment of claims is the responsibility of the PLTF and GLTF. If the trust funds are ever terminated, appropriate provision for payment of related claims will be made and any remaining balance may be distributed to the participating entities in proportion to contributions made.

As discussed in note 1, the PLTF and GLTF are blended component units of the University, and as such are included in the basic financial statements of the University for the year ended September 30, 2018. 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, HCM and HCA each participate in a separate self-insured health plan, administered by unaffiliated entities. Administrative fees paid by the University for such services were approximately $2,276,000 in 2018. Contributions by the University and its 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.

(Continued)

The changes in the total self-insurance liabilities for the year ended September 30, 2018 for the PLTF, GLTF and health plan are summarized as follows (in thousands):

Balance, beginning of year	$	39,115
Liabilities incurred and other additions		69,543
Claims, administrative fees paid and other reductions		(68,253)
Balance, end of year	$	40,405

These amounts are included in other long-term liabilities (and current portion thereof) in the accompanying statement of net position.

(15) Other Related Parties and Related-Party Transactions

SAMSF is a not-for-profit corporation that exists for the purpose of promoting education and research at the University. At September 30, 2018, SAMSF had total assets of $12,704,000, net assets of $10,828,000, and total revenues of $1,735,000. SAMSF reimburses the University for certain administrative expenses and other related support services. Total amounts received for such expenses were approximately $759,000 in 2018, and are reflected as private grants and contracts in the accompanying statement of revenues, expenses, and changes in net position.

(16) Commitments and Contingencies

(a) Grants and Contracts

At September 30, 2018, the University had been awarded approximately $18,442,000 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 awards have not been met. Advances are included in unrecognized revenues, and include amounts received from grant and contract sponsors which have not been expended 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 potential adjustment from such audits will not be material.

(b) Letter of Credit

In connection with USA Health's participation in the State of Alabama Medicaid Program, the University has established a $55,382 irrevocable standby letter of credit with Wells Fargo. The Alabama Medicaid Agency is the beneficiary of this letter of credit. No funds were advanced under this letter during the year ended September 30, 2018.

(c) Federal Program Review

In November 2014, the University was the subject of a program review conducted by the U. S. Department of Education. The program review assessed the University's administration of Title IV, Higher Education Act programs for the 2013-2014 fiscal year and the first two months of the 2015 fiscal year.

On October 10, 2017, the University received the final program review determination letter. Management appealed the factual and legal contentions in, and the calculation of the monetary liabilities and interest asserted in and associated with two findings. Management believes there will be no liability to the University beyond the amount currently accrued in the basic financial statements. The other findings were resolved to the US Department of Education's satisfaction.

(d) 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 position of the University.

(e) Rent Supplement Agreements

The University has entered into two irrevocable rent supplement agreements with the Corporation and a financial institution. The 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 (see note 6). As of September 30, 2018, no amounts were payable pursuant to these agreements.

(f) USA Research and Technology Corporation Leases

The Corporation leases space in Building I to three tenants under operating leases. One lease has a 5-year initial term expiring in October 2018 with two 5-year renewal options. The second lease has a 67-month initial term expiring in December 2018 with no renewal options. The third lease has a 90-month initial term with two 5-year renewal options.

Space in Buildings II and III is leased under operating leases to the University and various other tenants. The leases have remaining terms varying from month-to-month to four years.

The Corporation leases from the University the third floor of a campus building. Located on that floor is the Coastal Innovation Hub (the Hub), a technology incubator, which currently houses six tenants with month-to-month leases.

Under leases for Buildings I, II, and III, the Corporation must pay all operating expenses of the buildings, including utilities, janitorial, maintenance and insurance. Tenants will reimburse the Corporation for such expenses only as the total expenses for a year increase over the total expenses for the base year of the lease (the Corporation's fiscal year beginning after the date the lease is signed). Under Hub leases, the Corporation must pay all operating expenses of the space, without reimbursement from tenants.

Space under lease to the University was 51,168 square feet at September 30, 2018.

The Corporation owns a building located on the premises of the USA University Hospital, which is leased to a single tenant. The Corporation paid for construction of the building shell and land improvements while the tenant paid for the cost of finishing the building's interior. The lease has a 10-year initial term expiring in March 2020 with three 5-year renewal options. Under the lease, the tenant must also pay for

utilities, taxes, insurance, and interior repairs and maintenance. The Corporation is responsible for repairs and maintenance to the exterior and HVAC system.

The Corporation, as lessor, had three ground leases in place at September 30, 2018. One lease is for a 40-year initial term expiring in October 2046 with 20-year, and 15-year renewal options. The second lease is for a 30-year initial term expiring in October 2036 with four 5-year renewal options. The third lease has a 38.5-year initial term expiring in September 2046 with 20-year and 15-year renewal options.

Minimum future rentals by fiscal year are as follows (in thousands):

2019	$	2,029
2020		1,459
2021		1,224
2022		1,131
2023		613
2024–2047		6,458
Total	$	12,914

(17) Functional Expense Information

Operating expenses by functional classification for the year ended September 30, 2018 are listed below (in thousands). In preparing the basic financial statements, all significant transactions and balances among blended component units have been eliminated.

Instruction	$	113,094
Research		25,578
Public service		7,871
Academic support		25,443
Student services		34,701
Institutional support		41,877
Operation and maintenance of plant		33,573
Scholarships		14,991
USA Health		450,748
Auxiliary enterprises		22,895
Depreciation and amortization		48,611
	$	819,382

(Continued)

(18) Blended Component Units

As more fully described in note 1, HCM, PLTF and GLTF are reported as blended component units. Required combining financial information of the aggregate blended component units as of and for the year ended September 30, 2018 is presented below (in thousands):

Current assets	$	18,243
Noncurrent assets		60,482
Total assets		78,725
Current liabilities		40,616
Noncurrent liabilities		36,414
Total liabilities		77,030
Net position	$	1,695
Operating revenues	$	186,467
Operating expenses		(190,872)
Operating loss		(4,405)
Nonoperating revenues		4,482
Change in net position	$	77

(19) Recently Issued Accounting Pronouncements

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* and Statement No. 82, *Pension Issues*. Both statements are effective for the University of South Alabama for the current reporting period. Statement No. 81 changes the reporting requirements for gifts given to the University in which the University is a beneficiary of a split-interest agreement. Statement No. 82 was issued to address certain matters that have been raised from Statements No. 67, 68 and 73 and clarifies the presentation of payroll-related measures in the required supplementary information, the selection of assumptions and treatment of deviations from the guidance, and the classification of payments made by employers to satisfy employee contribution requirements. In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement will be effective for the University beginning with the fiscal year ending September 30, 2019. Statement 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO's.

(Continued)

The GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. This statement will be effective for the University beginning with the fiscal year ending September 30, 2020. Statement 84 addresses the criteria for identifying fiduciary activities of all state and local governments. In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*, which was effective for the University in the current reporting period. The objective is to ensure consistency in the application of accounting and financial reporting requirements related to various topics, including blending component units, goodwill, fair value measurement and application, and postemployment benefits. The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues,* in May 2017. This statement was effective for the University in the current reporting period. Statement 86 addresses financial reporting for in-substance defeasance of debt and prepaid insurance on debt that is extinguished. In June 2017, the GASB issued Statement No. 87, *Leases,* which will be effective for the University beginning with the fiscal year ending September 30, 2021. This statement establishes a single model for lease accounting whereby certain leases that were previously classified as operating leases will now be reported on the statement of net position. Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* was issued in March 2018 to enhance note disclosure for debt agreements. This statement is effective for the University beginning with the fiscal year September 30, 2019. In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* which will be effective beginning with fiscal year September 30, 2021. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 90, *Majority Equity Interests,* was issued in August 2018. Effective for the University beginning with the fiscal year ending September 30, 2020, this statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method, with certain exceptions, if a government holding of the equity interest meets the definition of an investment.

The effect of the implementation of GASB Statement Nos. 83, 84, 87, 88, 89 and 90 on the University has not yet been determined.

Statement No. 82 defines covered payroll, which is be presented in schedules of required supplementary information.

Statement Nos. 81, 85 and 86 did not have an impact on the University's financial statements.

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)

Required Supplementary Information

Schedule of the University's Proportionate Share of the Net Pension Liability (Unaudited)

Teachers' Retirement Plan of Alabama

September 30, 2018

(In thousands)

	2018	2017	2016	2015
University's proportion of the net pension liability	3.018313 %	3.108048 %	3.185471 %	3.322348 %
University's proportionate share of the net pension liability	$ 296,654	336,477	329,294	297,734
University's covered-employee payroll	191,520	200,464	198,378	201,858
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	154.89 %	167.85 %	165.99 %	147.50 %
Plan fiduciary net position as a percentage of the total pension liability	71.50 %	67.93 %	67.51 %	71.01 %
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.				

See accompanying independent auditors' report.

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)

Required Supplementary Information

Schedule of the University's Pension Contributions (Unaudited)

Teachers' Retirement Plan of Alabama

September 30, 2018

(In thousands)

		2018	2017	2016	2015
Contractually required contribution	$	22,951	23,664	23,405	23,524
Contributions in relation to the contractually required contribution		22,951	23,664	23,405	23,524
Contribution deficiency (excess)	$	—	—	—	—
University's covered-employee payroll	$	191,520	200,464	198,378	201,858
Contributions as a percentage of covered-employee payroll		11.98 %	11.80 %	11.80 %	11.65 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Required Supplementary Information

Schedule of the University's Proportionate Share of the Net OPEB Liability (Unaudited)

Alabama Retired Education Employees' Health Care Trust

September 30, 2018

(In thousands)

		2018	2017
University's proportion of the net OPEB liability		3.449076 %	2.963813 %
University's proportionate share of the net OPEB liability	$	256,178	238,060
University's covered-employee payroll		191,520	200,464
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		133.76 %	118.75 %
Plan fiduciary net position as a percentage of the total OPEB liability		15.37 %	13.38 %
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.			

See accompanying independent auditors' report.

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Required Supplementary Information

Schedule of the University's OPEB Contributions (Unaudited)

Alabama Retired Education Employees' Health Care Trust

September 30, 2018

(in thousands)

		2018	2017
Contractually required contribution	$	7,728	8,373
Contributions in relation to the contractually required contribution		7,728	8,373
Contribution deficiency (excess)	$	—	—
University's covered-employee payroll	$	191,520	200,464
Contributions as a percentage of covered-employee payroll		4.04 %	4.18 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

(1) Summary of Cost Sharing Pension Plan Provisions and Assumptions

Employees of the University of South Alabama are covered by a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement System (TRS) of the State of Alabama.

(a) Actuarial Assumptions

The total pension liability as of September 30, 2018 was determined by an actuarial valuation as of September 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 %
Investment rate of return*	7.75
Projected salary increases	3.25–5.00

* Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2016 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015. Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

(b) Discount Rate

The discount rate used to measure the total pension liability as of September 30, 2018 was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

(2) Summary of OPEB Plan Provisions and Assumptions

Retirees of the University of South Alabama are covered by the Public Education Employees Health Insurance Plan (PEEHIP), which is a cost sharing multiple-employer defined benefit OPEB plan administered by the Teachers Retirement System (TRS) of the State of Alabama.

(a) Changes in Actuarial Assumptions

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

(b) Recent Plan Changes

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the Medicare Advantage Prescription Drug plan.

The Health Plan was changed in 2017 to reflect the ACA maximum annual out-of-pocket amounts.

(c) Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2014, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay
Remaining amortization period	27 year, closed
Asset valuation method	Market value of assets
Inflation	3.00%
Health care cost trend rate:	
Pre-medicare eligible	7.50%
Medicare eligible	5.75%
Ultimate trend rate:	
Pre-medicare eligible	5.00%
Medicare eligible	5.00%
Year of ultimate trend rate	2019 for Pre-medicare eligible 2017 for Medicare eligible
Investment rate of return	5.00%, including inflation

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)

Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

Federal sponsor/Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through to USA expenditures	Total expenditures	Pass-through from USA expenditures
Student Financial Aid Cluster*:							
U.S. Department of Education:							
Federal Supplemental Educational Opportunity Grant Program	84.007			$ 337,240	—	337,240	—
Federal Work Study Program	84.033			519,211	—	519,211	—
Federal Perkins Loan Program	84.038			2,787,245	—	2,787,245	—
Federal Pell Grant Program	84.063			20,893,595	—	20,893,595	—
Federal Direct Student Loan Program	84.268			129,217,499	—	129,217,499	—
Teacher Education Assistance for College and Higher Education	84.379			73,026	—	73,026	—
Nurse Faculty Loan Program	93.264			247,077	—	247,077	—
Total Student Financial Aid Cluster				154,074,893	—	154,074,893	—
Research and Development Cluster:							
U.S. Department of Agriculture:							
Forestry Research	10.652			169,376	—	169,376	—
Total U.S. Department of Agriculture				169,376	—	169,376	—
U.S. Department of Commerce:							
Integrated Ocean Observing System (IOOS)	11.012	2013-08	Southern Universities Research Association	—	25,000	25,000	—
Sea Grant Support	11.417	18-03 548001-1000	Texas A&M University	—	144,853	144,853	97,949
Sea Grant Support	11.417	080100.340557.01	Mississippi State University	—	(101)	(101)	—
Total CFDA				—	144,752	144,752	97,949
Fisheries Development and Utilization Research	11.427			153,023	—	153,023	—
Marine Fisheries Initiative	11.433			135,086	—	135,086	—
Unallied Management Projects	11.454			139,482	—	139,482	142,718
Unallied Science Program	11.472	150452	Massachusetts Division of Marine Fisheries	—	5,180	5,180	5,778
Center for Sponsored Coastal Ocean Research – Coastal Ocean	11.478			3,091	—	3,091	—
Center for Sponsored Coastal Ocean Research – Coastal Ocean	11.478	17024-USA-001	Florida Gulf Coast University	—	59,308	59,308	27,436
Center for Sponsored Coastal Ocean Research – Coastal Ocean	11.478	ORSP-10097-20096-1	Florida Gulf Coast University	—	50,399	50,399	—
Total CFDA				3,091	109,707	112,798	27,436
Arrangements for Interdisciplinary Research Infrastructure	11.619	140453	Colorado State University	—	54,221	54,221	—
Total U.S. Department of Commerce				430,682	338,860	769,542	273,881
U.S. Department of Defense:							
Basic and Applied Scientific Research	12.300			3,624	—	3,624	—
Basic Scientific Research – Combating Weapons of Mass Destruction	12.351			84,252	—	84,252	71,377
Military Medical Research and Development	12.420			140,261	—	140,261	23,967
Basic Scientific Research	12.431			166,297	—	166,297	2,831
Department of Defense	12.UNK			20,653	—	20,653	—
Department of Defense	12.UNK	160202/170262	Faraday Technology, Inc.	—	174,053	174,053	—
Total U.S. Department of Defense				415,087	174,053	589,140	98,175

(Continued)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)

Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

Federal sponsor/Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through to USA expenditures	Total expenditures	Pass-through from USA expenditures
U.S. Department of Interior:							
Mineral Management Services Environmental Studies Program	15.423	159	University of New Orleans	$ —	(1,579)	(1,579)	—
Sport Fish Restoration Program	15.605	170057	Alabama Department of Conservation and Natural Resources	—	8,452	8,452	—
Wildlife Restoration	15.611	18-0044	ADCNR	—	59,433	59,433	—
Total U.S. Department of Interior				—	66,306	66,306	—
U.S. Department of Justice:							
National Sexual Assault Kit Initiative	16.833	150293	Mobile Police Department	—	117,299	117,299	—
U.S. Department of Transportation:							
U.S. Department of Transportation	20.UNK	15-ENG-220178-USA	Auburn University	—	6,071	6,071	—
Highway Planning and Construction	20.205	HSIP-NR18(911)	Alabama Department of Transportation	—	59,978	59,978	—
Highway Planning and Construction	20.205	930-937	Alabama Department of Transportation	—	56,793	56,793	—
Highway Planning and Construction	20.205	930-841R	Alabama Department of Transportation	—	(27,625)	(27,625)	—
Highway Planning and Construction	20.205	930-917	Alabama Department of Transportation	—	32,982	32,982	—
Highway Planning and Construction	20.205	930-929	Alabama Department of Transportation	—	39,971	39,971	—
Total CFDA				—	162,099	162,099	—
Total U.S. Department of Transportation				—	168,170	168,170	—
U.S. Department of Treasury:							
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States	21.015	215029	University of West Florida	—	20,304	20,304	—
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States	21.015	800006135-01UG	Florida Institute of Oceanography	—	(623)	(623)	—
Total U.S. Department of Treasury				—	19,681	19,681	—
National Aeronautics and Space Administration:							
Aerospace Education Services Program	43.001			1,295	—	1,295	—
Aerospace Education Services Program	43.001	160168	Jet Propulsion Laboratory	—	15,482	15,482	—
Total CFDA				1,295	15,482	16,777	—
Exploration	43.003	XHAB 2016-7 15280	National Space Grant Foundation	—	619	619	—
Exploration	43.003	18-0175	University of Alabama in Huntsville	—	822	822	—
Total CFDA				—	1,441	1,441	—
Education	43.008	160195	University of Alabama in Huntsville	—	185,902	185,902	21,409
Total National Aeronautics and Space Administration				1,295	202,825	204,120	21,409
National Science Foundation:							
Engineering Grants	47.041			306,049	—	306,049	2,601
Engineering Grants	47.041	180030	University of Alabama in Huntsville	—	91,085	91,085	—
Engineering Grants	47.041	RSCH-9999-09(168)/107389	Mississippi Department of Education	—	(264)	(264)	—
Total CFDA				306,049	90,821	396,870	2,601
Mathematical and Physical Sciences	47.049			42,791	—	42,791	—
Geosciences	47.050			239,753	—	239,753	31,013
Computer and Information Science and Engineering	47.070			235,080	—	235,080	—
Biological Sciences	47.074			222,306	—	222,306	—
Biological Sciences	47.074	14-BS-200511-USA	Auburn University	—	1,129	1,129	—
Total CFDA				222,306	1,129	223,435	—

(Continued)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)

Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

Federal sponsor/Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through to USA expenditures	Total expenditures	Pass-through from USA expenditures
Social Behavioral and Economic Sciences	47.075			$ 4,269	—	4,269	—
Education and Human Resources	47.076			1,149,239	—	1,149,239	—
Polar Programs	47.078	UA 16-052	University of Alabama	—	66,193	66,193	—
International Science and Engineering (OISE) (B)	47.079			180,824	—	180,824	136,959
Office of Experimental Programs	47.081	34-21530-200-76190	Tuskegee University	—	610	610	—
Office of Integrative Activities	47.083			65,397	—	65,397	—
Total National Science Foundation				2,445,708	158,753	2,604,461	170,573
Department of Veteran Affairs	64.UNK			7,021	—	7,021	—
U.S. Department of Energy:							
Basic Energy Sciences University and Science Education	81.049	UA13-073	University of Alabama	—	(2,491)	(2,491)	—
Total U. S. Department of Energy				—	(2,491)	(2,491)	—
U.S. Department of Health and Human Services:							
Biological Response to Environmental Health Hazards	93.113			657,525	—	657,525	19,845
Biological Response to Environmental Health Hazards	93.113	97220614	University of California, San Diego	—	105,304	105,304	—
Total CFDA				657,525	105,304	762,829	19,845
Research and Training in Alternative Medicine	93.213			81,734	—	81,734	—
Minority Health and Health Disparities Research	93.307			378,948	—	378,948	—
Minority Health and Health Disparities Research	93.307	000511950-SP006-001	University of Alabama at Birmingham	—	7,419	7,419	—
Minority Health and Health Disparities Research	93.307	537059-B	Middle Tennessee State University	—	64,102	64,102	—
Minority Health and Health Disparities Research	93.307	U54 MD008602-P02USA	Bayou Clinic, Inc.	—	70,324	70,324	28,600
Minority Health and Health Disparities Research	93.307	USM-GR04826-01	University of Southern Mississippi	—	(4,988)	(4,988)	—
Total CFDA				378,948	136,857	515,805	28,600
Trans-NIH Research Support	93.310	170631	University of Alabama at Birmingham	—	189,569	189,569	—
Trans-NIH Research Support	93.310	18-0083	University of Alabama at Birmingham	—	92,617	92,617	—
Total CFDA				—	282,186	282,186	—
National Center for Advancing Translational Sciences	93.350	UC90631	University of Alabama at Birmingham	—	1,500	1,500	—
National Center for Advancing Translational Sciences	93.350	000508606-008	University of Alabama at Birmingham	—	92,254	92,254	—
Total CFDA				—	93,754	93,754	—
Research Infrastructure Programs	93.351			385,797	—	385,797	193,937
Advanced Education Nursing Traineeships	93.358	XIONG/ZHA 001/R01NS140349	Morehouse School of Medicine, Inc.	—	18,942	18,942	—
Cancer Cause and Prevention Research	93.393			1,292,871	—	1,292,871	2,379
Cancer Cause and Prevention Research	93.393	0050999 (127962-1)	University of Pittsburgh	—	11,253	11,253	—
Total CFDA				1,292,871	11,253	1,304,124	2,379
Cancer Detection and Diagnosis Research	93.394			(10,058)	—	(10,058)	—
Cancer Treatment Research	93.395			910,440	—	910,440	179,694
Cancer Treatment Research	93.395	150469	NRG Oncology	—	16,058	16,058	—
Cancer Treatment Research	93.395	NCI	Southwest Oncology Group	—	5,522	5,522	—
Cancer Treatment Research	93.395	27469-02	University of Alabama	—	4,293	4,293	—
Cancer Treatment Research	93.395	9500080216-13C WORK ORDER	Children's Hospital of Philadelphia	—	1,965	1,965	—
Cancer Treatment Research	93.395	160252	ADT Pharmaceuticals, Inc.	—	3,650	3,650	—
Total CFDA				910,440	31,488	941,928	179,694

(Continued)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)

Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

Federal sponsor/Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through to USA expenditures	Total expenditures	Pass-through from USA expenditures
Cancer Biology Research	93.396			$ 867,131	—	867,131	6,000
Organized Approaches to Increase Colorectal Cancer Screening	93.800	C70115246 (GC-17-398)	State of Alabama Dept of Public Health	—	72,251	72,251	—
Cardiovascular Diseases Research	93.837			666,178	—	666,178	—
Cardiovascular Diseases Research	93.837	1R43HL142325-01A1	EVAS Therapeutics LLC	—	2,810	2,810	—
Cardiovascular Diseases Research	93.837	PS#107223	Brigham and Women's Hospital	—	39	39	—
Total CFDA				666,178	2,849	669,027	—
Lung Diseases Research	93.838			3,359,741	—	3,359,741	27,861
Lung Diseases Research	93.838	150095	Exscien	—	101,469	101,469	—
Lung Diseases Research	93.838	170187	Thomas Jefferson University	—	94,006	94,006	—
Lung Diseases Research	93.838	080-18007-S11201	Thomas Jefferson University	—	7,582	7,582	—
Total CFDA				3,359,741	203,057	3,562,798	27,861
Blood Diseases and Resources Research	93.839	MUSC17-057-8C868	Medical University of South Carolina	—	13,093	13,093	—
Arthritis Musculoskeletal and Skin Diseases Research	93.846			41,191	—	41,191	—
Clinical Research Related to Neurological Disorders	93.853			288,879	—	288,879	17,992
Medicaid	93.UNK	170242/170029	Tatva Biosciences, LLC	—	38,867	38,867	—
Medicaid	93.UNK	HHSO100201500027C	Stratatech Corporation	—	237	237	—
Allergy Immunology and Transplantation Research	93.855			1,749	—	1,749	—
Allergy Immunology and Transplantation Research	93.855	18-0076	University of Alabama at Birmingham	—	473	473	—
Total CFDA				1,749	473	2,222	—
Pharmacology Physiology and Biological Chemistry	93.859	783K893	University of Wisconsin-Madison	267,580	23,828	291,408	—
Aging Research	93.866			95,077	—	95,077	—
Total U.S. Department of Health and Human Services				9,284,783	1,034,439	10,319,222	476,308
Total Research and Development Cluster				12,753,952	2,277,895	15,031,847	1,040,346
Other federal assistance:							
U.S. Department of Commerce:							
Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology	11.451	DISL SHORT FORM D-14	Dauphin Island Sea Lab	—	5,966	5,966	—
U.S. Department of Commerce	11.UNK	Various	Earth Networks, Inc.	—	110,497	110,497	—
Total U.S. Department of Commerce				—	116,463	116,463	—
U.S. Department of Defense:							
GenCyber Grants Program	12.903			(1,751)	—	(1,751)	—
Department of the Interior:							
National Cooperative Geologic Mapping Program	15.810			1,033	—	1,033	—
U.S. Department of Transportation:							
Highway Research and Development Program	20.200	Task Order 12005	Kilgore Consulting & Management	—	49,798	49,798	—
National Aeronautics and Space Administration:							
Education	43.008	Various	University of Alabama in Huntsville	—	51,485	51,485	—
National Endowment for the Arts:							
Promotion of the Humanities Federal/State Partnership	45.129	Various	Alabama Humanities Foundation	—	7,534	7,534	—
U. S. Environmental Protection Agency:							
Nonpoint Source Implementation Grants	66.460	160431	Alabama Department of Environmental Management	—	29,511	29,511	—

(Continued)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)

Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

Federal sponsor/Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through to USA expenditures	Total expenditures	Pass-through from USA expenditures
U.S. Department of Education:							
TRIO Cluster:							
TRIO Talent Search	84.044			$ 316,448	—	316,448	—
TRIO Upward Bound	84.047			219,457	—	219,457	—
Total TRIO Cluster				535,905	—	535,905	—
Special Education – State Personnel Development	84.323	U700345	Alabama State Department of Education	—	594	594	—
Total CFDA				—	594	594	—
Mathematics and Science Partnerships	84.366	U700180	Alabama State Department of Education	—	108,201	108,201	89,643
Mathematics and Science Partnerships	84.366	U800174	Alabama State Department of Education	—	169,057	169,057	—
Total CFDA				—	277,258	277,258	89,643
Improving Teacher Quality State Grants	84.367	U800827	Alabama State Department of Education	—	16,500	16,500	—
Improving Teacher Quality State Grants	84.367	17-0025	Alabama Commission on Higher Education	—	196,559	196,559	—
Improving Teacher Quality State Grants	84.367	160022	Alabama Commission on Higher Education	—	114,694	114,694	88,844
Total CFDA				—	327,753	327,753	88,844
Transition Programs for Students with Intellectual Disabilities into Higher Ed	84.407			330,745	—	330,745	—
U.S. Department of Education	84.UNK	18-0289	Mobile County Public School System	—	587,000	587,000	—
Total U.S. Department of Education				866,650	1,192,605	2,059,255	178,487
U.S. Department of Health and Human Services:							
Alzheimer's Disease Demonstration Grants to States	93.051	13-130338	South Alabama Regional Planning Commission	—	10,855	10,855	—
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094	C80113086 (GC-18-138)	State of Alabama Dept of Public Health	—	13,885	13,885	3,497
HIV Demonstration Program for Children, Adolescents	93.153			387,453	—	387,453	—
Substance Abuse and Mental Health Services	93.243			116,134	—	116,134	—
Advanced Education Nursing Grant Programs	93.247			670,565	—	670,565	—
Health Care Innovation Awards	93.610	Various	Alabama Medicaid Agency	—	(1,907)	(1,907)	—
ACA-Transforming Clinical Practice Initiative: Practice Transformation Networks (PTNs)	93.638	18-0365	Vizient, Inc.	—	171,832	171,832	—
Foster Care Title IV-E	93.658	HHS C80161203	University of Alabama	—	63,632	63,632	—
ARRA-Health Information Technology Regional Extension Centers Program	93.718			8	—	8	—
State Children's Insurance Program	93.767	150019	University of Alabama at Birmingham	—	11,982	11,982	—
Medicaid Cluster*	93.778	Various	Alabama Medicaid Agency	—	269,414	269,414	—
Hospital Preparedness Program (HPP) Center for Disease and Prevention	93.817	C80113100	State of Alabama Department of Public Health	—	11,675	11,675	—
Grants for Primary Care Training and Enhancement	93.884			552,277	—	552,277	—
Medical Library Assistance	93.879	DG133W1ONC2029	University of Maryland, Baltimore	—	13,291	13,291	—
National Bioterrorism Hospital Preparedness Program	93.889	C70115205 (GC-17-347)	State of Alabama Department of Public Health	—	149,871	149,871	—
National Bioterrorism Hospital Preparedness Program	93.889	C70115206 (GC-17-348)	State of Alabama Department of Public Health	—	643,039	643,039	—
National Bioterrorism Hospital Preparedness Program	93.889	18-0468	State of Alabama Department of Public Health	—	45,985	45,985	—
National Bioterrorism Hospital Preparedness Program	93.889	18-0465	State of Alabama Department of Public Health	—	164,896	164,896	—
Total CFDA				—	1,003,791	1,003,791	—
HIV Care Formula Grants	93.917	SUB RW-USAF-1718 UWCA	United Way of Central Alabama	—	27,294	27,294	—
HIV Care Formula Grants	93.917	RW-USAF-1819	United Way of Central Alabama	—	5,085	5,085	—
Total CFDA				—	32,379	32,379	—
Maternal and Child Health Services Block Grant to the States	93.994	C80113007 (GC-18-012)	Health Resources Services Administration	—	4,600	4,600	—
Total U.S. Department of Health and Human Services				1,726,437	1,605,429	3,331,866	3,497

(Continued)

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Schedule of Expenditures of Federal Awards
Year ended September 30, 2018

Federal sponsor/Program title	CFDA	Pass-through award number	Pass-through entity	Direct expenditures	Pass-through to USA expenditures	Total expenditures	Pass-through from USA expenditures
Corporation for National and Community Service:							
AmeriCorp Recovery	94.006			$ 23,217	—	23,217	—
Total other federal assistance				2,615,586	3,052,825	5,668,411	181,984
Total federal expenditures				$ 169,444,431	5,330,720	174,775,151	1,222,330

* Indicates major program

See accompanying notes to schedule of expenditures of federal awards.

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the University of South Alabama (the University) and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance*). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Campus-Based Loan Programs

Outstanding campus-based federal loans made by the University are included in notes receivable in the University's 2018 statement of net position and consist of the following loan programs:

	CFDA #	Outstanding amount at September 30, 2018	Amount advanced in 2018
Federal Perkins Loan Program	84.038	$ 2,154,876	—
Nurse Faculty Loan Program	93.264	719,839	247,077
Nurse Faculty Loan Program ARRA	93.408	11,549	—
		$ 2,886,264	247,077

For the Federal Perkins Loan Program (FPLP) the accompanying schedule of expenditures of federal awards includes the beginning of the year balance of loans outstanding under the FPLP and current year FPLP loan advances to students totaling $2,787,245 and $0, respectively. No administrative cost allowance was claimed related to the FPLP during 2018.

(3) Contingencies

The University's federal programs are subject to financial and compliance audits by grantor agencies which may result in disallowed expenditures and affect the University's continued participation in specific programs.

(4) Federal Direct Student Loans (CFDA #84.268)

The University's Federal Direct Student Loan Program (Direct Loan) included in the Schedule represents loans advanced to students of the University during fiscal year 2018, which were not originated by the University. Accordingly, Direct Loan amounts are not reflected in the University's basic financial statements. It is not practicable to determine the balance of loans outstanding to students and former students of the University under these programs as of September 30, 2018.

(Continued)

During the year ended September 30, 2018, the University advanced to students the following amounts of new loans under Direct Loan Programs:

	Amount advanced
Stafford loans	$ 21,099,786
Unsubsidized Stafford loans	73,542,008
Parent Loans for Students	34,575,705
Total	$ 129,217,499

(5) Matching

Under the Federal Supplemental Education Opportunity Grant Program, the University matched $167,932 in funds awarded to students for the year ended September 30, 2018 in addition to the Federal share of expenditures included in the Schedule.

(6) Indirect Cost Rate

For the year ended June 30, 2018, the University did not elect to use the 10% De Minimus Indirect Cost Rate permitted by Uniform Guidance, as a negotiated indirect cost rate existed on all grants where indirect costs are applicable.

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

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
University of South Alabama:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the University of South Alabama, a component unit of the State of Alabama, (the University) and its aggregate discretely presented component units as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 20, 2018. Our report includes a reference to other auditors who audited the financial statements of the University of South Alabama Foundation, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the University of South Alabama Foundation, and the USA Research and Technology Corporation were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Jackson, Mississippi
November 20, 2018

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

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
University of South Alabama:

Report on Compliance for Each Major Federal Program

We have audited the University of South Alabama's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended September 30, 2018. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the basic financial statements of the University and its aggregate discretely presented component units as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated November 20, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Jackson, Mississippi
November 20 2018

UNIVERSITY OF SOUTH ALABAMA
(A Component Unit of the State of Alabama)
Schedule of Findings and Questioned Costs
Year ended September 30, 2018

(1) Summary of Auditors' Results

(a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**

(b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

(c) Noncompliance material to the financial statements: **No**

(d) Internal control deficiencies over major programs disclosed by the audit:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

(e) Type of report issued on compliance for major programs: **Unmodified**

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**

(g) Major program:

- Student Financial Assistance Cluster – various CFDA numbers

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**

(i) Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs relating to Federal Awards

None

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

November 20, 2018

The Board of Trustees and Management
University of South Alabama
Mobile, Alabama

Ladies and Gentlemen:

In planning and performing our audit of the basic financial statements of the University of South Alabama (the University) as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and/or significant deficiencies and therefore, material weaknesses and/or significant deficiencies may exist that were not identified.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Although not considered to be significant deficiencies or material weaknesses, we also noted the following items during our audit which we would like to bring to your attention.

Information and Technology – Monitoring Controls over User Access

With respect to the University's information and technology systems, we identified a control deficiency surrounding the lack of documentation related to monitoring controls over certain user access rights. Certain users have significant access rights in the Banner system and there was no formal documentation to support a formal and timely review of access logs. Access rights reviews should be conducted periodically, properly documented and properly maintained in order to ensure that access rights are appropriate and segregation of duties is maintained. KPMG recommends that a process be put in place whereby there is a formal and timely

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

review of access logs (which includes maintaining these logs for an adequate period of time) to ensure that access controls are in place and operating effectively.

This communication is intended solely for the information and use of management, the board of trustees, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

UNIVERSITY OF SOUTH ALABAMA

November 20, 2018

The Audit Committee, Board of Trustees and
Management, University of South Alabama

The following items were noted during the KPMG audit, issued and dated November 20, 2018. Although they are not considered to be significant deficiencies or material weaknesses, KPMG would like to bring these to your attention.

The following is KPMG's statement along with management's response:

KPMG Comment: With respect to the University's information and technology systems, we identified a control deficiency surrounding the lack of documentation related to monitoring controls over certain user access rights. Certain users have significant access rights in the Banner system and there was no formal documentation to support a formal and timely review of access logs. Access rights reviews should be conducted periodically, properly documented and properly maintained in order to ensure that access rights are appropriate and segregation of duties is maintained. KPMG recommends that a process be put in place whereby there is a formal and timely review of access logs (which includes maintaining these logs for an adequate period of time) to ensure that access controls are in place and operating effectively.

University Response (from Mr. Chris Cannon): We concur with this comment and will work with the Office of Information Security and University departments to conduct and document periodic reviews of access logs to ensure appropriateness of access rights and maintain segregation of duties. Computer services center has remediated deficiencies in the retention periods and administrative rights to access logs which have currently been identified and will implement procedural changes to maintain these logs for an adequate period of time to ensure that access controls are in place and operating effectively.

G. Scott Weldon
Vice President for Finance and Administration

FINANCE AND ADMINISTRATION
307 N. UNIVERSITY BLVD., SUITE 170, MOBILE, AL 36688-0002
(251) 460-6132 | SouthAlabama.edu

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

November 20, 2018

Audit Committee of
the Board of Trustees
University of South Alabama
Mobile, Alabama

Ladies and Gentlemen:

We have audited the basic financial statements of the University of South Alabama, a component unit of the State of Alabama, (the University) and its aggregate discretely presented component units as of and for the year ended September 30, 2018 and have issued our report thereon under date of November 20, 2018, which was modified to reference the adoption of a new accounting pronouncement. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audit.

Our Responsibility Under Professional Standards

We are responsible for forming and expressing opinions about whether the basic financial statements, that have been prepared by management with the oversight of the Audit Committee of the Board of Trustees, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America (AICPA) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the basic financial statements as a whole are free from material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the basic financial statements are detected. Our audit does not relieve management or the Audit Committee of the Board of Trustees of their responsibilities.

In addition, in planning and performing our audit of the basic financial statements, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Audit Committee of the Board of Trustees in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the University's basic financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents, for example, Management's Discussion and Analysis. We have, however, read the other

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

information included in the University's basic financial statements, and no matters came to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

Accounting Practices and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by the University are described in note 1 to the basic financial statements. As described in note 1, in order to comply with the requirements of U.S. generally accepted accounting principles, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* in 2018.

Unusual Transactions

There have been no unusual transactions that we are aware of that need to be disclosed to you.

Qualitative Aspects of Accounting Practices

We have discussed with the Audit Committee of the Board of Trustees and management our judgments about the quality, not just the acceptability, of the University's accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the University's accounting policies and their application, and the understandability and completeness of the University's basic financial statements, which include related disclosures.

Management Judgments and Accounting Estimates

The preparation of the basic financial statements requires management of the University to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the year.

Management's estimates of the allowances for uncollectible accounts and contractual adjustments are based on, among other things, analyses of historical trends, the aging and mix of accounts receivable at year-end and expected third-party payor payment rates. Estimated professional and general liability costs and self-insurance reserves for employee health insurance are based on, among other things, reviews of occurrences accumulated by incident reporting systems, discussions with risk management professionals, actuarial valuations and consideration of recent developments. Additionally, the fair value of the University's derivatives (swaps) is based on calculating future net settlement payments utilizing forward rates implied by the yield curve based on future spot interest rates. The payments are discounted using spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of future settlement.

We evaluated the key factors and assumptions used in developing these accounting estimates, including possible management bias in developing the estimates, to determine that they are reasonable in relation to the basic financial statements of the University taken as a whole.

Uncorrected and Corrected Misstatements

In connection with our audit of the University's basic financial statements, we have not identified any uncorrected or corrected misstatements related to the University's basic financial statements as of and for the year ended September 30, 2018 and have communicated that finding to management.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that would have caused a modification of our auditors' reports on the University's basic financial statements.

Management's Consultation with Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended September 30, 2018.

Significant Issues Discussed, or Subject to Correspondence, with Management

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with you and management each year prior to our retention by you as the University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Material Written Communications

Attached to this letter please find copies of the following material written communications between management and us:

1. Engagement letters
2. Management representation letters, and
3. Management letter

Confirmation of Audit Independence

We hereby confirm that as of November 20, 2018, we are independent accountants with respect to the University under relevant professional and regulatory standards.

* * * * * * *

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

Very truly yours,

KPMG LLP

Jackson, Mississippi
November 20, 2018

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

Telephone +1 601 354 3701
Fax +1 601 354 3745
kpmg.com

March 1, 2018

Mr. Scott Weldon
Vice President for Finance and Administration
University of South Alabama
307 University Boulevard, AD180
Mobile, Alabama 36688

Dear Scott:

This letter (the Engagement Letter) confirms our understanding of our engagement to provide professional services to the University of South Alabama (the University).

Objectives and Limitations of Services

Financial Statement Audit Services

You have requested that we audit the University's financial statements as set forth in Appendix I.

We have the responsibility to conduct and will conduct the audit of the financial statements in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, with the objective of expressing an opinion as to whether the presentation of the financial statements that have been prepared by management with the oversight of those charged with governance, conforms with U.S. generally accepted accounting principles.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. In conducting the audit, we will perform tests of the accounting records and such other procedures, as we consider necessary in the circumstances, based on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud, to provide a reasonable basis for our opinion on the financial statements. We also will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and evaluate the overall financial statement presentation.

Our audit of the financial statements will be planned and performed to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements, fraud (including fraud that may be an illegal act), and other illegal acts may exist and not be detected by an audit of financial statements even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. Also, an audit is not designed to detect matters that are immaterial to the financial statements, and because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to detect abuse.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

We will also perform certain limited procedures to the required supplementary information as required by auditing standards generally accepted in the United States of America. However, we will not express an opinion or provide any assurance on the information. Our report relating to the financial statements will include our consideration of required supplementary information.

We also understand that the financial statements will include a schedule of expenditures of federal awards (SEFA) and supplementary information which is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information will be subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America with the objective of expressing an opinion as to whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Subject to the remainder of this paragraph, we will issue a written report upon completion of our audit of University's financial statements addressed to the Board of Trustees of the University. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add emphasis-of-matter or other-matter paragraphs or withdraw from the engagement. If, during the performance of our audit procedures such circumstances arise, we will communicate to the audit committee our reasons for modification or withdrawal.

If the University issues an annual report that is available to the public and the annual report contains the audited financial statements and our report thereon, management agrees to provide KPMG LLP (KPMG) a draft of such annual report prior to the report release date of the audited financial statements or, if that is not possible, as soon as practicable prior to the release of the annual report. We will read the other information contained in the annual report in order to identify material inconsistencies, if any, with the audited financial statements. However, we will not perform procedures to corroborate the other information.

Internal Control over Financial Reporting and Compliance and Other Matters

In making our risk assessments as part of planning and performing our audit of the financial statements, we will consider the University's internal control relevant to the preparation and fair presentation of the financial statements in order to determine the nature, timing, and extent of our audit procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.

The objective of our audit of the financial statements is not to report on the University's internal control and we are not obligated to search for material weaknesses or significant deficiencies as part of our audit of the financial statements. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the University's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have

a direct and material effect on the financial statements. However, our objective is not to provide an opinion on compliance with such provisions.

In accordance with *Government Auditing Standards*, we will prepare a written report, *Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards* (GAGAS report), on our consideration of internal control over financial reporting and tests of compliance made as part of our audit of the financial statements. This report will include any material weaknesses and significant deficiencies to the extent they come to our attention, and this report will also include instances of:

- Fraud and noncompliance with provisions of laws or regulations that have a material effect on the financial statements or other financial data significant to the audit objectives and any other instances that warrant the attention of those charged with governance;
- Noncompliance with provisions of contracts or grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives; or
- Abuse that is material, either quantitatively or qualitatively.

The report will describe its purpose and will state that it is not suitable for any other purpose.

In accordance with *Government Auditing Standards*, we will also issue a management letter to communicate instances of noncompliance with provisions of contracts or grant agreements or abuse that have an effect on the financial statements that are less than material but warrant the attention of those charged with governance.

In accordance with *Government Auditing Standards*, we are also required in certain circumstances to report fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse directly to parties outside the auditee.

Uniform Guidance Audit Services

We will also perform audit procedures with respect to the University's major federal programs in accordance with Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("the Uniform Guidance"). The Uniform Guidance includes specific audit requirements, mainly in the areas of internal control and compliance with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of the University's major federal programs that exceed those required by *Government Auditing Standards*.

As part of our audit procedures performed in accordance with the provisions of the Uniform Guidance, we will perform tests to evaluate the effectiveness of the design and operation of internal controls that we consider relevant to preventing or detecting material noncompliance with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of the University's major federal programs. The tests of internal control performed in accordance with the Uniform Guidance are less in scope than would be necessary to render an opinion on internal control.

We will perform tests of the University's compliance with federal statutes, regulations, and the terms and conditions of federal awards we determine to be necessary based on the *OMB Compliance Supplement*. The procedures outlined in the *OMB Compliance Supplement* are those suggested by each federal agency and do

not cover all areas of regulations governing each program. Program reviews by federal agencies may identify additional instances of noncompliance.

In addition, we will prepare a written report (single audit report) which 1) provides our opinion on the University's compliance with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of its major federal programs and 2) communicates our consideration of internal control over major federal programs. The single audit report will describe its purpose and will state that it is not suitable for any other purpose.

The Federal Audit Clearinghouse requires the single audit reporting package, which includes the audited financial statements, to be submitted in a PDF format which is text searchable, unencrypted, and unlocked. This letter serves as the University's authorization for the submission of the reporting package in this format.

Offering Documents

Should the University wish to include or incorporate by reference these financial statements and our audit reports thereon into an offering of exempt securities, prior to our consenting to include or incorporate by reference our reports on such financial statements, we would consider our consent to the inclusion of our report and the terms thereof at that time. We will be required to perform procedures as required by the standards of the American Institute of Certified Public Accountants, including, but not limited to, reading other information incorporated by reference in the offering document and performing subsequent event procedures. Our reading of the other information included or incorporated by reference in the offering document will consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. However, we will not perform procedures to corroborate such other information (including forward-looking statements). The specific terms of our future services with respect to future offering documents will be determined at the time the services are to be performed.

Should the University wish to include or incorporate by reference these financial statements and our audit reports thereon into an offering of exempt securities without obtaining our consent to include or incorporate by reference our reports on such financial statements, and we are not otherwise associated with the offering document, then the University agrees to include the following language in the offering document:

> "KPMG LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this official statement."

Our Responsibility to Communicate with the Audit Committee

We will report to the audit committee or those charged with governance, in writing, the following matters:

- Material, corrected misstatements that were brought to the attention of management as a result of audit procedures.
- Uncorrected misstatements accumulated by us during the audit and the effect that they, individually or in the aggregate, may have on our opinion in the auditor's report, and the effect of uncorrected misstatements related to prior periods.
- Significant difficulties and disagreements with management, if any, encountered during our audit.

- Other matters required to be communicated by auditing standards generally accepted in the United States of America.

We will also read minutes, if any, of relevant committee meetings for consistency with our understanding of the communications made to the audit committee and determine that the audit committee has received copies of all material written communications between ourselves and management. We will also determine that the audit committee has been informed of i) the initial selection of, or the reasons for any change in, significant accounting policies or their application during the period under audit, ii) the methods used by management to account for significant unusual transactions, and iii) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

To the extent that they come to our attention, we will inform the appropriate level of management about any illegal acts, unless they are clearly inconsequential, material errors in the financial statements and any instances of fraud. Further, to the extent they come to our attention, we also will communicate directly to the audit committee illegal acts, unless they are clearly inconsequential, material errors in the financial statements and any instances of fraud that involve senior management or that, in our judgment, cause a material misstatement of the financial statements.

Management Responsibilities

The management of the University acknowledges and understands that they have responsibility for the preparation and fair presentation, in accordance with U.S. generally accepted accounting principles, of the financial statements and all representations contained therein. Management also is responsible for:

- identifying and ensuring that the University complies with laws, regulations, contracts, and grant agreements applicable to its activities, and for informing us of any known material violations of such laws, regulations and provisions of contracts and grant agreements;

- providing us with written responses in accordance with *Government Auditing Standards* to the findings included in the GAGAS or single audit report within seven days of being provided with draft findings. If such information is not provided on a timely basis prior to release of the reports, the reports will indicate the status of management's responses;

- distributing the reports issued by KPMG.

Management also is responsible for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud, for adopting sound accounting policies, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. Management is also responsible for informing us, of which it has knowledge, of all material weaknesses and significant deficiencies in the design or operation of such controls. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

The management of the University also acknowledges and understands that they have responsibility for the preparation of the SEFA and supplementary information in accordance with the applicable criteria. Management is also responsible for providing us written representations regarding the supplementary information. Management is also responsible for including our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information, and for

including the audited financial statements with any presentation of the supplementary information that includes our report thereon or making the audited financial statements readily available to intended users of the supplementary information no later than the date the supplementary information is issued with our report thereon.

Management of the University also acknowledges and understands that it is their responsibility to provide us with: i) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements and the compliance requirements applicable to its federal programs such as records, documentation, and other matters; ii) additional information that we may request from management for purposes of the audits; and iii) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence. As required by auditing standards generally accepted in the United States of America, we will make specific inquiries of management about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter we will rely upon in forming an opinion on the financial statements.

Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements being reported upon, taken as a whole. Because of the importance of management's representations to the effective performance of our services, the University will release KPMG and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter attributable to any misrepresentations in the representation letter referred to above. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss asserted, whether in contract, statute, tort (including but not limited to negligence) or otherwise.

In relation to compliance with the program requirements applicable to its federal programs, management acknowledges and understands its responsibility for:

- Identifying the University's government programs and understanding and complying with the compliance requirements.
- Establishing and maintaining effective controls that provide reasonable assurance that the University administers government programs in compliance with the compliance requirements.
- Evaluating and monitoring the University's compliance with the compliance requirements.
- Taking corrective action when instances of noncompliance are identified, including corrective action on audit findings of the compliance audit.

In addition to the Uniform Guidance requirements to maintain internal control and comply with the compliance requirements applicable to federal programs as discussed above, the Uniform Guidance also requires the University to prepare a:

- Schedule of expenditures of federal awards;
- Summary schedule of prior audit findings;
- Corrective action plan; and
- Data collection form (Parts I and II).

While we may be separately engaged to assist you in the preparation of these items, preparation is the responsibility of the University.

Certain provisions of the Uniform Guidance allow a granting agency to request that a specific program be selected as a major program provided that the federal granting agency is willing to pay the incremental audit cost arising from such selection. The University agrees to notify KPMG of any such request by a granting agency and to work with KPMG to modify the terms of this letter as necessary to accommodate such a request.

To facilitate our audit planning, in accordance with *Government Auditing Standards*, management agrees to identify and provide copies of reports, if applicable, of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented, prior to September 30, 2018.

Use of Internal Audit

Management and the Board of Trustees acknowledges and understands that internal auditors providing direct assistance to us will be allowed to follow our instructions and that personnel of the University will not intervene in the work the internal auditor performs for us. Further, management and the Board of Trustees acknowledges and understands that if, in our sole judgment, we believe the objectivity of internal auditors providing direct assistance to us has been impaired, we will be unable to use the work performed or planned to be performed.

Government Auditing Standards require external and internal auditors to meet minimum Continuing Professional Education (CPE) hours. Therefore, management is responsible for monitoring and documenting the compliance with the Government Auditing Standards CPE hours of those internal auditors assigned to the audit in direct assistance roles.

Non-audit service - Assistance in Preparing Financial Statements

We will assist management in preparing the financial statements and related notes in accordance with U.S. generally accepted accounting principles and *Government Auditing Standards* issued by the Comptroller General of the United States. We will use information from the trial balance and/or other source documents provided by management to assist management in preparing the financial statements and related notes.

Our responsibility is to assist management in preparing the financial statements and related notes using the information provided by management. We will not assume management responsibilities on behalf of the University. However, we will provide advice and recommendations to assist management of the University in performing its responsibilities.

Client agrees to:

- Assume all management responsibilities, including determining the accuracy and completeness of the financial statements and notes.
- Assign a suitable employee with appropriate skills, knowledge and/or experience to oversee the financial statement preparation assistance and evaluate the adequacy and results of the services.
- Accept responsibility for the results of the financial statement preparation assistance.

Dispute Resolution

Any dispute or claim between the parties shall be submitted first to non-binding mediation and if mediation is not successful within 90 days after the issuance by one of the parties of a request for mediation then to binding arbitration in accordance with the Rules for Non-Administered Arbitration of the International Institute for Conflict Prevention and Resolution ("IICPR"). Any issue concerning the extent to which any dispute is subject to arbitration, or any dispute concerning the applicability, interpretation, or enforceability of these dispute resolution procedures, including any contention that all or part of these procedures is invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. By operation of this provision, the parties agree to forgo litigation over such disputes in any court of competent jurisdiction.

Mediation shall take place at a location to be designated by the parties using Mediation Procedures of the IICPR, with the exception of paragraph 2 (Selecting the Mediator). Arbitration shall take place in New York, New York and shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1, et seq. Party-selected arbitrators shall be selected from the lists of neutrals maintained by either the IICPR or by JAMS, Inc., but the chair of the arbitration panel does not have to be selected from those specific lists. The arbitration panel shall have no power to award non-monetary or equitable relief of any sort except as provided in IICPR Rule 13 (Interim Measures of Protection). Damages that are inconsistent with any applicable agreement between the parties, that are punitive in nature, or that are not measured by the prevailing party's actual damages shall be unavailable in arbitration or any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Either party may seek to enforce any written agreement reached by the parties during mediation, or to confirm, enforce or vacate any final award entered in arbitration, in any court of competent jurisdiction, provided that any party moving to enforce, confirm or vacate any such agreement or award, as the case may be, will file such motion under seal unless prohibited under applicable court rules. Notwithstanding the agreement to such procedures, either party may seek equitable relief to enforce its rights in any court of competent jurisdiction.

Other Matters

In the event that any term or provision of this Engagement Letter shall be held to be invalid, void or unenforceable, then the remainder of the Engagement Letter shall not be affected, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

This letter shall serve as the University's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between KPMG and the University and between KPMG and outside specialists or other entities engaged by either KPMG or the University. The University acknowledges that e-mail travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of KPMG. KPMG will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information.

Further, for purposes of the services described in this letter only, the University hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of the University solely for presentations or reports to the University or for internal KPMG presentations and intranet sites.

KPMG is a limited liability partnership comprising both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this letter.

The audit documentation for this engagement is the property of KPMG. If KPMG receives a subpoena; other validly issued administrative, judicial, government or investigative regulatory demand or request; or other legal process requiring it to disclose the University's confidential information ("Legal Demand"), KPMG shall, unless prohibited by law or such Legal Demand, provide prompt written notice to the University of such Legal Demand in order to permit it to seek a protective order. So long as KPMG gives notice as provided herein, KPMG shall be entitled to comply with such Legal Demand to the extent required by law, subject to any protective order or the like that may have been entered in the matter. In the event KPMG is requested or authorized by the University, or is required by law, rule, regulation or Legal Demand in a proceeding or investigation to which KPMG is not a named party or respondent, to produce KPMG's documents or personnel as witnesses or for interviews, or otherwise to make information relating to the service under the Engagement Letter available to a third party, or the University , the University shall reimburse KPMG for its professional time, at its then-current standard hourly rates, and expenses, including reasonable attorneys' fees and expenses, incurred in producing documents or personnel or providing information pursuant to such requests, authorizations or requirements.

Pursuant to *Government Auditing Standards,* and subject to applicable provisions of laws and regulations, we are required to make certain audit documentation available in a full and timely manner to others, including regulators, upon request. In addition, we may also be requested to make certain audit documentation available to regulators pursuant to authority provided by law or regulation. If so requested, access to such audit documentation will be provided. Furthermore, regulators may obtain copies of selected audit documentation. Such regulators may intend, or decide, to distribute the copies or information contained therein to others, including other government agencies.

KPMG, as an accounting firm, has an obligation to comply with applicable professional standards. Certain professional standards, including AICPA Code of Professional Conduct Section 1.700, "Confidential Client Information Rule," adopted by the American Institute of Certified Public Accountants and similar rules adopted by the boards of accountancy of many states, prohibit the disclosure of client confidential information without client consent, except in limited circumstances. KPMG represents to the University that KPMG will treat the University's confidential information in accordance with applicable professional standards.

KPMG may work with and use the services of other members of the international KPMG network of independent firms and entities controlled by, or under common control with, one or more KPMG member firms (together with KPMG, the "KPMG Firms") to provide services to the University. In connection with the performance of services under this Engagement Letter, the KPMG Firms may, in their discretion, utilize the services of third party service providers within or outside of the United States to complete the services under this Engagement Letter. KPMG Firms and such third parties may have access to your confidential information from offshore locations. In addition, KPMG uses third party service providers within and outside of the United States to provide, at its direction, back-office administrative and clerical services to KPMG and these third party service providers may in the performance of such services have access to your confidential information. KPMG represents that it has technical, legal and/or other safeguards, measures and controls in place to protect your confidential information from unauthorized disclosure or use.

You also understand and agree that the KPMG Firms, with the assistance of third parties as outlined above, may use your confidential information obtained to complete this engagement for other purposes, such as improving the delivery of audit and other services to you and to other clients and for use in presentations to you, other clients and non-clients. When your confidential information is used outside of the KPMG Firms or third parties discussed above for any purpose other than the provision of audit or other services to you, back-office administrative and clerical services to KPMG or service quality improvement, it will be de-identified so that the University cannot be attributed as the source of the information.

Except as otherwise provided for in this Engagement Letter, neither party may assign, transfer or delegate any of its rights, obligations, claims or proceeds from claims arising under or relating to this Engagement Letter (including by operation of law, in which case the assigning party will, to the extent legally permissible, give as much advance written notice as is reasonably practicable thereof) without the prior written consent of the other party, such consent not to be unreasonably withheld. Any assignment in violation hereof shall be null and void.

As required by *Government Auditing Standards*, we have attached a copy of KPMG's most recent peer review report.

Additional Reports and Fees for Services

Appendix I to this letter lists the additional reports we will issue as part of this engagement and our fees for professional services to be performed under this letter.

In addition, fees for any special audit-related projects, such as research and/or consultation on special business or financial issues, will be billed separately from the audit fees for professional services set forth in Appendix I and may be subject to written arrangements supplemental to those in this letter.

* * * * * * *

Our engagement herein is for the provision of annual audit services for the financial statements and the Uniform Guidance for the periods described in Appendix I, and it is understood that such services are provided as a single annual engagement. Pursuant to our arrangement as reflected in this letter we will provide the services set forth in Appendix I as a single engagement for each of the University's subsequent fiscal years until either those charged with governance or we terminate this agreement, or mutually agree to the modification of its terms. The fees for each subsequent year will be annually subject to negotiation and approval by those charged with governance.

This Engagement Letter and any exhibits, attachments and appendices hereto, and amendments thereto agreed in writing by the parties, shall constitute the entire agreement between KPMG and the University with respect to the subject matter hereof and thereof, and supersede all other previous oral and written representations, understandings or agreements relating to the subject matter of this agreement.

In accordance with your instructions, we have forwarded a copy of this letter to the Chairman of the Audit Committee.

We shall be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign and return it to us to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

Very truly yours,

KPMG LLP

Mark P. Peach
Partner

MPP:bt

Enclosures

cc: Mr. Jimmy Shumock, Chairman of the Audit Committee

ACCEPTED

University of South Alabama

Scott Weldon
Vice President for Finance and Administration

3/2/18
Date

Appendix I

Fees for Services

Based upon our discussions with and representations of management, our fees for services we will perform are estimated as follows:

	2018	2019	2020
Audit of financial statements and related notes to the financial statements of the University as of and for the year ended September 30, 2018, 2019, and 2020 and other reports detailed below (includes KPMG performing the audit of two major programs in connection with the under Uniform Guidance)	$595,000	$635,000	$635,000

Other Reports:

The other reports that we will issue as part of and upon completion of this engagement are as follows:

Report

Reports issued in connection with Uniform Guidance
Debt covenant compliance report
Debt agreed upon procedures report
South Alabama Medical Science Foundation
USA Research and Technology Corporation
NCAA agreed upon procedures report

The above estimates are based on the level of experience of the individuals who will perform the services. In addition, expenses are billed for reimbursement as incurred. The fees assume that you will provide routine client assistance activities such as preparation of financial statements, certain account analyses, document retrieval and confirmation preparation. The fees also assume a commitment of appropriately 400 hours of internal audit assistance related to the audit. The fees also assume no significant changes in operations and no significant increase in the purchase of additional alternative investments. The above fees do not consider any time associated with implementing any future GASB pronouncements. Any additional time associated with GASB pronouncements will be billed separately. Circumstances encountered during the performance of these services that warrant additional time or expense could cause us to be unable to deliver them within the above estimates. We will endeavor to notify you of any such circumstances as they are assessed.

Where KPMG is reimbursed for expenses, it is KPMG's policy to bill clients the amount incurred at the time the good or service is purchased. If KPMG subsequently receives a volume rebate or other incentive payment from a vendor relating to such expenses, KPMG does not credit such payment to the client. Instead, KPMG applies such payments to reduce its overhead costs, which costs are taken into account in determining KPMG's standard billing rates and certain transaction charges which may be charged to clients.

All fees, charges and other amounts payable to KPMG under the Engagement Letter do not include any sales, use, excise, value added, income or other applicable taxes, tariffs or duties, payment of which shall be the University's sole responsibility, excluding any applicable taxes based on KPMG's net income or taxes arising from the employment or independent contractor relationship between KPMG and its personnel.

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

Telephone +1 601 354 3701
Fax +1 601 354 3745
kpmg.com

November 9, 2018

Mr. G. Scott Weldon
Vice President for Financial Affairs
University of South Alabama
307 University Boulevard North, AD 170
Mobile, Alabama 36688-0002

Dear Mr. Weldon:

This letter (the Engagement Letter) sets forth our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

We will apply the following agreed-upon procedures related to assist the Board of Trustees and Management of the University of South Alabama (the University) in evaluating the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Investments Held by Trustee Pursuant to the Bond Resolutions relating to the Capital Appreciation Bonds, Series 1999, University Facilities Revenue Capital Improvement Bond, Series 2010, University Facilities Revenue Capital Improvement Bonds, Series 2012-A and 2012-B, University Facilities Revenue Capital Improvement Bonds, Series 2013-A, Series 2013-B, and Series 2013-C, University Facilities Revenue Refunding Bond, Series 2014-A, University Facilities Revenue Capital Improvement Bond, Series 2015, University Facilities Revenue Refunding Bonds, Series 2016-A, 2016-B, 2016-C and 2016-D, and University Facilities Revenue Bonds, Series 2017 as of September 30, 2018 and for the year then ended.

We will compare the amounts shown on the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions in Exhibit A to the annual trustee statements of cash and investment transactions provided to us by the bond trustee and ensure that they agree.

We will compare the amounts shown on the Statement of Investments Held by Trustee Pursuant to the Bond Resolutions in Exhibit B to the annual trustee statements of cash and investment transactions provided to us by the bond trustee and ensure that they agree.

We will obtain a schedule of general student fees (tuition) collected during the year ended September 30, 2018, and compare that amount to the general student fees recorded in the University's general ledger and ensure that they agree.

At the conclusion of the engagement, management agrees to supply us with a representation letter that, among other things, will confirm management's responsibility for the sufficiency of the agreed-upon procedures for its purposes and the fair presentation of the specified elements, accounts, or items of the financial statements in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Our engagement to apply agreed-upon procedures will be performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which our report is being prepared or for any other purpose.

Because the agreed-upon procedures referred to above do not constitute an audit, we will not express an opinion on any of the elements, accounts, or items of management's Statement of Changes in Cash and Investments Held by Trustee. Our report will include a statement to that effect. In addition, we have no obligation to perform any procedures beyond those referred to above.

Our report will include a list of the procedures performed (or reference thereto) and the related findings. Our report will also contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. We have no responsibility to update our report for events and circumstances occurring after the date of such report.

Our report is intended solely for the use of University management, and is not intended for use by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. If you request that additional specified users of the report be added, we will require that they acknowledge, in writing, their agreement with the procedures and their responsibility for the sufficiency of the procedures for their purposes.

During the course of our procedures, we may consider it necessary to perform additional procedures in order to accomplish the stated purposes of the procedures described. Any such additional procedures will be outlined in our draft report, which will be reviewed by the University management prior to final issuance, in order to ensure that the procedure were sufficient to accomplish the purposes of the University. If we are unable to complete the agreed-upon procedures referred to above, we will discuss the matter with University management during the engagement. In such circumstances, we may conclude that we will not issue a report as a result of this engagement.

* * * * * * *

By approving this engagement, you agree to release KPMG and its personnel from any claims, liabilities, costs, and expenses relating to our service under this letter, except to the extent determined to have resulted from the intentional or deliberate misconduct of KPMG personnel. In the event KPMG is required pursuant to subpoena or other legal process to produce its documents relating to engagements for the University in judicial or administrative proceedings to which KPMG is not a party, the University shall reimburse KPMG for its professional time and expense, including reasonable attorney's fees, incurred in responding to such requests.

We shall be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign and return it to us.

Very truly yours,

KPMG LLP

Mark P. Peach
Partner

MPP:mmg

ACCEPTED

University of South Alabama

Mr. G. Scott Weldon

Vice President for Financial Affairs
Title

11/12/18
Date

UNIVERSITY OF SOUTH ALABAMA

November 20, 2018

KPMG LLP
188 East Capitol Street
Suite 1100
Jackson, MS 39201

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of the University of South Alabama, a component unit of the State of Alabama, (the University), and its aggregate discretely presented component units as of and for the year ended September 30, 2018, for the purpose of expressing opinions as to whether these financial statements present fairly, in all material respects, the respective financial positions, changes in financial positions, and, where applicable, cash flows thereof in accordance with U.S. generally accepted accounting principles. We are also providing this letter to confirm our understanding that the purpose of your testing of transactions and records relating to the University's federal programs, in accordance with Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) was to obtain reasonable assurance that the University had complied, in all material respects, with the requirements of law, regulations, contracts, and grants that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of November 20, 2018, the following representations made to you during your audit:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 1, 2018, for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.

2. We have made available to you:

BUSINESS OFFICE
AD 380 | 307 University Boulevard, N. | Mobile, Alabama 36688-0002
TEL: (251) 460-6241 | FAX: (251) 460-6647 | southalabama.edu

a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements.

b. Additional information that you have requested from us for the purpose of the audit;

c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence; and

d. All minutes of the meetings of the Board of Trustees, and other appropriate committees, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.

3. Except as disclosed to you in writing, there have been no communications from regulatory agencies, governmental representatives, employees, or others concerning noncompliance with laws and regulations in any jurisdiction or deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

5. All material transactions have been properly recorded in the accounting records and are reflected in the financial statements.

6. There are no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

7. All events subsequent to the date of the statement of net position and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

9. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

10. The effects of the uncorrected financial statement misstatements, if any, summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements.

11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. We understand that the term "fraud" is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.

12. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the University's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit.*

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud affecting the entity involving:

    a. Management

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud or suspected fraud affecting the University's financial statements communicated by employees, former employees, analysts, regulators, or others.

16. The University has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

17. We have no knowledge of any officer or trustee of the University, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

18. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

19. We have disclosed to you the identity of our related parties and all the related party relationships and transactions of which we are aware.

20. The following have been properly recorded or disclosed in the financial statements:

    a. Related party relationships and transactions of which we are aware in accordance with U.S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties. The term "related party" refers to government's related organizations, joint ventures, and jointly governed organizations, as defined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended; elected and appointed officials of the government; its management; members of the immediate families of elected or appointed officials of the government and its management; and other parties with which the government may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

    b. Guarantees, whether written or oral, under which the University is contingently liable.

    c. The existence of and transactions with joint ventures and other related organizations.

21. The University has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed in the footnotes to the financial statements.

22. The University has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.

23. The University's reporting entity includes all entities that are material component units of the University.

24. The University is responsible for compliance with the laws, regulations, donor restrictions, and provisions of contracts and grant agreements applicable to the University. Management has identified and disclosed to you all laws, regulations, donor restrictions, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.

25. There have been no:

    a. Instances of fraud that could have a material effect on the adjustments.

    b. Allegations, either written or oral, of misstatements or other misapplication of accounting principles in the University's adjustments that have not been disclosed to you in writing.

    c. Allegations, either written or oral, of deficiencies in internal control that could have a material effect on the University's adjustments that have not been disclosed to you in writing.

    d. False statements affecting the University's adjustments made to you, our internal auditors, or other auditors who have audited entities under our control upon whose work you may be relying in connection with your audit.

26. The University's reporting entity includes all entities that are component units of the University. Such component units have been properly presented as either blended or discrete. Investments in joint ventures in which the University holds an equity interest have been properly recorded on the statement of net position. The financial statements disclose all other joint ventures and other related organizations.

27. The basic financial statements properly classify all funds and activities, including governmental funds, which are presented in accordance with the fund type definitions in

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

28. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for presentation as major are identified and presented as such, and all other funds that are presented as major are considered to be particularly important to financial statement users by management.

29. Inter-fund, internal, and intra-entity activity and balances have been appropriately classified and reported.

30. Billings to third-party payors comply in all material respects with applicable coding guidelines (e.g., ICD-9-CM and CPT-4) and laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse) and only reflect charges for goods and services that were medically necessary, ordered in writing by a treating physician, properly approved by regulatory bodies (for example, the Food and Drug Administration), if required, and properly rendered.

31. Amounts advanced to related entities represent valid receivables and are expected to be recovered at some future date in accordance with the terms of related agreements.

32. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the statement of net position and have been appropriately reduced to their estimated net realizable value.

33. Deposits and investment securities are properly classified and reported.

34. The University is responsible for determining the fair value of certain investments as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. The amounts reported represent the University's best estimate of fair value of investments required to be reported under the Statement. The University also has disclosed the methods and significant assumptions used to estimate the fair value of its investments, and the nature of investments reported at amortized cost.

35. The University has identified and properly reported all of its derivative instruments and any related deferred outflows of resources or deferred inflows of resources related to hedging derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The University complied with the requirements of GASB Statement No. 53 related to the determination of hedging derivative instruments and the application of hedge accounting. Further, the University has disclosed

all material information about its derivative and hedging arrangement in accordance with GASB Statement No. 53.

36. The estimate of fair value of derivative instruments is in compliance with GASB Statement No. 53. For derivative instruments with fair values that are based on other than quoted market prices, the University has disclosed the methods and significant assumptions used to estimate those fair values.

37. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:

    a. The extent, nature, and terms of financial instruments with off-balance-sheet risk;

    b. The amount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and

    c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

38. We believe that all material expenditures or expenses that have been deferred to future periods will be recoverable.

39. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated. There are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed in the footnotes to the basic financial statements.

40. The University has properly applied the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* including those related to the recognition of outlays associated with the development of internally generated computer software.

41. The University has no:

    a. Commitments for the purchase or sale of services or assets at prices involving material probable loss.

    b. Material amounts of obsolete, damaged, or unusable items included in the inventories at greater than salvage values.

c. Loss to be sustained as a result of other-than-temporary declines in the fair value of investments.

42. The University has complied with all tax and debt limits and with all debt related covenants.

43. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under section 103 of the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.

44. We believe the actuarial assumptions and methods used to measure financial statement liabilities and costs associated with other post-employment benefits and to determine information related to the University's funding progress related to such benefits for financial reporting purposes are appropriate in the University's circumstances and the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.

45. The projected employer contributions in the discount rate calculation are prepared in accordance with paragraphs 37-39 of GASB Statement No. 75.

46. The basis for our proportion of the collective pension and OPEB amounts is appropriate and consistent with the manner in which future contributions to the pension and OPEB plan are expected to be made.

47. For each defined benefit pension plan in which the University is a participating employer:

d. The net pension liability, related deferred outflows of resources, deferred inflows of resources, and pension expense has been properly measured and recorded as of the measurement date in accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

e. All relevant plan provisions in force as of the measurement date have been properly reflected in the measurement of the net pension liability and pension expense.

f. We believe the actuarial assumptions and methods used to measure the net pension liability and pension expense are appropriate in the circumstances and

the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.

g. The participants' data provided to the actuary for purpose of determining the net pension liability and pension expense is accurate and complete.

h. The basis for our proportion of the collective pension amounts is appropriate and consistent with the manner in which contributions to the pension plan are determined.

48. Components of net position (net investment in capital assets; restricted; and unrestricted) and fund balance components (non-spendable; restricted; committed; assigned; and unassigned) are properly classified and, if applicable, approved.

49. Revenues are appropriately classified in the statement of revenues, expenses, and changes in net position.

50. The University has identified and properly accounted for all nonexchange transactions.

51. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

52. Special and extraordinary items are appropriately classified and reported.

53. The financial statements disclose all of the matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including significant conditions and events, and our plans.

54. We agree with the findings of specialists in evaluating the reserves related to the Professional Liability and General Liability Trust Funds and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

55. Provision, when material, has been made for:

a. Losses to be sustained from inability to fulfill any sales commitments.

b. Estimated loss to be sustained as a result of retroactive adjustments by third-party payors under reimbursement agreements that are subject to examination, including denied claims, changes to diagnosis-related group (DRG) assignments, or other classification criteria affecting reimbursement.

c. Losses to be sustained as a result of adjustments resulting from review of Medicare or other payor claim data by the Professional Review Organization (PRO) or other payors' reviewers with which the University has agreements.

d. Losses to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.

e. Losses to be sustained as a result of other-than-temporary declines in the fair value of investments

f. Liabilities for physician and medical services provided to members covered under capitation arrangements. The recorded liability includes both claims received and unpaid as well as an estimate of the claims incurred but not reported and loss to be sustained for commitments to provide medical services to enrollees under capitation agreements.

56. We acknowledge our responsibility for the presentation of the supplementary information, which in accordance with the applicable criteria and:

    a. Believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria.
    b. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period; and
    c. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.

57. The University has complied with all applicable laws and regulations in adopting, approving, and amending budgets.

58. Management is responsible for the accuracy and propriety of all cost reports filed and all required Medicare, Medicaid, and similar cost reports have been properly filed. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient related and properly allocated to applicable payors. The reimbursement methodologies and principles employed in accordance with applicable

rules and regulations. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for subsequent appeal, have been fully disclosed in the cost report. Recorded third party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.

59. For investments in alternative investments (including hedge funds, real estate ventures, private equity funds, etc.), management has performed an evaluation to determine whether the investment should be consolidated or accounted for under the equity, fair value, or cost method. Such evaluation included the consideration of various factors, including the legal form of the investment (limited partnership, limited liability Corporation, limited liability partnership, trust arrangements, etc.) The level of ownership in the investment, and the frequency with which the unit value is published and purchase and sale transactions are permitted.

Additionally, we confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purposes of appropriately informing ourselves, as of November 15, 2018, the following representations made to you during your single audit:

60. We are responsible for establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance that the University is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

61. We are responsible for understanding and complying with the requirements of federal statutes, regulations and the terms and conditions of federal awards related to each of the University's federal programs.

62. We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

63. We are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud in the administration of federal programs. We have no knowledge of any fraud or suspected fraud affecting the entity's federal programs involving:

    a. Management, including management involved in the administration of federal programs.

b. Employees who have significant roles in internal control over the administration of federal programs.

c. Others where the fraud could have a material effect on compliance with laws and regulations, and provisions of contract and grant agreements related to its federal programs.

64. We are responsible for the presentation of the schedule of expenditures of federal awards (SEFA) in accordance with the Uniform Guidance and:

a. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period.

b. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.

65. The University is responsible for complying, and has complied, with the requirements of Uniform Guidance.

66. The University has prepared the SEFA in accordance with the requirements of Uniform Guidance and has included all expenditures made during the year ended September 30, 2018 for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.

67. The University has complied with requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of its federal programs.

68. We have advised you that the University does not participate in the zone alternative.

69. The University has disclosed to you any interpretations of any compliance requirements that have varying interpretations.

70. The University has established and maintained effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are administered in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on its federal program.

71. We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over compliance that we have identified, which could adversely affect the University's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, and the provisions of contracts and grant agreements. Under standards established by the American Institute of Certified Public Accountants, a deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct on a timely basis, noncompliance with a type of compliance requirement of a federal program. A "material weakness" is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected on a timely basis. A "significant deficiency" is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

72. We have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program.

73. We have made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities related to major federal programs.

74. We have identified and disclosed to you all questioned costs and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.

75. The University is in compliance with documentation requirements contained in the requirements promulgated by the sponsoring Federal agencies (e.g., the Department of Health and Human Services' 45 CFR part 74, appendix E) for all costs charged to federal awards, including both direct costs and indirect costs charged through indirect cost proposals. Costs charged to Federal awards, are considered allowable under these same requirements.

76. Federal financial reports and claims for advances and reimbursements are supported by the accounting records from which the financial statements have been prepared.

77. The copies of federal financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

78. We have issued management decisions on a timely basis (within six months of acceptance of the audit report by the FAC) for audit findings that relate to federal awards made to subrecipients. Additionally, management has followed up ensuring that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal awards provided to the subrecipient by the University.

79. We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, the terms and conditions of the subawards and have met the other pass-through entity requirements of the Uniform Guidance. If applicable, the University has issued management decisions on a timely basis after receipt of subrecipient audit reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and has ensured that subrecipients have taken appropriate and timely corrective action on such findings.

80. If applicable, we have considered the results of subrecipient audits and have made any necessary adjustments to the University accounting records.

81. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the compliance requirements over federal programs, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

82. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

83. We have made available all documentation related to the compliance requirements, including information related to federal financial reports and claims for advances and reimbursements, for major federal programs.

84. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance.

85. If applicable, the University has provided you with all information on the status of the follow-up prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

86. The University has charged costs to federal awards in accordance with the applicable cost principles.

87. The University has advised you of all contracts or other agreements with service organizations.

88. The University has disclosed to you all communications from its service organizations relating to noncompliance at the service organizations.

89. We have disclosed any known noncompliance relating to major federal programs occurring subsequent to the period covered by the audit report.

90. The University has disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control over major federal programs, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses), have occurred subsequent to the period covered by the auditors' report.

91. There are no material unrecorded environmental remediation liabilities that must be recorded and/or disclosed in the University's financial statements.

92. The University has made a continuing pledge and will make necessary appropriations to fund all deficits of the University of South Alabama Health Care Authority.

93. The receivable from the USA Research and Technology Corporation of $1,460,966 at September 30, 2018 is deemed fully collectible and it is the University's intention for this amount to be repaid over a period of time greater than one year.

94. If the USA Research and Technology Corporation debt coverage ratio is less than 1 to 1, the University will pay the Corporation's rent equal to the amount necessary to bring the ratio to 1 to 1.

95. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the University's current period financial statements and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

96. We acknowledge our responsibility for the presentation of the required supplementary information which includes management's discussion and analysis, the schedule of the University's proportionate share of the net pension liability, the schedule of the

University's pension contributions, the schedule of the University's proportionate share of the net OPEB liability, and the schedule of the University's OPEB contributions in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:

a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.

b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period; and

c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate in the circumstances.

Very truly yours,

University of South Alabama

Dr. Tony G. Waldrop

University President

G. Scott Weldon

Vice President for Finance and Administration

Robert K. Davis

University Treasurer, Associate Vice President for Finance and Administration & Director of Tax Accounting

Polly Stokley

Assistant Vice President & Controller, Finance & Administration

UNIVERSITY OF SOUTH ALABAMA

November 20, 2018

KPMG LLP
188 East Capitol Street
Suite 1100
Jackson, MS 39201

Ladies and Gentlemen:

In connection with your engagement to perform agreed-upon procedures, which were agreed by the management of the University of South Alabama, a component of the State of Alabama, (the University), solely to assist us in evaluating the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions relating to the Capital Appreciation Series 1999, University Facilities Revenue Capital Improvement Bonds, Series 2010, University Facilities Revenue Capital Improvement Bonds, Series 2012-A and Series 2012-B, University Facilities Revenue Capital Improvements Bonds, Series 2013-A, Series 2013-B, and Series 2013-C, University Facilities Revenue Refunding Bond, Series 2014-A, the University Facilities Revenue Capital Improvement Bond, Series 2015, and University Facilities Revenue Refunding Bonds, Series 2016-A, Series 2016-B, Series 2016-C, and Series 2016-D, and the University Facilities Revenue Bonds, Series 2017 as of September 30, 2018, and for the year then ended, we confirm, to the best of our knowledge and belief, as of November 20, 2018 the following representations made to you during your agreed-upon procedures engagement:

1. Our understanding that you were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the subject matter referred to above. Accordingly, you did not express such an opinion. Had additional procedures been performed, other matters might have come to your attention that would have been reported to us.
2. All known matters contradicting the subject matter or assertion and any communication from regulatory agencies or others affecting the subject matter or assertion have been disclosed to you, including communications received between the end of the period addressed in the written assertion and the date of the agreed-upon procedures report.

Further, we confirm that, to the best of our knowledge and belief, the following representations made to you during your agreed-upon procedures engagement:

3. We are responsible for the subject matter and, when applicable, the assertion.
4. We are responsible for the fair presentation of the subject matter referred to above as of September 30, 2018 and for the year ended.
5. We are responsible for selecting the criteria and for determining that such criteria are appropriate for our purposes.
6. We have made available to you all related financial records and data.

BUSINESS OFFICE
AD 380 | 307 University Boulevard, N. | Mobile, Alabama 36688-0002
TEL: (251) 460-6241 | FAX: (251) 460-6647 | southalabama.edu

7. We have advised you of all actions taken at meetings of the board of directors and committees of the board of directors (or other similar bodies as applicable) that may affect the subject matter.

8. We have reviewed a draft of your report of findings dated November 20, 2018, and we are not aware of any significant errors or misstatements contained in that report, and the procedures referred to in the draft report are those we requested and were agreed to by the other specified parties.

9. We take responsibility for the sufficiency (nature, timing and extent) of the agreed-upon procedures for our purposes. Further, we understand that your report is intended solely for use by us and the other specified parties, and is not intended for use by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes.

10. Your procedures were limited to those which we determined would best meet our informational needs and may not necessarily disclose all significant errors, irregularities, including fraud or defalcation, or illegal acts, that may exist.

11. Your report is intended solely for use by us and the other specified parties, and is not intended for use by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes.

12. We have responded fully to all inquiries made to us by you during your engagement.

13. We have communicated to you all known matters contradicting the subject matter or the assertion.

14. We acknowledge that you have not performed any procedures since the date of your report and that you have no responsibility to update your procedures.

15. There have been no communications from regulatory agencies that would affect the subject matter or the assertion.

16. The University has complied with all aspects of contractual agreements that would have a material effect on the subject matter or the assertion in the event of noncompliance.

17. There are no material transactions that have not been properly recorded as part of the subject matter or the assertion.

18. We have provided you with access to all records relevant to the subject matter and the agreed upon procedures.

Very truly yours,

University of South Alabama

G. Scott Weldon

Vice President for Finance and Administration

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

November 20, 2018

The Board of Trustees and Management
University of South Alabama
Mobile, Alabama

Ladies and Gentlemen:

In planning and performing our audit of the basic financial statements of the University of South Alabama (the University) as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and/or significant deficiencies and therefore, material weaknesses and/or significant deficiencies may exist that were not identified.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Although not considered to be significant deficiencies or material weaknesses, we also noted the following items during our audit which we would like to bring to your attention.

Information and Technology – Monitoring Controls over User Access

With respect to the University's information and technology systems, we identified a control deficiency surrounding the lack of documentation related to monitoring controls over certain user access rights. Certain users have significant access rights in the Banner system and there was no formal documentation to support a formal and timely review of access logs. Access rights reviews should be conducted periodically, properly documented and properly maintained in order to ensure that access rights are appropriate and segregation of duties is maintained. KPMG recommends that a process be put in place whereby there is a formal and timely

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

review of access logs (which includes maintaining these logs for an adequate period of time) to ensure that access controls are in place and operating effectively.

This communication is intended solely for the information and use of management, the board of trustees, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

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

November 20, 2018

Audit Committee of the Board of Trustees
University of South Alabama
Mobile, Alabama

Ladies and Gentlemen:

We have audited the University of South Alabama's (the University's) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the University's major federal programs for the year ended September 30, 2018, and have issued our report thereon under the date of November 20, 2018. A single audit encompasses an audit of the financial statements and a compliance audit of federal awards. Under our professional standards, we are providing you with the accompanying information related to the conduct of our compliance audit. We have previously provided you with the information related to the audit of the financial statements in a letter dated November 20, 2018.

Our Responsibility under Professional Standards

We are responsible for forming and expressing an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. The University's major federal programs are identified in the schedule of findings and questioned costs. We have a responsibility to perform our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that instances of material noncompliance are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that noncompliance, whether caused by error or fraud, that is not direct and material to a major federal program are detected. Our audit does not relieve management or the audit committee of their responsibilities.

In addition, in planning and performing our audit of compliance, we considered internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

We also have a responsibility to communicate significant matters related to the audit of compliance that are, in our professional judgment, relevant to the responsibilities of the audit committee in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Disagreements with Management

There were no disagreements with management on compliance matters that would have caused a modification of our auditors' reports on compliance for each major federal program or on internal control over compliance.

Management's Consultation with Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended September 30, 2018.

Significant Issues Discussed, or Subject to Correspondence, with Management

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including auditing standards and federal regulations with you and management each year prior to our retention by you as the University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Material Written Communications

Attached to this letter please find copies of the following material written communications between management and us:

1. Engagement letter; and
2. Management representation letter

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Confirmation of Audit Independence

We hereby confirm that as of November 20, 2018, we are independent accountants with respect to the University under relevant professional and regulatory standards.

* * * * * * *

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

Very truly yours,

KPMG LLP

Jackson, Mississippi
November 20, 2018

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

Telephone +1 601 354 3701
Fax +1 601 354 3745
kpmg.com

March 1, 2018

Mr. Scott Weldon
Vice President for Finance and Administration
University of South Alabama
307 University Boulevard, AD180
Mobile, Alabama 36688

Dear Scott:

This letter (the Engagement Letter) confirms our understanding of our engagement to provide professional services to the University of South Alabama (the University).

Objectives and Limitations of Services

Financial Statement Audit Services

You have requested that we audit the University's financial statements as set forth in Appendix I.

We have the responsibility to conduct and will conduct the audit of the financial statements in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, with the objective of expressing an opinion as to whether the presentation of the financial statements that have been prepared by management with the oversight of those charged with governance, conforms with U.S. generally accepted accounting principles.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. In conducting the audit, we will perform tests of the accounting records and such other procedures, as we consider necessary in the circumstances, based on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud, to provide a reasonable basis for our opinion on the financial statements. We also will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and evaluate the overall financial statement presentation.

Our audit of the financial statements will be planned and performed to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements, fraud (including fraud that may be an illegal act), and other illegal acts may exist and not be detected by an audit of financial statements even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. Also, an audit is not designed to detect matters that are immaterial to the financial statements, and because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to detect abuse.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

We will also perform certain limited procedures to the required supplementary information as required by auditing standards generally accepted in the United States of America. However, we will not express an opinion or provide any assurance on the information. Our report relating to the financial statements will include our consideration of required supplementary information.

We also understand that the financial statements will include a schedule of expenditures of federal awards (SEFA) and supplementary information which is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information will be subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America with the objective of expressing an opinion as to whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Subject to the remainder of this paragraph, we will issue a written report upon completion of our audit of University's financial statements addressed to the Board of Trustees of the University. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add emphasis-of-matter or other-matter paragraphs or withdraw from the engagement. If, during the performance of our audit procedures such circumstances arise, we will communicate to the audit committee our reasons for modification or withdrawal.

If the University issues an annual report that is available to the public and the annual report contains the audited financial statements and our report thereon, management agrees to provide KPMG LLP (KPMG) a draft of such annual report prior to the report release date of the audited financial statements or, if that is not possible, as soon as practicable prior to the release of the annual report. We will read the other information contained in the annual report in order to identify material inconsistencies, if any, with the audited financial statements. However, we will not perform procedures to corroborate the other information.

Internal Control over Financial Reporting and Compliance and Other Matters

In making our risk assessments as part of planning and performing our audit of the financial statements, we will consider the University's internal control relevant to the preparation and fair presentation of the financial statements in order to determine the nature, timing, and extent of our audit procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.

The objective of our audit of the financial statements is not to report on the University's internal control and we are not obligated to search for material weaknesses or significant deficiencies as part of our audit of the financial statements. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the University's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have

a direct and material effect on the financial statements. However, our objective is not to provide an opinion on compliance with such provisions.

In accordance with *Government Auditing Standards*, we will prepare a written report, *Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards* (GAGAS report), on our consideration of internal control over financial reporting and tests of compliance made as part of our audit of the financial statements. This report will include any material weaknesses and significant deficiencies to the extent they come to our attention, and this report will also include instances of:

- Fraud and noncompliance with provisions of laws or regulations that have a material effect on the financial statements or other financial data significant to the audit objectives and any other instances that warrant the attention of those charged with governance;
- Noncompliance with provisions of contracts or grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives; or
- Abuse that is material, either quantitatively or qualitatively.

The report will describe its purpose and will state that it is not suitable for any other purpose.

In accordance with *Government Auditing Standards*, we will also issue a management letter to communicate instances of noncompliance with provisions of contracts or grant agreements or abuse that have an effect on the financial statements that are less than material but warrant the attention of those charged with governance.

In accordance with *Government Auditing Standards*, we are also required in certain circumstances to report fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse directly to parties outside the auditee.

Uniform Guidance Audit Services

We will also perform audit procedures with respect to the University's major federal programs in accordance with Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("the Uniform Guidance"). The Uniform Guidance includes specific audit requirements, mainly in the areas of internal control and compliance with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of the University's major federal programs that exceed those required by *Government Auditing Standards*.

As part of our audit procedures performed in accordance with the provisions of the Uniform Guidance, we will perform tests to evaluate the effectiveness of the design and operation of internal controls that we consider relevant to preventing or detecting material noncompliance with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of the University's major federal programs. The tests of internal control performed in accordance with the Uniform Guidance are less in scope than would be necessary to render an opinion on internal control.

We will perform tests of the University's compliance with federal statutes, regulations, and the terms and conditions of federal awards we determine to be necessary based on the *OMB Compliance Supplement*. The procedures outlined in the *OMB Compliance Supplement* are those suggested by each federal agency and do

not cover all areas of regulations governing each program. Program reviews by federal agencies may identify additional instances of noncompliance.

In addition, we will prepare a written report (single audit report) which 1) provides our opinion on the University's compliance with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of its major federal programs and 2) communicates our consideration of internal control over major federal programs. The single audit report will describe its purpose and will state that it is not suitable for any other purpose.

The Federal Audit Clearinghouse requires the single audit reporting package, which includes the audited financial statements, to be submitted in a PDF format which is text searchable, unencrypted, and unlocked. This letter serves as the University's authorization for the submission of the reporting package in this format.

Offering Documents

Should the University wish to include or incorporate by reference these financial statements and our audit reports thereon into an offering of exempt securities, prior to our consenting to include or incorporate by reference our reports on such financial statements, we would consider our consent to the inclusion of our report and the terms thereof at that time. We will be required to perform procedures as required by the standards of the American Institute of Certified Public Accountants, including, but not limited to, reading other information incorporated by reference in the offering document and performing subsequent event procedures. Our reading of the other information included or incorporated by reference in the offering document will consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. However, we will not perform procedures to corroborate such other information (including forward-looking statements). The specific terms of our future services with respect to future offering documents will be determined at the time the services are to be performed.

Should the University wish to include or incorporate by reference these financial statements and our audit reports thereon into an offering of exempt securities without obtaining our consent to include or incorporate by reference our reports on such financial statements, and we are not otherwise associated with the offering document, then the University agrees to include the following language in the offering document:

> "KPMG LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this official statement."

Our Responsibility to Communicate with the Audit Committee

We will report to the audit committee or those charged with governance, in writing, the following matters:

- Material, corrected misstatements that were brought to the attention of management as a result of audit procedures.
- Uncorrected misstatements accumulated by us during the audit and the effect that they, individually or in the aggregate, may have on our opinion in the auditor's report, and the effect of uncorrected misstatements related to prior periods.
- Significant difficulties and disagreements with management, if any, encountered during our audit.

- Other matters required to be communicated by auditing standards generally accepted in the United States of America.

We will also read minutes, if any, of relevant committee meetings for consistency with our understanding of the communications made to the audit committee and determine that the audit committee has received copies of all material written communications between ourselves and management. We will also determine that the audit committee has been informed of i) the initial selection of, or the reasons for any change in, significant accounting policies or their application during the period under audit, ii) the methods used by management to account for significant unusual transactions, and iii) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

To the extent that they come to our attention, we will inform the appropriate level of management about any illegal acts, unless they are clearly inconsequential, material errors in the financial statements and any instances of fraud. Further, to the extent they come to our attention, we also will communicate directly to the audit committee illegal acts, unless they are clearly inconsequential, material errors in the financial statements and any instances of fraud that involve senior management or that, in our judgment, cause a material misstatement of the financial statements.

Management Responsibilities

The management of the University acknowledges and understands that they have responsibility for the preparation and fair presentation, in accordance with U.S. generally accepted accounting principles, of the financial statements and all representations contained therein. Management also is responsible for:

- identifying and ensuring that the University complies with laws, regulations, contracts, and grant agreements applicable to its activities, and for informing us of any known material violations of such laws, regulations and provisions of contracts and grant agreements;

- providing us with written responses in accordance with *Government Auditing Standards* to the findings included in the GAGAS or single audit report within seven days of being provided with draft findings. If such information is not provided on a timely basis prior to release of the reports, the reports will indicate the status of management's responses;

- distributing the reports issued by KPMG.

Management also is responsible for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud, for adopting sound accounting policies, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. Management is also responsible for informing us, of which it has knowledge, of all material weaknesses and significant deficiencies in the design or operation of such controls. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

The management of the University also acknowledges and understands that they have responsibility for the preparation of the SEFA and supplementary information in accordance with the applicable criteria. Management is also responsible for providing us written representations regarding the supplementary information. Management is also responsible for including our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information, and for

including the audited financial statements with any presentation of the supplementary information that includes our report thereon or making the audited financial statements readily available to intended users of the supplementary information no later than the date the supplementary information is issued with our report thereon.

Management of the University also acknowledges and understands that it is their responsibility to provide us with: i) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements and the compliance requirements applicable to its federal programs such as records, documentation, and other matters; ii) additional information that we may request from management for purposes of the audits; and iii) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence. As required by auditing standards generally accepted in the United States of America, we will make specific inquiries of management about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter we will rely upon in forming an opinion on the financial statements.

Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements being reported upon, taken as a whole. Because of the importance of management's representations to the effective performance of our services, the University will release KPMG and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter attributable to any misrepresentations in the representation letter referred to above. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss asserted, whether in contract, statute, tort (including but not limited to negligence) or otherwise.

In relation to compliance with the program requirements applicable to its federal programs, management acknowledges and understands its responsibility for:

- Identifying the University's government programs and understanding and complying with the compliance requirements.
- Establishing and maintaining effective controls that provide reasonable assurance that the University administers government programs in compliance with the compliance requirements.
- Evaluating and monitoring the University's compliance with the compliance requirements.
- Taking corrective action when instances of noncompliance are identified, including corrective action on audit findings of the compliance audit.

In addition to the Uniform Guidance requirements to maintain internal control and comply with the compliance requirements applicable to federal programs as discussed above, the Uniform Guidance also requires the University to prepare a:

- Schedule of expenditures of federal awards;
- Summary schedule of prior audit findings;
- Corrective action plan; and
- Data collection form (Parts I and II).

While we may be separately engaged to assist you in the preparation of these items, preparation is the responsibility of the University.

Certain provisions of the Uniform Guidance allow a granting agency to request that a specific program be selected as a major program provided that the federal granting agency is willing to pay the incremental audit cost arising from such selection. The University agrees to notify KPMG of any such request by a granting agency and to work with KPMG to modify the terms of this letter as necessary to accommodate such a request.

To facilitate our audit planning, in accordance with *Government Auditing Standards*, management agrees to identify and provide copies of reports, if applicable, of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented, prior to September 30, 2018.

Use of Internal Audit

Management and the Board of Trustees acknowledges and understands that internal auditors providing direct assistance to us will be allowed to follow our instructions and that personnel of the University will not intervene in the work the internal auditor performs for us. Further, management and the Board of Trustees acknowledges and understands that if, in our sole judgment, we believe the objectivity of internal auditors providing direct assistance to us has been impaired, we will be unable to use the work performed or planned to be performed.

Government Auditing Standards require external and internal auditors to meet minimum Continuing Professional Education (CPE) hours. Therefore, management is responsible for monitoring and documenting the compliance with the Government Auditing Standards CPE hours of those internal auditors assigned to the audit in direct assistance roles.

Non-audit service - Assistance in Preparing Financial Statements

We will assist management in preparing the financial statements and related notes in accordance with U.S. generally accepted accounting principles and *Government Auditing Standards* issued by the Comptroller General of the United States. We will use information from the trial balance and/or other source documents provided by management to assist management in preparing the financial statements and related notes.

Our responsibility is to assist management in preparing the financial statements and related notes using the information provided by management. We will not assume management responsibilities on behalf of the University. However, we will provide advice and recommendations to assist management of the University in performing its responsibilities.

Client agrees to:

- Assume all management responsibilities, including determining the accuracy and completeness of the financial statements and notes.
- Assign a suitable employee with appropriate skills, knowledge and/or experience to oversee the financial statement preparation assistance and evaluate the adequacy and results of the services.
- Accept responsibility for the results of the financial statement preparation assistance.

Dispute Resolution

Any dispute or claim between the parties shall be submitted first to non-binding mediation and if mediation is not successful within 90 days after the issuance by one of the parties of a request for mediation then to binding arbitration in accordance with the Rules for Non-Administered Arbitration of the International Institute for Conflict Prevention and Resolution ("IICPR"). Any issue concerning the extent to which any dispute is subject to arbitration, or any dispute concerning the applicability, interpretation, or enforceability of these dispute resolution procedures, including any contention that all or part of these procedures is invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. By operation of this provision, the parties agree to forgo litigation over such disputes in any court of competent jurisdiction.

Mediation shall take place at a location to be designated by the parties using Mediation Procedures of the IICPR, with the exception of paragraph 2 (Selecting the Mediator). Arbitration shall take place in New York, New York and shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1, et seq. Party-selected arbitrators shall be selected from the lists of neutrals maintained by either the IICPR or by JAMS, Inc., but the chair of the arbitration panel does not have to be selected from those specific lists. The arbitration panel shall have no power to award non-monetary or equitable relief of any sort except as provided in IICPR Rule 13 (Interim Measures of Protection). Damages that are inconsistent with any applicable agreement between the parties, that are punitive in nature, or that are not measured by the prevailing party's actual damages shall be unavailable in arbitration or any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Either party may seek to enforce any written agreement reached by the parties during mediation, or to confirm, enforce or vacate any final award entered in arbitration, in any court of competent jurisdiction, provided that any party moving to enforce, confirm or vacate any such agreement or award, as the case may be, will file such motion under seal unless prohibited under applicable court rules. Notwithstanding the agreement to such procedures, either party may seek equitable relief to enforce its rights in any court of competent jurisdiction.

Other Matters

In the event that any term or provision of this Engagement Letter shall be held to be invalid, void or unenforceable, then the remainder of the Engagement Letter shall not be affected, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

This letter shall serve as the University's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between KPMG and the University and between KPMG and outside specialists or other entities engaged by either KPMG or the University. The University acknowledges that e-mail travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of KPMG. KPMG will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information.

Further, for purposes of the services described in this letter only, the University hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of the University solely for presentations or reports to the University or for internal KPMG presentations and intranet sites.

KPMG is a limited liability partnership comprising both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this letter.

The audit documentation for this engagement is the property of KPMG. If KPMG receives a subpoena; other validly issued administrative, judicial, government or investigative regulatory demand or request; or other legal process requiring it to disclose the University's confidential information ("Legal Demand"), KPMG shall, unless prohibited by law or such Legal Demand, provide prompt written notice to the University of such Legal Demand in order to permit it to seek a protective order. So long as KPMG gives notice as provided herein, KPMG shall be entitled to comply with such Legal Demand to the extent required by law, subject to any protective order or the like that may have been entered in the matter. In the event KPMG is requested or authorized by the University, or is required by law, rule, regulation or Legal Demand in a proceeding or investigation to which KPMG is not a named party or respondent, to produce KPMG's documents or personnel as witnesses or for interviews, or otherwise to make information relating to the service under the Engagement Letter available to a third party, or the University , the University shall reimburse KPMG for its professional time, at its then-current standard hourly rates, and expenses, including reasonable attorneys' fees and expenses, incurred in producing documents or personnel or providing information pursuant to such requests, authorizations or requirements.

Pursuant to *Government Auditing Standards,* and subject to applicable provisions of laws and regulations, we are required to make certain audit documentation available in a full and timely manner to others, including regulators, upon request. In addition, we may also be requested to make certain audit documentation available to regulators pursuant to authority provided by law or regulation. If so requested, access to such audit documentation will be provided. Furthermore, regulators may obtain copies of selected audit documentation. Such regulators may intend, or decide, to distribute the copies or information contained therein to others, including other government agencies.

KPMG, as an accounting firm, has an obligation to comply with applicable professional standards. Certain professional standards, including AICPA Code of Professional Conduct Section 1.700, "Confidential Client Information Rule," adopted by the American Institute of Certified Public Accountants and similar rules adopted by the boards of accountancy of many states, prohibit the disclosure of client confidential information without client consent, except in limited circumstances. KPMG represents to the University that KPMG will treat the University's confidential information in accordance with applicable professional standards.

KPMG may work with and use the services of other members of the international KPMG network of independent firms and entities controlled by, or under common control with, one or more KPMG member firms (together with KPMG, the "KPMG Firms") to provide services to the University. In connection with the performance of services under this Engagement Letter, the KPMG Firms may, in their discretion, utilize the services of third party service providers within or outside of the United States to complete the services under this Engagement Letter. KPMG Firms and such third parties may have access to your confidential information from offshore locations. In addition, KPMG uses third party service providers within and outside of the United States to provide, at its direction, back-office administrative and clerical services to KPMG and these third party service providers may in the performance of such services have access to your confidential information. KPMG represents that it has technical, legal and/or other safeguards, measures and controls in place to protect your confidential information from unauthorized disclosure or use.

You also understand and agree that the KPMG Firms, with the assistance of third parties as outlined above, may use your confidential information obtained to complete this engagement for other purposes, such as improving the delivery of audit and other services to you and to other clients and for use in presentations to you, other clients and non-clients. When your confidential information is used outside of the KPMG Firms or third parties discussed above for any purpose other than the provision of audit or other services to you, back-office administrative and clerical services to KPMG or service quality improvement, it will be de-identified so that the University cannot be attributed as the source of the information.

Except as otherwise provided for in this Engagement Letter, neither party may assign, transfer or delegate any of its rights, obligations, claims or proceeds from claims arising under or relating to this Engagement Letter (including by operation of law, in which case the assigning party will, to the extent legally permissible, give as much advance written notice as is reasonably practicable thereof) without the prior written consent of the other party, such consent not to be unreasonably withheld. Any assignment in violation hereof shall be null and void.

As required by *Government Auditing Standards*, we have attached a copy of KPMG's most recent peer review report.

Additional Reports and Fees for Services

Appendix I to this letter lists the additional reports we will issue as part of this engagement and our fees for professional services to be performed under this letter.

In addition, fees for any special audit-related projects, such as research and/or consultation on special business or financial issues, will be billed separately from the audit fees for professional services set forth in Appendix I and may be subject to written arrangements supplemental to those in this letter.

* * * * * * *

Our engagement herein is for the provision of annual audit services for the financial statements and the Uniform Guidance for the periods described in Appendix I, and it is understood that such services are provided as a single annual engagement. Pursuant to our arrangement as reflected in this letter we will provide the services set forth in Appendix I as a single engagement for each of the University's subsequent fiscal years until either those charged with governance or we terminate this agreement, or mutually agree to the modification of its terms. The fees for each subsequent year will be annually subject to negotiation and approval by those charged with governance.

This Engagement Letter and any exhibits, attachments and appendices hereto, and amendments thereto agreed in writing by the parties, shall constitute the entire agreement between KPMG and the University with respect to the subject matter hereof and thereof, and supersede all other previous oral and written representations, understandings or agreements relating to the subject matter of this agreement.

In accordance with your instructions, we have forwarded a copy of this letter to the Chairman of the Audit Committee.

We shall be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign and return it to us to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

Very truly yours,

KPMG LLP

Mark P. Peach
Partner

MPP:bt

Enclosures

cc: Mr. Jimmy Shumock, Chairman of the Audit Committee

ACCEPTED

University of South Alabama

Scott Weldon
Vice President for Finance and Administration

3/2/18
Date

Appendix I

Fees for Services

Based upon our discussions with and representations of management, our fees for services we will perform are estimated as follows:

	2018	2019	2020
Audit of financial statements and related notes to the financial statements of the University as of and for the year ended September 30, 2018, 2019, and 2020 and other reports detailed below (includes KPMG performing the audit of two major programs in connection with the under Uniform Guidance)	$595,000	$635,000	$635,000

Other Reports:

The other reports that we will issue as part of and upon completion of this engagement are as follows:

Report

Reports issued in connection with Uniform Guidance
Debt covenant compliance report
Debt agreed upon procedures report
South Alabama Medical Science Foundation
USA Research and Technology Corporation
NCAA agreed upon procedures report

The above estimates are based on the level of experience of the individuals who will perform the services. In addition, expenses are billed for reimbursement as incurred. The fees assume that you will provide routine client assistance activities such as preparation of financial statements, certain account analyses, document retrieval and confirmation preparation. The fees also assume a commitment of appropriately 400 hours of internal audit assistance related to the audit. The fees also assume no significant changes in operations and no significant increase in the purchase of additional alternative investments. The above fees do not consider any time associated with implementing any future GASB pronouncements. Any additional time associated with GASB pronouncements will be billed separately. Circumstances encountered during the performance of these services that warrant additional time or expense could cause us to be unable to deliver them within the above estimates. We will endeavor to notify you of any such circumstances as they are assessed.

Where KPMG is reimbursed for expenses, it is KPMG's policy to bill clients the amount incurred at the time the good or service is purchased. If KPMG subsequently receives a volume rebate or other incentive payment from a vendor relating to such expenses, KPMG does not credit such payment to the client. Instead, KPMG applies such payments to reduce its overhead costs, which costs are taken into account in determining KPMG's standard billing rates and certain transaction charges which may be charged to clients.

All fees, charges and other amounts payable to KPMG under the Engagement Letter do not include any sales, use, excise, value added, income or other applicable taxes, tariffs or duties, payment of which shall be the University's sole responsibility, excluding any applicable taxes based on KPMG's net income or taxes arising from the employment or independent contractor relationship between KPMG and its personnel.

UNIVERSITY OF SOUTH ALABAMA

November 20, 2018

KPMG LLP
188 East Capitol Street
Suite 1100
Jackson, MS 39201

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of the University of South Alabama, a component unit of the State of Alabama, (the University), and its aggregate discretely presented component units as of and for the year ended September 30, 2018, for the purpose of expressing opinions as to whether these financial statements present fairly, in all material respects, the respective financial positions, changes in financial positions, and, where applicable, cash flows thereof in accordance with U.S. generally accepted accounting principles. We are also providing this letter to confirm our understanding that the purpose of your testing of transactions and records relating to the University's federal programs, in accordance with Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) was to obtain reasonable assurance that the University had complied, in all material respects, with the requirements of law, regulations, contracts, and grants that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of November 20, 2018, the following representations made to you during your audit:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 1, 2018, for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.

2. We have made available to you:

BUSINESS OFFICE
AD 380 | 307 University Boulevard, N. | Mobile, Alabama 36688-0002
TEL: (251) 460-6241 | FAX: (251) 460-6647 | southalabama.edu

a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements.

b. Additional information that you have requested from us for the purpose of the audit;

c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence; and

d. All minutes of the meetings of the Board of Trustees, and other appropriate committees, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.

3. Except as disclosed to you in writing, there have been no communications from regulatory agencies, governmental representatives, employees, or others concerning noncompliance with laws and regulations in any jurisdiction or deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

5. All material transactions have been properly recorded in the accounting records and are reflected in the financial statements.

6. There are no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

7. All events subsequent to the date of the statement of net position and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

9. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

10. The effects of the uncorrected financial statement misstatements, if any, summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements.

11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. We understand that the term "fraud" is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.

12. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the University's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit.*

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud affecting the entity involving:

    a. Management

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud or suspected fraud affecting the University's financial statements communicated by employees, former employees, analysts, regulators, or others.

16. The University has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

17. We have no knowledge of any officer or trustee of the University, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

18. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

19. We have disclosed to you the identity of our related parties and all the related party relationships and transactions of which we are aware.

20. The following have been properly recorded or disclosed in the financial statements:

    a. Related party relationships and transactions of which we are aware in accordance with U.S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties. The term "related party" refers to government's related organizations, joint ventures, and jointly governed organizations, as defined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended; elected and appointed officials of the government; its management; members of the immediate families of elected or appointed officials of the government and its management; and other parties with which the government may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

    b. Guarantees, whether written or oral, under which the University is contingently liable.

    c. The existence of and transactions with joint ventures and other related organizations.

21. The University has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed in the footnotes to the financial statements.

22. The University has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.

23. The University's reporting entity includes all entities that are material component units of the University.

24. The University is responsible for compliance with the laws, regulations, donor restrictions, and provisions of contracts and grant agreements applicable to the University. Management has identified and disclosed to you all laws, regulations, donor restrictions, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.

25. There have been no:

    a. Instances of fraud that could have a material effect on the adjustments.

    b. Allegations, either written or oral, of misstatements or other misapplication of accounting principles in the University's adjustments that have not been disclosed to you in writing.

    c. Allegations, either written or oral, of deficiencies in internal control that could have a material effect on the University's adjustments that have not been disclosed to you in writing.

    d. False statements affecting the University's adjustments made to you, our internal auditors, or other auditors who have audited entities under our control upon whose work you may be relying in connection with your audit.

26. The University's reporting entity includes all entities that are component units of the University. Such component units have been properly presented as either blended or discrete. Investments in joint ventures in which the University holds an equity interest have been properly recorded on the statement of net position. The financial statements disclose all other joint ventures and other related organizations.

27. The basic financial statements properly classify all funds and activities, including governmental funds, which are presented in accordance with the fund type definitions in

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

28. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for presentation as major are identified and presented as such, and all other funds that are presented as major are considered to be particularly important to financial statement users by management.

29. Inter-fund, internal, and intra-entity activity and balances have been appropriately classified and reported.

30. Billings to third-party payors comply in all material respects with applicable coding guidelines (e.g., ICD-9-CM and CPT-4) and laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse) and only reflect charges for goods and services that were medically necessary, ordered in writing by a treating physician, properly approved by regulatory bodies (for example, the Food and Drug Administration), if required, and properly rendered.

31. Amounts advanced to related entities represent valid receivables and are expected to be recovered at some future date in accordance with the terms of related agreements.

32. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the statement of net position and have been appropriately reduced to their estimated net realizable value.

33. Deposits and investment securities are properly classified and reported.

34. The University is responsible for determining the fair value of certain investments as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. The amounts reported represent the University's best estimate of fair value of investments required to be reported under the Statement. The University also has disclosed the methods and significant assumptions used to estimate the fair value of its investments, and the nature of investments reported at amortized cost.

35. The University has identified and properly reported all of its derivative instruments and any related deferred outflows of resources or deferred inflows of resources related to hedging derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The University complied with the requirements of GASB Statement No. 53 related to the determination of hedging derivative instruments and the application of hedge accounting. Further, the University has disclosed

all material information about its derivative and hedging arrangement in accordance with GASB Statement No. 53.

36. The estimate of fair value of derivative instruments is in compliance with GASB Statement No. 53. For derivative instruments with fair values that are based on other than quoted market prices, the University has disclosed the methods and significant assumptions used to estimate those fair values.

37. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:

    a. The extent, nature, and terms of financial instruments with off-balance-sheet risk;

    b. The amount of credit risk of financial instruments with off-balance-sheet credit risk, and information about the collateral supporting such financial instruments; and

    c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

38. We believe that all material expenditures or expenses that have been deferred to future periods will be recoverable.

39. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated. There are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed in the footnotes to the basic financial statements.

40. The University has properly applied the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* including those related to the recognition of outlays associated with the development of internally generated computer software.

41. The University has no:

    a. Commitments for the purchase or sale of services or assets at prices involving material probable loss.

    b. Material amounts of obsolete, damaged, or unusable items included in the inventories at greater than salvage values.

c. Loss to be sustained as a result of other-than-temporary declines in the fair value of investments.

42. The University has complied with all tax and debt limits and with all debt related covenants.

43. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under section 103 of the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.

44. We believe the actuarial assumptions and methods used to measure financial statement liabilities and costs associated with other post-employment benefits and to determine information related to the University's funding progress related to such benefits for financial reporting purposes are appropriate in the University's circumstances and the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.

45. The projected employer contributions in the discount rate calculation are prepared in accordance with paragraphs 37-39 of GASB Statement No. 75.

46. The basis for our proportion of the collective pension and OPEB amounts is appropriate and consistent with the manner in which future contributions to the pension and OPEB plan are expected to be made.

47. For each defined benefit pension plan in which the University is a participating employer:

d. The net pension liability, related deferred outflows of resources, deferred inflows of resources, and pension expense has been properly measured and recorded as of the measurement date in accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

e. All relevant plan provisions in force as of the measurement date have been properly reflected in the measurement of the net pension liability and pension expense.

f. We believe the actuarial assumptions and methods used to measure the net pension liability and pension expense are appropriate in the circumstances and

the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.

g. The participants' data provided to the actuary for purpose of determining the net pension liability and pension expense is accurate and complete.

h. The basis for our proportion of the collective pension amounts is appropriate and consistent with the manner in which contributions to the pension plan are determined.

48. Components of net position (net investment in capital assets; restricted; and unrestricted) and fund balance components (non-spendable; restricted; committed; assigned; and unassigned) are properly classified and, if applicable, approved.

49. Revenues are appropriately classified in the statement of revenues, expenses, and changes in net position.

50. The University has identified and properly accounted for all nonexchange transactions.

51. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

52. Special and extraordinary items are appropriately classified and reported.

53. The financial statements disclose all of the matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including significant conditions and events, and our plans.

54. We agree with the findings of specialists in evaluating the reserves related to the Professional Liability and General Liability Trust Funds and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

55. Provision, when material, has been made for:

a. Losses to be sustained from inability to fulfill any sales commitments.

b. Estimated loss to be sustained as a result of retroactive adjustments by third-party payors under reimbursement agreements that are subject to examination, including denied claims, changes to diagnosis-related group (DRG) assignments, or other classification criteria affecting reimbursement.

c. Losses to be sustained as a result of adjustments resulting from review of Medicare or other payor claim data by the Professional Review Organization (PRO) or other payors' reviewers with which the University has agreements.

d. Losses to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.

e. Losses to be sustained as a result of other-than-temporary declines in the fair value of investments

f. Liabilities for physician and medical services provided to members covered under capitation arrangements. The recorded liability includes both claims received and unpaid as well as an estimate of the claims incurred but not reported and loss to be sustained for commitments to provide medical services to enrollees under capitation agreements.

56. We acknowledge our responsibility for the presentation of the supplementary information, which in accordance with the applicable criteria and:

    a. Believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria.
    b. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period; and
    c. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.

57. The University has complied with all applicable laws and regulations in adopting, approving, and amending budgets.

58. Management is responsible for the accuracy and propriety of all cost reports filed and all required Medicare, Medicaid, and similar cost reports have been properly filed. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient related and properly allocated to applicable payors. The reimbursement methodologies and principles employed in accordance with applicable

rules and regulations. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for subsequent appeal, have been fully disclosed in the cost report. Recorded third party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.

59. For investments in alternative investments (including hedge funds, real estate ventures, private equity funds, etc.), management has performed an evaluation to determine whether the investment should be consolidated or accounted for under the equity, fair value, or cost method. Such evaluation included the consideration of various factors, including the legal form of the investment (limited partnership, limited liability Corporation, limited liability partnership, trust arrangements, etc.) The level of ownership in the investment, and the frequency with which the unit value is published and purchase and sale transactions are permitted.

Additionally, we confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purposes of appropriately informing ourselves, as of November 15, 2018, the following representations made to you during your single audit:

60. We are responsible for establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance that the University is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

61. We are responsible for understanding and complying with the requirements of federal statutes, regulations and the terms and conditions of federal awards related to each of the University's federal programs.

62. We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

63. We are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud in the administration of federal programs. We have no knowledge of any fraud or suspected fraud affecting the entity's federal programs involving:

    a. Management, including management involved in the administration of federal programs.

b. Employees who have significant roles in internal control over the administration of federal programs.

c. Others where the fraud could have a material effect on compliance with laws and regulations, and provisions of contract and grant agreements related to its federal programs.

64. We are responsible for the presentation of the schedule of expenditures of federal awards (SEFA) in accordance with the Uniform Guidance and:

a. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period.

b. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.

65. The University is responsible for complying, and has complied, with the requirements of Uniform Guidance.

66. The University has prepared the SEFA in accordance with the requirements of Uniform Guidance and has included all expenditures made during the year ended September 30, 2018 for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.

67. The University has complied with requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of its federal programs.

68. We have advised you that the University does not participate in the zone alternative.

69. The University has disclosed to you any interpretations of any compliance requirements that have varying interpretations.

70. The University has established and maintained effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are administered in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on its federal program.

71. We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over compliance that we have identified, which could adversely affect the University's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, and the provisions of contracts and grant agreements. Under standards established by the American Institute of Certified Public Accountants, a deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct on a timely basis, noncompliance with a type of compliance requirement of a federal program. A "material weakness" is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected on a timely basis. A "significant deficiency" is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

72. We have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program.

73. We have made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities related to major federal programs.

74. We have identified and disclosed to you all questioned costs and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.

75. The University is in compliance with documentation requirements contained in the requirements promulgated by the sponsoring Federal agencies (e.g., the Department of Health and Human Services' 45 CFR part 74, appendix E) for all costs charged to federal awards, including both direct costs and indirect costs charged through indirect cost proposals. Costs charged to Federal awards, are considered allowable under these same requirements.

76. Federal financial reports and claims for advances and reimbursements are supported by the accounting records from which the financial statements have been prepared.

77. The copies of federal financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

78. We have issued management decisions on a timely basis (within six months of acceptance of the audit report by the FAC) for audit findings that relate to federal awards made to subrecipients. Additionally, management has followed up ensuring that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal awards provided to the subrecipient by the University.

79. We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, the terms and conditions of the subawards and have met the other pass-through entity requirements of the Uniform Guidance. If applicable, the University has issued management decisions on a timely basis after receipt of subrecipient audit reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and has ensured that subrecipients have taken appropriate and timely corrective action on such findings.

80. If applicable, we have considered the results of subrecipient audits and have made any necessary adjustments to the University accounting records.

81. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the compliance requirements over federal programs, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

82. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

83. We have made available all documentation related to the compliance requirements, including information related to federal financial reports and claims for advances and reimbursements, for major federal programs.

84. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance.

85. If applicable, the University has provided you with all information on the status of the follow-up prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

86. The University has charged costs to federal awards in accordance with the applicable cost principles.

87. The University has advised you of all contracts or other agreements with service organizations.

88. The University has disclosed to you all communications from its service organizations relating to noncompliance at the service organizations.

89. We have disclosed any known noncompliance relating to major federal programs occurring subsequent to the period covered by the audit report.

90. The University has disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control over major federal programs, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses), have occurred subsequent to the period covered by the auditors' report.

91. There are no material unrecorded environmental remediation liabilities that must be recorded and/or disclosed in the University's financial statements.

92. The University has made a continuing pledge and will make necessary appropriations to fund all deficits of the University of South Alabama Health Care Authority.

93. The receivable from the USA Research and Technology Corporation of $1,460,966 at September 30, 2018 is deemed fully collectible and it is the University's intention for this amount to be repaid over a period of time greater than one year.

94. If the USA Research and Technology Corporation debt coverage ratio is less than 1 to 1, the University will pay the Corporation's rent equal to the amount necessary to bring the ratio to 1 to 1.

95. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the University's current period financial statements and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

96. We acknowledge our responsibility for the presentation of the required supplementary information which includes management's discussion and analysis, the schedule of the University's proportionate share of the net pension liability, the schedule of the

University's pension contributions, the schedule of the University's proportionate share of the net OPEB liability, and the schedule of the University's OPEB contributions in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:

a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.

b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period; and

c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate in the circumstances.

Very truly yours,

University of South Alabama

Dr. Tony G. Waldrop

University President

G. Scott Weldon

Vice President for Finance and Administration

Robert K. Davis

University Treasurer, Associate Vice President for Finance and Administration & Director of Tax Accounting

Polly Stokley

Assistant Vice President & Controller, Finance & Administration

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

Independent Auditors' Report

The Board of Trustees
University of South Alabama:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the University of South Alabama, a component unit of the State of Alabama (the University), as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2018 which included an emphasis of matter paragraph related to the adoption of Governmental Accounting Standards Board Statement No. 75. We did not audit the consolidated financial statements of the University of South Alabama Foundation, which represents 94% and 99%, respectively, of the total assets and net assets or net position, as of June 30, 2018 and 56% of revenues, gains, and other support for the year ended June 30, 2018 of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of South Alabama Foundation, is based on the report of the other auditors.

In connection with our audit, nothing came to our attention that caused us to believe that the University failed to comply with the terms, covenants, provisions, or conditions of Article X of the Trust Indenture, as amended, on June 16, 2010, authorizing the issuance of $29,750,000 University Facilities Revenue Capital Improvement Bond, Series 2010, as amended on January 4, 2012, authorizing the issuance of $32,740,000 University Facilities Revenue Capital Improvement Bonds, Series 2012-A and 2012-B, as amended on June 28, 2013, authorizing the issuance of $50,000,000 University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B and 2013-C, as amended on March 14, 2014, authorizing the issuance of $41,245,000 University Facilities Revenue Refunding Bond, Series 2014-A, as amended on June 15, 2015, authorizing the issuance of $6,000,000 University Facilities Revenue Capital Improvement Bond, Series 2015, as amended on September 14, 2016, authorizing the issuance of $85,605,000 University Facilities Revenue Refunding Bonds, Series 2016-A, as amended on December 7, 2016, authorizing the issuance of $100,000,000 University Facilities Revenue Refunding Bonds, Series 2016-B, 2016-C, and 2016-D, and as amended on June 15, 2017, authorizing the issuance of $38,105,000 University Facilities Revenue Bonds, Series 2017, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the University's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Trust Indenture, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the board of trustees and management of the University of South Alabama and management of The Bank of New York Trust Company, N.A. and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Jackson, Mississippi
November 20, 2018

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

UNIVERSITY OF SOUTH ALABAMA

(A Component Unit of the State of Alabama)

Independent Accountants' Report on Applying Agreed-Upon Procedures in Connection with
Capital Appreciation Series 1999 Bonds,
University Facilities Revenue Capital Improvement Bond, Series 2010,
University Facilities Revenue Capital Improvement Bonds, Series 2012-A and 2012-B,
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B, 2013-C,
University Facilities Revenue Refunding Bond Series 2014-A,
University Facilities Revenue Capital Improvement Bond, Series 2015,
University Facilities Revenue Refunding Bonds, Series 2016-A, 2016-B, 2016-C and 2016-D, and
University Facilities Revenue Bonds, Series 2017

September 30, 2018

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

Independent Accountants' Report on Applying Agreed-Upon Procedures

The Board of Trustees and Management
University of South Alabama:

We have performed the procedures enumerated below, which were agreed to by members of management of the University of South Alabama, a component unit of the State of Alabama (the University), solely to assist you in evaluating the accompanying Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the accompanying Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions relating to the Capital Appreciation Series 1999 Bonds, University Facilities Revenue Capital Improvement Bond, Series 2010, University Facilities Revenue Capital Improvement Bonds, Series 2012-A and 2012-B, University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B, and 2013-C, University Facilities Revenue Refunding Bond Series 2014-A, University Facilities Revenue Capital Improvement Bond, Series 2015, University Facilities Revenue Refunding Bonds, Series 2016-A, 2016-B, 2016-C, and 2016-D, and University Facilities Revenue Bonds, Series 2017 as of September 30, 2018, and for the year then ended. The University's management is responsible for the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions and the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

a. We compared the amounts shown on the Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions in Exhibit A to the annual trustee statements of cash and investment transactions provided to us by the bond trustee and found them to be in agreement.

b. We compared the amounts shown on the Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions in Exhibit B to the annual trustee statements of cash and investment transactions provided to us by the bond trustee and found them to be in agreement.

c. We obtained from University management a schedule of general student fees (tuition) earned during the year ended September 30, 2018 (not included herein), which approximated $136 million and compared that amount to the general student fees recorded in the University's general ledger for the year ended September 30, 2018 and found them to be in agreement.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Statement of Changes in Cash and Investments Held by Trustee Pursuant to the Bond Resolutions for the year ended September 30, 2018 and the accompanying Statement of Cash and Investments Held by Trustee Pursuant to the Bond Resolutions as of September 30, 2018. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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

KPMG LLP

November 20, 2018

Exhibit A

UNIVERSITY OF SOUTH ALABAMA

Statement of Changes in Cash and Investments
Held by Trustee Pursuant to the Bond Resolutions
Capital Appreciation Series 1999 Bonds,
University Facilities Revenue Capital Improvement Bond, Series 2010,
University Facilities Revenue Capital Improvement Bonds 2012-A and 2012-B,
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B, and 2013-C,
University Facilities Revenue Refunding Bond, Series 2014-A,
University Facilities Revenue Capital Improvement Bond, Series 2015
University Facilities Revenue Refunding Bonds, Series 2016-A, 2016-B, 2016-C, 2016-D
University Facilities Revenue Refunding Bonds, Series 2017

Year ended September 30, 2018

(In thousands)

Cash and investment transactions:		
Cash receipts:		
Deposits from University of South Alabama for interest and retirement of bonds	$	29,038
Proceeds from sale of investments		—
		29,038
Cash disbursements:		
Principal payments		18,220
Interest payments		10,818
Purchases of investments		—
		29,038
Net change in cash and investments during the year		—
Total cash and investments held by trustee:		
Beginning of year		—
End of year	$	—

See accompanying independent accountants' report on applying agreed-upon procedures.

Exhibit B

UNIVERSITY OF SOUTH ALABAMA

Statement of Cash and Investments
Held by Trustee Pursuant to the Bond Resolutions
Capital Appreciation Series 1999 Bonds,
University Facilities Revenue Capital Improvement Bond, Series 2010,
University Facilities Revenue Capital Improvement Bonds 2012-A and 2012-B,
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2013-B, and 2013-C,
University Facilities Revenue Refunding Bond, Series 2014-A,
University Facilities Revenue Capital Improvement Bond, Series 2015
University Facilities Revenue Refunding Bonds, Series 2016-A, 2016-B, 2016-C, 2016-D
University Facilities Revenue Refunding Bonds, Series 2017

September 30, 2018

(In thousands)

Cash and investments, at cost:	
Total cash and investments	$ —

See accompanying independent accountants' report on applying agreed-upon procedures.

USA RESEARCH AND TECHNOLOGY CORPORATION

(A Component Unit of the University of South Alabama)

Basic Financial Statements

September 30, 2018

(With Independent Auditors' Report Thereon)

USA RESEARCH AND TECHNOLOGY CORPORATION
(A Component Unit of the University of South Alabama)

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9
Notes to Basic Financial Statements	10

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

Independent Auditors' Report

The Board of Directors
USA Research and Technology Corporation:

We have audited the accompanying financial statements of USA Research and Technology Corporation (the Corporation), a component unit of the University of South Alabama, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of September 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Jackson, Mississippi
November 20, 2018

USA RESEARCH AND TECHNOLOGY CORPORATION

(A Component Unit of the University of South Alabama)

Management's Discussion and Analysis (Unaudited)

September 30, 2018

Introduction

The following discussion presents an overview of the financial position and financial activities of USA Research and Technology Corporation (the Corporation) at September 30, 2018 and 2017, and for the years then ended. This discussion was prepared by management and should be read in conjunction with the basic financial statements and notes thereto, which follow.

Financial Highlights

The Corporation owns three buildings in the USA Technology & Research Park (the Park) on the campus of the University of South Alabama (the University), one building located on the premises of the USA University Hospital, and leases one floor of a University-owned, on-campus building. Housing both University and third-party tenants, the area available for lease totals 229,814 square feet of gross leasable space. At September 30, 2018, total square feet under lease was 177,523. The land on which each building is located is leased from the University. The Corporation owns another building located on the University campus, which is supplied at no cost to the University for use as a faculty club.

The acquisitions of the buildings held for rent were originally financed entirely by commercial mortgage notes and a promissory note with banks, secured by the ground leases, the buildings, and rent income produced by the buildings. As part of the financing arrangement for the two buildings purchased in 2007, the Corporation entered into a derivative transaction, which yielded a synthetic fixed interest rate on the permanent financing. During 2018, the derivative was terminated as part of a refinancing transaction. As a result of refinancing transactions, the debt is currently in the form of two promissory notes.

At September 30, 2018 and 2017, the Corporation had total assets and deferred outflows of $23,640,750 and $24,386,872, respectively; total liabilities of $22,836,825 and $23,656,026, respectively; and net position of $803,925 and $730,846, respectively.

An overview of each financial statement is presented herein along with a financial analysis of the transactions impacting the financial statements. Where appropriate, comparative financial information is presented to assist in the understanding of this analysis.

Condensed Financial Information

Condensed financial information for the Corporation as of and for the years ended September 30, 2018 and 2017 follows (in thousands):

Condensed Schedules of Net Position

	2018	2017
Assets and deferred outflows:		
Current	$ 675	380
Capital assets – noncurrent	21,430	21,689
Other noncurrent assets	94	66
Deferred outflows	1,442	2,252
	23,641	24,387
Liabilities:		
Current	1,318	1,710
Noncurrent	21,519	21,946
	22,837	23,656
Net position:		
Net investment in capital assets	627	876
Unrestricted (deficit)	177	(145)
	$ 804	731

Condensed Schedules of Revenues, Expenses, and Changes in Net Position

	2018	2017
Operating revenues	$ 3,510	3,359
Operating expenses:		
Depreciation and amortization	1,074	984
Other	1,316	1,326
Net operating expenses	2,390	2,310
Operating income	1,120	1,049
Nonoperating (expenses) revenues:		
Interest expense	(1,069)	(1,145)
Other	22	3
Net nonoperating expenses	(1,047)	(1,142)
Change in net position	73	(93)
Beginning net position	731	824
Ending net position	$ 804	731

Analysis of Financial Position and Results of Operations

Statement of Net Position

The statement of net position presents the assets and deferred outflows, liabilities, and net position of the Corporation. The net position is displayed in two parts; net investment in capital assets and unrestricted. Unrestricted net position is available for use by the Corporation to meet current expenses for any purpose. The statement of net position, along with all of the Corporation's basic financial statements, is prepared under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is exchanged.

Current assets consist of cash and cash equivalents, net rent receivable, prepaid expenses, and other current assets at September 30, 2018 and 2017. Noncurrent assets at September 30, 2018 and 2017 consist primarily of capital assets.

Deferred outflows and the noncurrent liability related to the interest rate swap decreased between 2018 and 2017 as a result of the change in the fair value of the swap and the termination of the swap as part of a refinancing transaction.

Current liabilities primarily consist of unrecognized rent revenue, accrued expenses, and the current portion of long-term debt at September 30, 2018 and 2017. Noncurrent liabilities consist of notes payable, an interest rate swap liability, and a payable to the University.

Net position represents the residual interest in the Corporation's assets and deferred outflows after liabilities are deducted. Net position is classified into one of two categories.

Net investment in capital assets, represents the Corporation's capital assets less accumulated depreciation and the outstanding principal balance of long-term debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred but the proceeds have not yet been expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Unrestricted net position, represents amounts not subject to externally imposed stipulations and are available for use at the discretion of the board of directors for any purpose.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total Corporation net position as reported in the statement of net position are based on the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of this statement is to present the change in net position resulting from revenues earned and expenses incurred by the Corporation.

For the years ended September 30, 2018 and 2017, the Corporation reported a change in net position of $73,079 and $(93,224), respectively.

Statement of Cash Flows

The statement of cash flows presents information related to the cash flows of the Corporation. This statement presents cash flows by category: operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

Capital Assets and Debt Administration

Total capital asset additions during the years ended September 30, 2018 and 2017 were approximately $805,500 and $94,000, respectively. During the year ended September 30, 2018 the promissory note payable to Wells Fargo Bank N.A. was refunded with the proceeds of a loan from PNC Bank, N.A. Also, the proceeds of the PNC loan included $1,478,000 which was paid to Wells Fargo to terminate an interest rate swap. See notes 3, 5, and 6 to the basic financial statements for further information related to capital assets and debt.

Economic Outlook

Based on leases in effect at September 30, 2018 and estimates of future operating expenses, it is expected that fiscal year 2019 financial performance will be stronger than fiscal year 2018 results. Corporation management is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the Corporation's financial position or results of operations during fiscal year 2019 beyond those unknown variables having a global effect on virtually all types of business operations.

Requests for Information

These basic financial statements are designed to provide a general overview of the Corporation and to demonstrate the Corporation's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mr. G. Scott Weldon; Vice-President for Finance and Administration; University of South Alabama – Room 170; Mobile, Alabama 36688.

USA RESEARCH AND TECHNOLOGY CORPORATION
(A Component Unit of the University of South Alabama)

Statement of Net Position

September 30, 2018

Assets:		
Current assets:		
Unrestricted cash and cash equivalents	$	434,629
Rent receivable		234,932
Prepaid expenses and other current assets		5,453
Total current assets		675,014
Noncurrent assets:		
Intangible assets, net		93,502
Capital assets, net		21,430,374
Total noncurrent assets		21,523,876
Deferred outflows		1,441,860
Total assets and deferred outflows		23,640,750
Liabilities:		
Current liabilities:		
Deposits, other current liabilities, and accrued expenses		207,072
Unrecognized rent revenue		384,379
Current portion of notes payable		726,720
Total current liabilities		1,318,171
Noncurrent liabilities:		
Notes payable, excluding current portion		20,057,688
Payable to University of South Alabama		1,460,966
Total noncurrent liabilities		21,518,654
Total liabilities		22,836,825
Net position:		
Net investment in capital assets		626,860
Unrestricted		177,065
Total net position	$	803,925

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION
(A Component Unit of the University of South Alabama)

Statement of Revenues, Expenses, and Changes in Net Position

Year ended September 30, 2018

Operating revenues	$	3,510,272
Operating expenses:		
Building management and operating expenses		1,095,859
Depreciation and amortization		1,074,308
Legal and administrative fees		185,238
Insurance		34,693
Total operating expenses		2,390,098
Operating income		1,120,174
Nonoperating revenues (expenses):		
Donations		106,590
Interest expense		(1,068,894)
Debt issuance expense		(82,000)
Other		(2,791)
Net nonoperating expenses		(1,047,095)
Change in net position		73,079
Net position:		
Beginning of year		730,846
End of year	$	803,925

See accompanying notes to basic financial statements.

USA RESEARCH AND TECHNOLOGY CORPORATION
(A Component Unit of the University of South Alabama)

Statement of Cash Flows

Year ended September 30, 2018

Cash flows from operating activities:		
Collections from lessees for rent and operating expense reimbursement	$	3,247,513
Payments for expenses of leasing activity		(1,087,922)
Payments to service providers and vendors for general corporate operating expenses		(178,162)
Security deposits collected		3,352
Net cash provided by operating activities		1,984,781
Cash flows from noncapital financing activities:		
Vending commissions		3,915
Donations		(101)
Net cash provided by noncapital financing activities		3,814
Cash flows from capital and related financing activities:		
Proceeds from issuance of notes payable		13,199,582
Proceeds from advance from University of South Alabama		335,000
Interest paid on notes payable		(1,036,216)
Principal repaid on notes payable		(12,668,812)
Interest rate swap termination fee		(1,478,000)
Purchases of capital assets		(132,772)
Debt issuance costs		(82,000)
Proceeds from sales of capital assets		5,832
Net cash used in capital and related financing activities		(1,857,386)
Cash flows from investing activities:		
Collection on loan to affiliate		1,000
Payment of leasing commissions		(50,638)
Net cash used in investing activities		(49,638)
Net change in cash and cash equivalents		81,571
Cash and cash equivalents:		
Beginning of year		353,058
End of year	$	434,629
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	1,120,174
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense		1,074,308
Decrease in operating expense payable to the University of South Alabama		(877)
Increase in rent receivables and prepaid expenses		(214,105)
Decrease in unrecognized rent revenue		(48,309)
Increase in other current liabilities, excluding items that are not components of operating income		53,590
Net cash provided by operating activities	$	1,984,781
Noncash investing and capital and related financing transactions:		
Increase in capital assets due from the change in long-term payable to University of South Alabama related to building renovations	$	566,094
Decrease in fair value of interest rate swap liability		744,006
Capital assets donated by tenants		106,590
Donation of capital assets to University of South Alabama		(4,430)
Capital assets sold		(8,007)
Interest expense from amortization of deferred cash flows related to debt refinancing		(36,140)

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The accompanying basic financial statements present the financial position and activities of the USA Research and Technology Corporation (the Corporation), which is a component unit of the University of South Alabama (the University), and NovALtech, LLC (NovALtech), an Alabama single-member limited liability company whose single member is the Corporation.

NovALtech was organized in September 2010 with the purpose of providing a vehicle for the commercialization of intellectual property owned by the University but deemed too speculative for the University to provide funds for further development. NovALtech licenses from the University the patent rights to such property and seeks to sublicense the rights to third parties who will then fund development with the goal of reaching commercial potential. During 2018, the Corporation transferred ownership of NovALtech to the University of South Alabama Foundation for Research and Commercialization (FRAC). FRAC is classified as a tax-exempt entity under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and is a supporting organization of the University.

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, the basic financial statements include the accounts of the Corporation, as the primary government, and the accounts of NovALtech as a component unit through the date of the transfer to FRAC.

The Corporation has adopted GASB Statements No. 39 and No. 61, which provide criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government. The statement also clarifies reporting requirements for those organizations. During the year ended September 30, 2018, the Corporation reported the fiscal year 2018 activities of NovALtech through the date of the transfer to FRAC as a blended component unit but did not report any assets or liabilities of NovALtech due to the transfer to FRAC. All significant transactions between the Corporation and its blended component unit have been eliminated.

The basic financial statements include the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows.

(b) Measurement Focus and Basis of Accounting

For financial reporting purposes, and by virtue of its affiliation with the University, the Corporation is considered a special-purpose governmental agency engaged only in business-type activities, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Accordingly, the Corporation'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.

(c) Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash and cash equivalents are defined as demand accounts and any short-term investments that take on the character of cash, such as a money market account, with original maturities of 90 days or less.

(e) Rent receivable

Rent receivable is recorded net of estimated uncollectible amounts.

(f) Capital Assets

All capital expenditures with a cost of $1,000 or more and having a useful life of two or more years are capitalized at cost at the date of acquisition. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, 40 years for buildings and infrastructure, 20 years for land improvements, 10 years for furniture and fixtures, and 5 years for other equipment. Tenant improvements are amortized over the shorter of the asset's useful life or the term of the related lease. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

(g) Intangible Assets

Leasing commissions are capitalized and amortized over the term of the related lease. Amortization for these assets is calculated using the straight-line method.

(h) Derivatives

The Corporation has adopted the provisions of GASB Statement No. 53 (GASB 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 derivatives to be recognized in the financial statements.

The Corporation's only derivative instrument was an interest rate swap entered into to hedge the interest payments on its variable rate Wells Fargo Bank, N.A. note payable. During 2018 the note payable was refunded with the proceeds of a loan from PNC Bank, and the interest rate swap was terminated as part of that refunding transaction.

(i) Classification of Net Position

The Corporation's net position is classified as follows:

Net investment in capital assets, reflects the Corporation's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations (including the payable to University of South Alabama related to building renovations) and accrued construction costs related to those capital assets. To the extent debt has been incurred but the proceeds have not yet been expended for capital assets, such amounts are not included as a component of net investment in capital assets. Debt has also been reduced by the amount of deferred outflows, which is an approximation of the balance at September 30, 2018 of the debt incurred to provide funds for the swap termination fee.

Unrestricted net position, represents amounts not subject to externally imposed stipulations and are available for use at the discretion of the board of directors for any purpose.

(j) Classification of Revenues

The Corporation has classified its rental revenues as operating revenues, as these activities have the characteristics of exchange transactions. Rental revenues are recognized in accordance with GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*.

(2) Income Taxes

The Corporation is classified as a tax-exempt entity under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). NovALtech, from the date beginning with its organization through June 30, 2011, was treated as a disregarded entity for income tax purposes and its net income was treated as net income of the Corporation. Beginning July 1, 2011, NovALtech elected to be treated as an association taxable as a corporation. NovALtech had no net income for the fiscal year ended September 30, 2018. Accordingly, no provision for income taxes has been made in the accompanying basic financial statements.

(3) Capital Assets

Changes in capital assets for the year ended September 30, 2018 are as follows:

	Beginning balance	Additions	Transfers	Reductions	Ending balance
Land	$ 223,290	—	—	—	223,290
Land improvements	1,976,112	—	—	—	1,976,112
Buildings	28,290,547	12,234	—	—	28,302,781
Tenant improvements	1,154,557	682,483	3,483	—	1,840,523
Other equipment	274,856	110,739	—	(12,840)	372,755
Construction in progress - nondepreciable	3,483	—	(3,483)	—	—
	31,922,845	805,456	—	(12,840)	32,715,461
Less accumulated depreciation for:					
Land improvements	(1,217,594)	(94,014)	—	—	(1,311,608)
Buildings	(8,036,980)	(732,426)	—	—	(8,769,406)
Tenant improvements	(758,823)	(194,842)	—	—	(953,665)
Other equipment	(220,403)	(30,408)	—	403	(250,408)
	(10,233,800)	(1,051,690)	—	403	(11,285,087)
Capital assets, net	$ 21,689,045	(246,234)	—	(12,437)	21,430,374

(4) Property Taxes

The Corporation has received notice from the Mobile County Revenue Commissioner that the property of the Corporation is exempt from property taxes. Accordingly, property taxes have not been recorded in the accompanying basic financial statements.

(5) Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended September 30, 2018 are as follows:

	Beginning balance	Additions	Reductions	Ending balance	Less amounts due within one year	Noncurrent liabilities
Notes payable	$ 20,253,639	13,199,581	(12,668,812)	20,784,408	726,720	20,057,688
Interest rate swap	2,252,005	—	(2,252,005)	—	—	—
Payable to University of South Alabama	559,872	901,094	—	1,460,966	—	1,460,966
Total	$ 23,065,516	14,100,675	(14,920,817)	22,245,374	726,720	21,518,654

(Continued)

(6) Notes Payable

(a) Notes Payable

Notes payable consisted of the following at September 30, 2018:

PNC Bank promissory note, 4.38%, payable through 2028	$	13,065,613
PNC Bank promissory note, 4.50%, payable through 2021		7,718,795
	$	20,784,408

During 2018 a variable interest rate note payable to Wells Fargo Bank, N.A. was refunded with the proceeds of a loan from PNC Bank, N.A. The note payable to Wells Fargo Bank, N.A. was incurred by the Corporation to acquire Buildings II and III in the USA Technology & Research Park and to provide funds for renovations and tenant finishing costs. In addition to refunding the Wells Fargo note payable, the refunding proceeds were used to terminate an interest rate swap that was used to fix the interest rate on the Wells Fargo note. Over the term of each note payable, the cash flows required to service the PNC Bank note payable exceed the cash flows required to service the Wells Fargo note payable by $2,352,759. The economic loss due to the refunding was $587,552. The first promissory note payable to PNC Bank has a 10-year term and amortization is based on a 20-year term. The promissory note payable is secured by an interest in tenant leases for Buildings II and III, and an interest in income received from rental of Buildings II and III. The Corporation agreed to not transfer or encumber the buildings or its leasehold interest in the real estate on which the buildings stand.

The second promissory note payable to PNC Bank has a 10-year term and amortization is based on a 20-year term. The promissory note payable is secured by an interest in tenant leases for Building I and the dialysis services building, and an interest in income received from rental of Building I and the dialysis services building. The Corporation agreed to not transfer or encumber the buildings or its leasehold interest in the real estate on which the buildings stand.

In connection with each PNC note, the University entered into an agreement with the lender providing that for any year in which the Corporation's debt service coverage ratio is less than 1 to 1, the University will pay the Corporation rent equal to the amount necessary to bring the ratio to 1 to 1. The debt service coverage ratio is calculated by dividing the sum of unrestricted cash and cash equivalents at the beginning of the year (reduced by current year capital asset additions) and current year change in net position (determined without depreciation, amortization, and interest expenses) by current year debt service. For fiscal 2018, the Corporation's debt service coverage ratio was 1.13 to 1. Management believes the Corporation was in compliance with its debt covenants, including the debt service coverage ratio covenant, at September 30, 2018.

(Continued)

(b) Debt Service on Long-Term Obligations

At September 30, 2018, total future debt service by fiscal year is as follows:

	Debt service on notes payable		
	Principal	**Interest**	**Total**
2019	$ 726,720	904,983	1,631,703
2020	759,573	872,130	1,631,703
2021	7,567,763	630,828	8,198,591
2022	485,448	504,121	989,569
2023	507,143	482,426	989,569
2024-2028	10,737,761	1,964,186	12,701,947
Total	$ 20,784,408	5,358,674	26,143,082

(c) Derivative Transaction

The Corporation was a party to a derivative with Wells Fargo Bank, N.A., the counterparty (successor to Wachovia Bank, N.A. the original counterparty). The derivative was a “receive-variable, pay-fixed” interest rate swap entered into in connection with the promissory note to Wells Fargo Bank, N.A.

Under the swap, the Corporation paid Wells Fargo a fixed payment of 6.10% and received a variable payment of the one-month LIBOR rate plus 0.85%. Conversely, the Wells Fargo loan bore interest at the one-month LIBOR rate plus 0.85%. The Corporation paid $329,600 under the interest rate swap agreement for the year ended September 30, 2018, which is reflected as an increase in interest expense.

The swap was terminated on June 20, 2018 as part of a transaction refunding the Wells Fargo loan with the proceeds of a loan from PNC Bank. The fee paid by the Corporation to Wells Fargo to terminate the swap was $1,478,000. Pursuant to GASB Statement No. 65, the fee is reported in deferred outflows on the statement of net position and amortized to interest expense according to the percentage of annual interest paid on the loan from PNC Bank to the total interest to be paid on that loan over the 118 months that were remaining on the Wells Fargo loan when the swap was terminated.

(7) Leases

The Corporation leases space in Building I to three tenants under operating leases. One lease has a 5-year initial term expiring in October 2018 with two 5-year renewal options. The second lease has a 67-month initial term expiring in December 2018 with no renewal options. The third lease has a 90-month initial term with two 5-year renewal options.

Space in Buildings II and III is leased under operating leases to the University and various other tenants. The leases have remaining terms varying from month-to-month to four years.

The Corporation leases from the University the third floor of a campus building. Located on that floor is the Coastal Innovation Hub (the Hub), a technology incubator, which currently houses six tenants with month-to-month leases.

Under leases for Buildings I, II, and III, the Corporation must pay all operating expenses of the buildings, including utilities, janitorial, maintenance, and insurance. Tenants will reimburse the Corporation for such expenses only as the total expenses for a year increase over the total expenses for the base year of the lease (the Corporation's fiscal year beginning after the date the lease is signed). Under Hub leases, the Corporation must pay all operating expenses of the space, without reimbursement from tenants.

Space under lease to the University was 51,168 square feet at September 30, 2018.

The Corporation owns a building located on the premises of the USA University Hospital, which is leased to a single tenant. The Corporation paid for construction of the building shell and land improvements while the tenant paid for the cost of finishing the building's interior. The lease has a 10-year initial term expiring in March 2020 with three 5-year renewal options. Under the lease, the tenant must also pay for utilities, taxes, insurance, and interior repairs and maintenance. The Corporation is responsible for repairs and maintenance to the exterior and HVAC system.

The Corporation, as lessor, had three ground leases in place at September 30, 2018. One lease is for a 40-year initial term expiring in October 2046 with 20-year, and 15-year renewal options. The second lease is for a 30-year initial term expiring in October 2036 with four 5-year renewal options. The third lease has a 38.5-year initial term expiring in September 2046 with 20-year and 15-year renewal options.

Minimum future rental revenues by fiscal year are as follows:

2019	$	2,029,486
2020		1,459,216
2021		1,223,725
2022		1,130,881
2023		612,861
2024–2047		6,457,774
Total	$	12,913,943

(8) Related Parties

University of South Alabama

The Corporation was formed exclusively for the purpose of supporting the educational and scientific research missions of the University. To ensure this relationship continues, the Corporation's bylaws require its directors to be either University trustees or employees, or approved by the University Board of Trustees.

During fiscal 2018, the Corporation engaged in several transactions with the University. The University was charged $804,200 during the year ended September 30, 2018, for rental space as described in note 7. The University provides certain administrative, property management, utilities, and other support services to the Corporation, for which the University charged $620,048 for such services during fiscal year 2018.

Prior to fiscal 2015, the Corporation entered into four ground leases with the University for approximately 39 acres of land for $1.00 per year in connection with the acquisition or construction of buildings held for lease.

(9) Recently Issued Accounting Pronouncements

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* and Statement No. 82, *Pension Issues*. Both statements are effective for the Corporation for the current reporting period. Statement No. 81 changes the reporting requirements for gifts given to the Corporation in which the Corporation is a beneficiary of a split-interest agreement. Statement No. 82 was issued to address certain matters that have been raised from Statements No. 67, 68 and 73 and clarifies the presentation of payroll-related measures in the required supplementary information, the selection of assumptions and treatment of deviations from the guidance, and the classification of payments made by employers to satisfy employee contribution requirements. In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement will be effective for the Corporation beginning with the fiscal year ending September 30, 2019. Statement 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO's.

The GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. This statement will be effective for the Corporation beginning with the fiscal year ending September 30, 2020. Statement 84 addresses the criteria for identifying fiduciary activities of all state and local governments. In March 2017 the GASB issued Statement No. 85, *Omnibus*, which was effective for the Corporation in the current reporting period. The objective is to ensure consistency in the application of accounting and financial reporting requirements related to various topics, including blending component units, goodwill, fair value measurement and application, and postemployment benefits. The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, in May 2017. This statement was effective for the Corporation in the current reporting period. Statement 86 addresses financial reporting for in-substance defeasance of debt and prepaid insurance on debt that is extinguished. In June 2017 the GASB issued Statement No. 87, *Leases*, which will be effective for the Corporation beginning with the fiscal year ending September 30, 2021. This statement establishes a single model for lease accounting whereby certain leases that were previously classified as operating leases will now be reported on the statement of net position. Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued in March 2018 to enhance note disclosure for debt agreements. This statement is effective for the Corporation beginning with the fiscal year September 30, 2019. In June 2018 the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective beginning with fiscal year September 30, 2021. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 90, *Majority Equity Interests*, was issued in August 2018. Effective for the Corporation beginning with the fiscal year ending September 30, 2020, this statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method, with certain exceptions, if a government holding of the equity interest meets the definition of an investment.

The effect of the implementation of GASB Statement Nos. 83, 84, 87, 88, 89 and 90 on the Corporation has not yet been determined.

GASB Statement Nos. 81, 82, 85 and 86 did not have an impact on the Corporation's financial statements.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(A Component Unit of the University of South Alabama)

Basic Financial Statements

September 30, 2018

(With Independent Auditors' Report Thereon)

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY
(A Component Unit of the University of South Alabama)
Basic Financial Statements
September 30, 2018

Table of Contents

	Page(s)
Independent Auditors' Report	1–2
Management's Discussion and Analysis (Unaudited)	3–6
Basic Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9
Notes to Basic Financial Statements	10–16

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

Independent Auditors' Report

The Board of Directors
University of South Alabama Health Care Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of University of South Alabama Health Care Authority (HCA), a component unit of the University of South Alabama, as of and for the period August 1, 2017 (inception) through September 30, 2018, and the related notes to the financial statements, which collectively comprise HCA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of South Alabama Health Care Authority as of September 30, 2018, and the changes in its financial position and its cash flows for the period August 1, 2017 (inception) through September 30, 2018 in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Other Matter

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2018 on our consideration of the HCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the HCA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the HCA's internal control over financial reporting and compliance.

KPMG LLP

Jackson, Mississippi
November 20, 2018

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(A Component Unit of the University of South Alabama)

Management's Discussion and Analysis (Unaudited)

September 30, 2018

Introduction

The following discussion presents an overview of the financial position and financial activities of University of South Alabama Health Care Authority (HCA) at September 30, 2018, and for the period August 1, 2017 (inception) through September 30, 2018. This discussion has been prepared by management and should be read in conjunction with the basic financial statements and notes thereto, which follow.

Financial Highlights

Summary of 2018 Activities

HCA was incorporated on May 2, 2017 and commenced operations on August 1, 2017. HCA was formed by the University of South Alabama (University) as an Alabama public corporation pursuant to the University Authority Act of 2016. The University's Board of Trustees controls HCA through its appointment of HCA's board of directors. The board is composed of five ex-officio members and six other members. The ex-officio members are the Chair pro tempore of the University's Board of Trustees, and the President and University employees holding the following University positions: Vice President of Finance and Administration, Vice President for Medical Affairs, and Chief Executive Officer of USA Health. The other six members are all appointed by the University's Board of Trustees.

At September 30, 2018, HCA had total assets of $3,528,191; total liabilities of $2,308,223; and net position of $1,219,968.

HCA's basic financial statements are prepared under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is exchanged.

An overview of each financial statement is presented herein along with a financial analysis of the transactions impacting the financial statements.

Condensed Financial Information

Condensed financial information for HCA as of September 30, 2018 and for the period August 1, 2017 (inception) through September 30, 2018 follow (in thousands):

Condensed Schedule of Net Position

Assets:		
Current	$	2,797
Capital assets		731
Total assets		3,528
Liabilities:		
Current		2,308
Total liabilities		2,308
Net position:		
Net investment in capital assets		731
Unrestricted		489
Total net position	$	1,220

(Continued)

Condensed Schedule of Revenues, Expenses, and Changes in Net Position

Operating revenues:		
Net patient service revenues	$	16,863
Other operating revenues		650
Total operating revenues		17,513
Operating expenses:		
Salaries and benefits		13,592
Other operating expenses		11,666
Total operating expenses		25,258
Operating loss		(7,745)
Nonoperating revenues:		
Support from affiliate		8,953
Other nonoperating revenues		12
Increase in net position		1,220
Net position at inception		—
Net position at end of year	$	1,220

Analysis of Financial Position and Results of Operations

Statement of Net Position

The statement of net position presents the assets, liabilities, and net position of HCA at September 30, 2018. Net position is displayed in two parts: net investment in capital assets and unrestricted. Net investment in capital assets represents HCA's capital assets less accumulated depreciation and outstanding principal balances of the debt attributable to the acquisition, construction, or improvement of those assets. Unrestricted net position is available for use by HCA to meet current expenses for any purpose. The statement of net position, along with all of HCA's basic financial statements, is prepared under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred by HCA, regardless of when cash is exchanged.

Assets included in the statement of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, and net patient receivables. Of these amounts, cash and cash equivalents and net patient receivables comprise approximately 79% of current assets at September 30, 2018. Current assets consist of cash and cash equivalents of $393,333, accounts receivable of $1,826,796, inventories of $227,588 and other current assets in the amount of $349,885 at September 30, 2018. Noncurrent assets consist of capital assets of $730,589.

Current liabilities consist of accounts payable of $620,539, accrued salaries and wages of $889,883 and other current liabilities of $797,801 at September 30, 2018.

Statement of Revenues, Expenses, and Changes in Net Position

The change in total HCA net position is based on the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of the statement is to present the change in net position resulting from revenues earned and expenses incurred by HCA.

For the period August 1, 2017 (inception) through September 30, 2018, HCA reported an increase in net position of $1,219,968.

Statement of Cash Flows

The statement of cash flows presents information related to cash flows of HCA. The statement presents cash flows by category: operating activities, noncapital financing activities, and capital and related financing activities.

Economic Outlook

The financial outlook for HCA is stable. HCA continues to grow by purchasing existing physician practices and expanding existing practices.

Requests for Information

These basic financial statements are designed to provide a general overview of HCA and to demonstrate HCA's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mrs. Traci Jones; Chief Financial Officer; University Health; 2451 USA Medical Center Drive, Administration Suite, Mobile, AL 36604.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(A component unit of the University of South Alabama)

Statement of Net Position

September 30, 2018

Current assets:		
Cash and cash equivalents	$	393,333
Patient receivables (net of allowance for doubtful accounts of approximately $35,500)		1,826,796
Inventories		227,588
Other current assets		349,885
Total current assets		2,797,602
Noncurrent assets:		
Capital assets		730,589
Total assets		3,528,191
Current liabilities:		
Accounts payable and accrued liabilities		620,539
Accrued salaries and wages		889,883
Other current liabilities		797,801
Total current liabilities		2,308,223
Total liabilities		2,308,223
Net position:		
Net investment in capital assets		730,589
Unrestricted		489,379
Total net position	$	1,219,968

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(A component unit of the University of South Alabama)

Statement of Revenues, Expenses, and Changes in Net Position

Period August 1, 2017 (inception) through September 30, 2018

Operating revenues:		
Patient service revenues (net of provision for bad debts of $77,010)	$	16,863,187
Other operating revenues		650,484
Total operating revenues		17,513,671
Operating expenses:		
Salaries and benefits		13,592,303
Building and equipment expenses		1,537,464
Medical and surgical supplies		6,790,518
Other expenses		3,204,353
Depreciation and amortization		134,154
Total operating expenses		25,258,792
Operating loss		(7,745,121)
Nonoperating revenues:		
Support from University of South Alabama		8,952,926
Other nonoperating revenues		12,163
Total nonoperating revenues		8,965,089
Increase in net position		1,219,968
Net position at inception		—
Net position at end of year	$	1,219,968

See accompanying notes to basic financial statements.

UNIVERSITY OF SOUTH ALABAMA HEALTH CARE AUTHORITY

(A component unit of the University of South Alabama)

Statement of Cash Flows

Period August 1, 2017 (inception) through September 30, 2018

Cash flows from operating activities:		
Receipts from and on behalf of patients and third-party payors	$	15,036,391
Payments to suppliers and vendors		(10,764,111)
Payments to employees and related benefits		(12,629,777)
Other operating receipts		650,484
Net cash used in operating activities		(7,707,013)
Cash flows from noncapital financing activities:		
Support from University of South Alabama		8,952,926
Other nonoperating income		12,163
Net cash provided by noncapital financing activities		8,965,089
Cash flows from capital and related financing activities:		
Purchases of capital assets		(864,743)
Net cash used in capital and related financing activities		(864,743)
Net increase in cash and cash equivalents		393,333
Cash and cash equivalents:		
At inception		—
End of year	$	393,333
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(7,745,121)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense and amortization		134,154
Changes in assets and liabilities, net:		
Net patient receivables		(1,826,796)
Inventories		(227,588)
Other current assets		(349,885)
Accounts payable and accrues liabilities		620,539
Accrued salaries and wages		889,883
Other current liabilities		797,801
Net cash used in operating activities	$	(7,707,013)

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

HCA was incorporated on May 2, 2017 and commenced operations on August 1, 2017. HCA enhances the University's provision of patient care by providing it with a corporate structure which allows for greater flexibility and options to achieve goals consistent with the public health mission of the University. HCA provides group medical practices for physicians who strive to make a difference in the lives of those they serve through promoting excellence in healthcare.

HCA was formed by the University as an Alabama public corporation pursuant to the provisions of the State of Alabama University Authority Act of 2016. The University's Board of Trustees controls HCA through its control of HCA's board of directors. The board is composed of five ex-officio members and six other members. The ex-officio members are the Chair pro tempore of the University's Board of Trustees, and the President and University employees holding the following University positions – Vice President of Finance and Administration, Vice President for Medical Affairs, and Chief Executive Officer of USA Health. The other six members are all appointed by the University's Board of Trustees.

The basic financial statements include the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows.

(b) Measurement Focus and Basis of Accounting

For financial reporting purposes, HCA is considered a special-purpose governmental agency engaged only in business-type activities, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Accordingly, HCA'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.

(c) Statement of Revenues, Expenses, and Changes in Net Position

Transactions deemed to be ongoing, major, or central to the provision of healthcare services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating revenues.

(d) 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.

(e) Cash and Cash Equivalents

Cash and cash equivalents are defined as petty cash, demand accounts, certificates of deposit, and any short term investments that take on the character of cash. These investments have maturities of less than three months and include repurchase agreements and money market accounts.

(f) Patient Receivable

Patient receivables primarily result from ambulatory patient service revenues. Patient receivables are recorded net of estimated doubtful amounts.

(g) Inventories

Inventories consist of medical supplies and pharmaceuticals, which are stated at the lower of cost (first in, first out method) or market.

(h) Capital Assets

Capital assets are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets 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 statement of revenues, expenses, and changes in net position.

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

Leasehold improvements	10 to 20 years
Fixed equipment	10 to 20 years
Other equipment	4 to 15 years

(i) Classification of Net Position

HCA's net position is classified as follows:

- Net investment in capital assets represents the HCA's total investment in capital assets.
- Unrestricted net position represents resources derived from operations and support from the University. While unrestricted net position may be designated for specific purposes, neither management nor the board of directors have designated any part of unrestricted net position for such purposes.

(Continued)

(j) Patient Service Revenues

Net patient service revenues are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, and includes estimated retroactive revenue adjustments (if necessary) 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.

The HCA provides a standard discount from gross charges for uninsured patients. Such discounts are subtracted from gross patient service charges to determine net patient service revenues.

For uninsured patients, the HCA recognizes revenue based on established rates, subject to certain discounts as determined by the HCA. An estimated provision for uncollectible accounts is recorded that results in net patient service revenues being reported at the net amount expected to be received. HCA has determined, that patient service revenues are primarily recorded prior to assessing the patient's ability to pay and as such, the entire provision for uncollectible accounts related to patient revenues are recorded as a deduction from patient service revenues in the accompanying statement of revenues, expenses, and changes in net position.

Patient receivables are reduced by an allowance for uncollectible accounts. The allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in healthcare coverage, major payor sources, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category. The results of this review are then used to make modifications to the provision for uncollectible accounts to establish an appropriate allowance for uncollectible receivables. After satisfaction of amounts due from insurance, HCA follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by the HCA.

(2) Income Taxes

HCA was incorporated in Alabama as a public corporation. HCA is an instrumentality of the State of Alabama by virtue of its control by the University. The income of HCA is excluded from federal and state income taxation pursuant to the provisions of Section 115(1) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying basic financial statements.

(3) Capital Assets

A summary of HCA's capital assets activity for the period August 1, 2017 (inception) through September 30, 2018 follows:

	Beginning balance	Additions	Transfers	Reductions	Ending balance
Capital assets not being depreciated:					
Construction-in-progress	$ —	102,553	—	—	102,553
	—	102,553	—	—	102,553
Capital assets being depreciated:					
Leasehold improvements	—	56,147	—	—	56,147
Fixed equipment	—	183,387	—	—	183,387
Major movable equipment	—	522,656	—	—	522,656
	—	762,190	—	—	762,190
Less accumulated depreciation for:					
Leasehold improvements	—	(4,307)	—	—	(4,307)
Fixed equipment	—	(12,368)	—	—	(12,368)
Major movable equipment	—	(117,479)	—	—	(117,479)
	—	(134,154)	—	—	(134,154)
Capital assets being depreciated, net	—	628,036	—	—	628,036
Capital assets, net	$ —	730,589	—	—	730,589

(4) Patient Service Revenues

HCA has agreements with governmental and other third-party payors that provide for reimbursement to HCA at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between HCA's billings at established rates and amounts reimbursed by third-party payors. Third-party payor activity for HCA principally involves Blue Cross, Medicare, and Medicaid programs. Services rendered to beneficiaries under these programs are generally paid at prospectively determined procedural rates.

For patient accounts receivables associated with self-pay or uninsured patients, including patients with deductibles and copayment balances for third-party coverage, HCA records an estimated allowance for uncollectible accounts. The allowance for doubtful accounts is $35,500 at September 30, 2018.

The composition of net patient service revenues for the period August 1, 2017 (inception) through September 30, 2018 is as follows:

Gross patient service revenues	$	27,454,776
Provision for contractual and other adjustments		(10,591,589)
Net patient service revenues	$	16,863,187

The composition of gross patient service revenues before the provision for contractual and other adjustments by major payor source follows:

		Gross patient service revenues	Percentage
Medicare Managed Care	$	9,903,808	36 %
Medicare		9,645,872	35
Blue Cross		6,956,281	25
Other		766,087	3
Self-pay		182,728	1
	$	27,454,776	100 %

(5) Related Party Transactions

During the period August 1, 2017 (inception) through September 30, 2018 the University provided support of $8,952,926 to HCA. That amount is reflected on the accompanying Statement of Revenues, Expenses, and Changes in Net Position as nonoperating revenue.

(6) Business and Credit Concentrations

HCA grants credit to patients, substantially all of whom reside in the HCA's service area. HCA generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, preferred provider arrangements, and commercial insurance policies).

(Continued)

The mix of receivables from patients and third-party payors follows:

Medicare	55 %
Medicare Managed Care	24
Blue Cross	9
Other	7
Self-pay	5
	100 %

(7) Other Employee Benefits

(a) Pension Plans

Employees of HCA participate in a combined deferred compensation plan/money purchase pension plan arrangement. The arrangement covers all eligible employees, and participation by eligible employees is optional. Under this plan, administered by HCA, contributions by eligible nonphysician employees are matched equally by HCA up to a maximum of 5% of current annual pay. Contributions by eligible physician employees up to the 457(b) deferred compensation plan limit are matched at a 25% rate by HCA. HCA contributed $297,075 for the period August 1, 2017 (inception) through September 30, 2018, representing 101 employees in this plan.

Physician employees of HCA also have the option to participate in a second money purchase pension plan. This plan is funded entirely by pre-tax deductions from the participating physicians' salaries.

(b) Compensated Absences

Regular HCA employees accumulate paid time off (PTO). These are subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Employees hired are not eligible for payment of PTO hours upon separation of employment. The accompanying statement of net position includes accruals for PTO of $111,675 at September 30, 2018. The accrual is included in accounts payable and accrued liabilities in the accompanying basic financial statements.

(8) Risk Management

HCA, along with the University and other entities affiliated with the University, participates in the professional liability trust fund and the general liability trust fund. Both funds are administered by an independent trustee. These trust funds are revocable and use contributions by the participating entities, together with earnings thereon, to pay liabilities arising from the performance of employees, trustees and other individuals acting on behalf of the participating entities. Any risk related to the payment of claims is the responsibility of the plan. If the trust funds are ever terminated, appropriate provision for payment of related claims will be made and any remaining balance may be distributed to the participating entities in proportion to contributions made.

HCA, along with the University and other entities affiliated with the University, participates in a self-insured health plan, which is administered by an unaffiliated entity. Contributions by employees and assets of the participating entities, together with earnings thereon, are used to pay liabilities arising from healthcare claims. Any risk related to the payment of claims is the responsibility of the plan. It is the opinion of HCA management that plan assets are sufficient to meet future plan obligations.

(Continued)

(9) Recently Issued Accounting Pronouncements

The GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. Statement 84 addresses the criteria for identifying fiduciary activities of all state and local governments. In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective is to ensure consistency in the application of accounting and financial reporting requirements related to various topics, including blending component units, goodwill, fair value measurement and application, and postemployment benefits. In June 2017, the GASB issued Statement No. 87, *Leases,* which will be effective for HCA beginning with the fiscal year ending September 30, 2021. This statement establishes a single model for lease accounting whereby certain leases that were previously classified as operating leases will now be reported on the statement of net position. In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

Statement Nos. 85, and did not have an impact on HCA's financial statements. Statement Nos. 84, 87 and 89 are not expected to have an impact on HCA's financial statements when they become effective.

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

November 20, 2018

Management
University of South Alabama Health Care Authority
Mobile, Alabama

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of University of South Alabama Health Care Authority (HCA) as of September 30 2018 and for the period August 1, 2017 (inception) to September 30, 2018, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, we considered HCA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HCA's internal control. Accordingly, we do not express an opinion on the effectiveness of HCA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and/or significant deficiencies and therefore, material weaknesses and/or significant deficiencies may exist that were not identified. In accordance with Government Auditing Standards, we issued our report dated November 20, 2018 on our consideration of HCA's internal control over financial reporting in which we communicated certain deficiencies in internal control that we consider to be material weaknesses or significant deficiencies or material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. During our audit, we identified the following deficiency in internal control:

Management's calculation of the allowance for contractual and other adjustments was determined based on total collections percentages for the year, due to the limited historical data available to HCA in the current year. A more precise calculation should be performed, as historical experience builds, to disaggregate the calculation by major payor (Medicare, Blue Cross, etc.) to more accurately estimate the allowance.

Management's Response

HCA management will prepare a calculation of the allowance for contractual and other adjustments by major payor to more closely align the HCA methodology with USA Health hospitals.

HCA's response to the finding identified in our audit is described above. HCA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

This purpose of this letter is solely to describe the deficiencies in internal control identified during our audit. Accordingly, this letter is not suitable for any other purpose.

Very truly yours,

KPMG LLP

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

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

The Board of Directors
University of South Alabama Health Care Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of University of South Alabama Health Care Authority (HCA), which comprise the statement of financial position as of September 30, 2018, and the related statements of revenues, expenses, and changes in net position, and cash flows for the period August 1, 2017 (inception) to September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HCA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HCA's internal control. Accordingly, we do not express an opinion on the effectiveness of HCA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described below to be a material weakness. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Monthly Account Reconciliation

During our audit of HCA, we noted that management failed to properly perform reconciliation procedures over certain accounts, specifically the cash and cash clearing accounts. In addition, accounts receivable reconciliations were not appropriately performed and certain patient accounts receivables were recorded to contractual and other adjustments instead of being properly posted to patient accounts receivable. This lack of proper internal control over financial reporting resulted in material errors to the financial statements. KPMG recommends that management perform monthly reconciliations of all financial statement accounts to ensure proper and timely recording of all activity that occurs within the books and records of HCA.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Management's Response

HCA management has initiated immediate steps to correct deficiencies in internal controls to properly perform reconciliations. HCA will immediately develop and implement procedures related to the performance of detailed account analysis and begin the process to automate transactions, streamline processes and reconcile cash daily. Once these procedures have been developed, the USA Internal Audit department will be asked to review the procedures to ensure they are adequate. The bank reconciliation will be performed by the University accounting team as a measure to segregate duties. The Assistant CFO and CFO of USA Health will perform periodic reviews of all account reconciliations.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HCA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

HCA's Response to Findings

HCA's response to the finding identified in our audit is described previously. HCA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HCA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HCA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Jackson, Mississippi
November 20, 2018

Report on the

University of South Alabama

Mobile, Alabama

October 1, 2016 through September 30, 2017

Filed: November 16, 2018

Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Rachel Laurie Riddle, Chief Examiner

19-009

State of Alabama
Department of
Examiners of Public Accounts
P.O. Box 302251, Montgomery, AL 36130-2251
50 North Ripley Street, Room 3201
Montgomery, Alabama 36104-3833
Telephone (334) 242-9200
FAX (334) 242-1775

Rachel Laurie Riddle
Chief Examiner

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

Under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, as added by Act Number 2018-129, I submit this report on the results of the examination of the University of South Alabama, Mobile, Alabama, for the period October 1, 2016 through September 30, 2017.

Respectfully submitted,

Sworn to and subscribed before me this
the 30 day of October, 2018.

Kelly D. Mathews
Notary Public

JoNesia S. Turner
Examiner of Public Accounts

rb

19-009

Table of Contents

Page

Summary A

Contains items pertaining to state compliance, University operations and other matters.

Comments B

Contains information pertaining to University operations, compliance and other matters.

Additional Information 1

Exhibit #1 **Board Members and Officials** – a listing of the University Board members and officials. 2

Department of
Examiners of Public Accounts

SUMMARY

University of South Alabama
October 1, 2016 through September 30, 2017

The University of South Alabama (the "University") is a public institution of higher learning and awards baccalaureate, masters, doctor of business administration, doctor of education, doctor of nursing practice, doctor of systems engineering, doctor of physical therapy, doctor of audiology, doctor of philosophy and doctor of medicine degrees. The University offers studies in ten colleges/schools: Allied Health Professions, Arts and Sciences, Business, Education and Professional Studies, Engineering, Honors, Medicine, Nursing, Computing, and the Graduate School. A joint pharmacy program between the University and Auburn University has also been established. The University owns and operates the University of South Alabama Medical Center, University of South Alabama Children's and Women's Hospital, and University of South Alabama Mitchell Cancer Institute. Additional information on the history of the University is included in the Comments section of this report.

The firm of KPMG, LLP conducted the financial audit of the University for the fiscal year ended September 30, 2017.

This report presents the results of an examination of the University and a review of compliance by the University with applicable laws and regulations of the State of Alabama in accordance with the requirements of the Department of Examiners of Public Accounts under the authority of the ***Code of Alabama 1975***, Section 41-5A-12, as added by Act Number 2018-129.

STATUS OF PRIOR YEAR FINDING

- 2015-001 The University has requested an opinion from the Alabama Attorney General's Office on the applicability of the ***Code of Alabama 1975***, Section 31-13-15(b) to all employees. An opinion has not yet been rendered.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state laws and regulations.

The following officials/employees were invited to an exit conference: Scott Weldon, Vice-President for Finance and Administration and Polly Stokley, Assistant Vice-President for Finance and Administration. The following individuals attended the exit teleconference: Scott Weldon, Vice-President for Finance and Administration; Polly Stokley, Assistant Vice-President for Finance and Administration; and Kelly Peters, Senior Associate Vice-President for Finance and Administration. Representing the Department of Examiners of Public Accounts was: JoNesia Turner, Examiner.

Department of
Examiners of Public Accounts

COMMENTS

University of South Alabama
October 1, 2016 through September 30, 2017

The University of South Alabama (the "University") was created in May 1963 by act of the Alabama Legislature. The Board of Trustees held their first meeting in October 1963. In April 1964, the University moved from 154 St. Louis Street to its present location at 307 University Boulevard. The first classes began June 1964. In 1968, the University was admitted membership in the Southern Association of Colleges and Schools. The University established a medical school in 1969, which was supported by the Alabama Legislature. Mobile General Hospital was transferred to the University in 1970 and was later renamed University of South Alabama Medical Center. The University's first doctoral program was established in 1978. The University of South Alabama Children's and Women's Hospital was established in 1983. The University established a campus in Baldwin County in 1984. Relocation of the Providence Hospital in 1987 led to the acquisition of the former Providence Hospital, now known as the University of South Alabama Springhill Avenue Campus. The University acquired Doctors Hospital and Knollwood Park Hospital in 1990. The former Doctors Hospital currently houses the University of South Alabama Children's and Women's Hospital. In 2002, the University of South Alabama Cancer Research Institute was established. In 2006, the University of South Alabama Cancer Research Institute became the University of South Alabama Mitchell Cancer Institute and in late fiscal year 2008, the Institute moved into a new facility adjacent to the University of South Alabama Children's and Women's Hospital. In 2006, the Infirmary Health System began leasing the former Knollwood Park Hospital from the University and purchased the property in 2013.

Additional Information

Board Members and Officials

October 1, 2016 through September 30, 2017

Board Members		**Term Expires**
Hon. Kay Ivey, Governor	President, Ex-Officio	
Hon. Robert Bentley, Governor	President, Ex-Officio	Resigned April 10, 2017
Hon. Michael Sentance, State Superintendent of Education	Member, Ex-Officio	
Hon. Kenneth O. Simon	Chair Pro Tempore	2019
Hon. James H. Shumock	Vice-Chair	2021
Hon. Arlene Mitchell	Secretary	2021
Hon. Steven P. Furr, M.D.	Member	2017
Hon. Bettye R. Maye	Member	2017
Hon. Bryant Mixon	Member	2017
Hon. John M. Peek	Member	2017
Hon. Steven H. Stokes, M.D.	Member	2017
Hon. Katherine A. Atkins	Member	2019
Hon. Chandra B. Stewart	Member	2019
Hon. Robert D. Jenkins, III	Member	2019
Hon. Michael P. Windom	Member	2019

Board Members and Officials

October 1, 2016 through September 30, 2017

Board Members		**Term Expires**
Hon. Scott A. Charlton, M.D.	Member	2021
Hon. E. Thomas Corcoran	Member	2021
Hon. James A. Yance	Member	2021

Officials

Dr. Tony G. Waldrop	President
Mr. Scott Weldon	Vice-President for Finance and Administration
Ms. Traci Jones	Health Systems Chief Financial Officer

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE

August 30, 2018
2:11 p.m.

A meeting of the Development, Endowment and Investments Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Jim Yance, Chair, on Thursday, August 30, 2018, at 2:11 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Chandra Brown Stewart, Tom Corcoran, Ron Jenkins, Steve Stokes, Margie Tuckson, Mike Windom and Jim Yance.
Other Trustees:	Alexis Atkins, Steve Furr, Ron Graham, Arlene Mitchell, Lenus Perkins, Jimmy Shumock and Ken Simon.
Administration and Others:	Terry Albano, Owen Bailey, Robert Berry, Lynne Chronister, Joel Erdmann, Mike Finan, Happy Fulford, Mike Haskins, David Johnson, Melva Jones, Joseph Knight (J.P. Morgan), John Marymont, Mike Mitchell, Grace Newcombe (SGA), Pat Pigott, Norman Pitman, Matthew Reichert (Faculty Senate), John Smith, Margaret Sullivan, Jean Tucker, Tony Waldrop and Scott Weldon.
Media:	Alyssa Newton (WPMI) and Lawrence Specker (*al.com*).

Following Ms. Chronister's introduction of Electrical Engineering student Mr. Contrell Jolly for a presentation on his participation in the 2018 Mobile County Summer Internship Program, a workforce development partnership between South Alabama, Mobile County, PNC Bank, and the Southwest Alabama Partnership for Training and Employment, the meeting came to order and the attendance roll was called. Mr. Yance called for consideration of the minutes of the meeting held on May 31, 2018. On motion by Mr. Windom, seconded by Capt. Jenkins, the Committee voted unanimously to adopt the minutes.

Mr. Yance called on Mr. Albano to discuss endowment and investment performance for the period October 1, 2017, through June 30, 2018, **ITEM 9**. Mr. Albano reported a return of 4.11 percent vs. the relative index of 3.65 percent, an outperformance by 46 basis points. He detailed manager performance and asked Mr. Pitman to discuss manager underperformance and private equity investments. Mr. Pitman recommended that South's mutual fund investments be moved to a John Hancock International Growth Fund managed by the Boston firm Wellington Management. Mr. Yance called for a motion. Capt. Jenkins moved for approval, Mr. Windom seconded and the Committee voted unanimously to approve the recommendation. Mr. Albano addressed asset allocation and advised of the final 3.3 percent distribution from Private Advisors expected within the week for the hedge fund that was closed in June 2016, making for a cumulative distribution of approximately 103 percent. He added that the fund value at closing was approximately $6.8 million. He reported the annualized performance since inception was 5.35 percent vs. the relative index of 4.39 percent, an outperformance of close to one percent.

He introduced Mr. Joseph Knight of J.P. Morgan's Private Equity Group (PEG), who discussed the PEG investment philosophy, investing options, and portfolio results as of July 31, 2018.

Mr. Yance asked for consideration of **ITEM 10**, a resolution thanking Melinda and Louis Mapp and the Mapp Family Foundation for philanthropic support benefiting the USA Health system and its patients (for copies of resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on August 31, 2018). Ms. Sullivan shared insight on the Mapps' contributions, including a $1 million transformational gift to create an endowment for the USA Children's & Women's Hospital (CWH) Neonatal Intensive Care Unit (NICU). On motion by Ms. Brown Stewart, seconded by Mr. Corcoran, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Yance called for a report on the activities of the Division of Development and Alumni Relations, **ITEM 11**. Dr. Stokes, Upward & Onward Campaign Co-Chair, called on Ms. Sullivan, who reported $17.2 million raised thus far in fiscal year 2018 and $121.4 million of the $150 million campaign goal secured, or 81 percent, as of August 23, 2018. She said employee giving totaled $5.3 million; noted 247 scholarship endowments enhanced and 222 new scholarships endowed; and detailed goals for each of the five strategic priorities. Dr. Stokes highlighted several significant gifts signed during the year, including $5 million from Mr. Bert Meisler to name the Fanny Meisler Trauma Center; the Mapp gift for the CWH NICU; and $1.2 million from BlueCross BlueShield of Alabama for College of Medicine scholarships; and noted as well continuing support from Ms. Arlene Mitchell and Mr. Abe Mitchell. He conveyed confidence that, under Ms. Sullivan's leadership and with the help of the community, the goal would be reached over the remaining two years of the campaign. Mr. Yance thanked the Stokeses and the Development team for their hard work.

There being no further business, the meeting was adjourned at 2:36 p.m.

Respectfully submitted:

_____
James A. Yance, Chair



University of South Alabama Endowment Investment Performance Review/Analysis

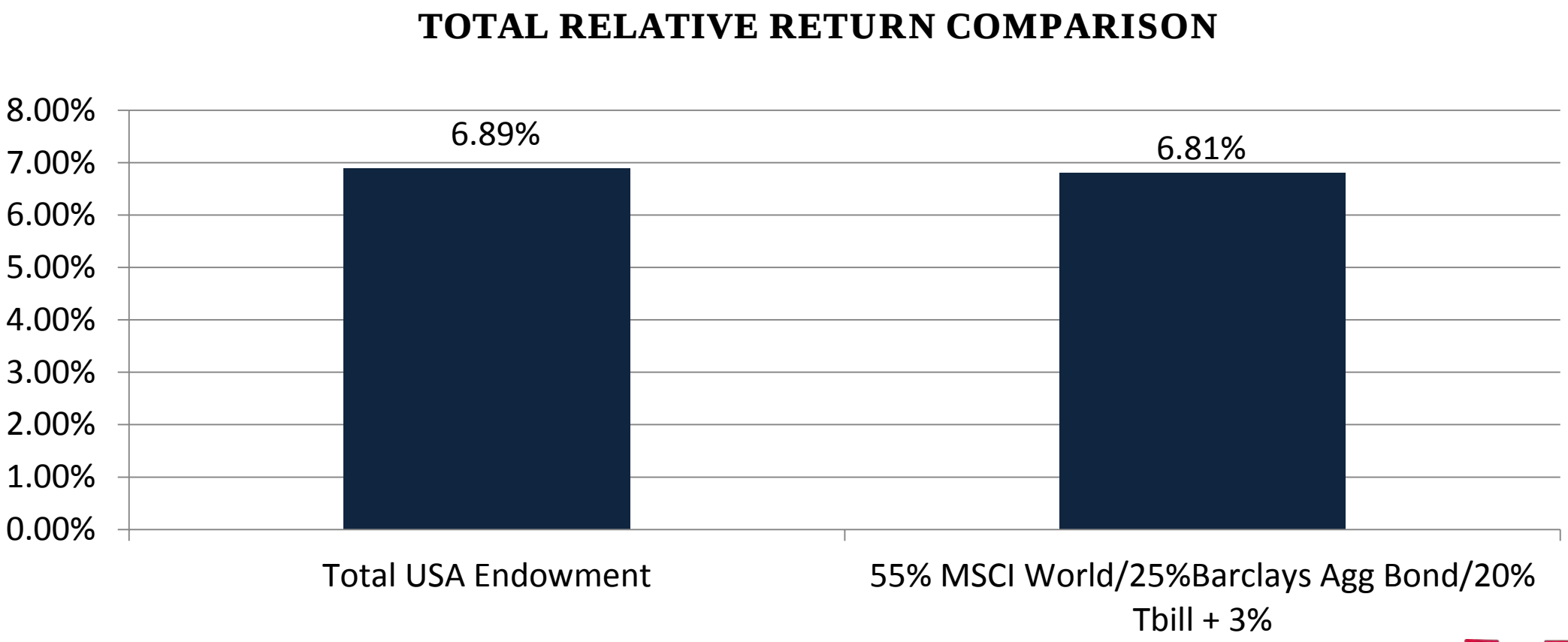
Fiscal Year 2018

UNIVERSITY OF SOUTH ALABAMA

Total USA Endowment

October 1, 2017 — September 30, 2018

Total Fund Performance



Outperformance: 0.08 %

USA Endowment Oct. 1, 2017 — September 30, 2018

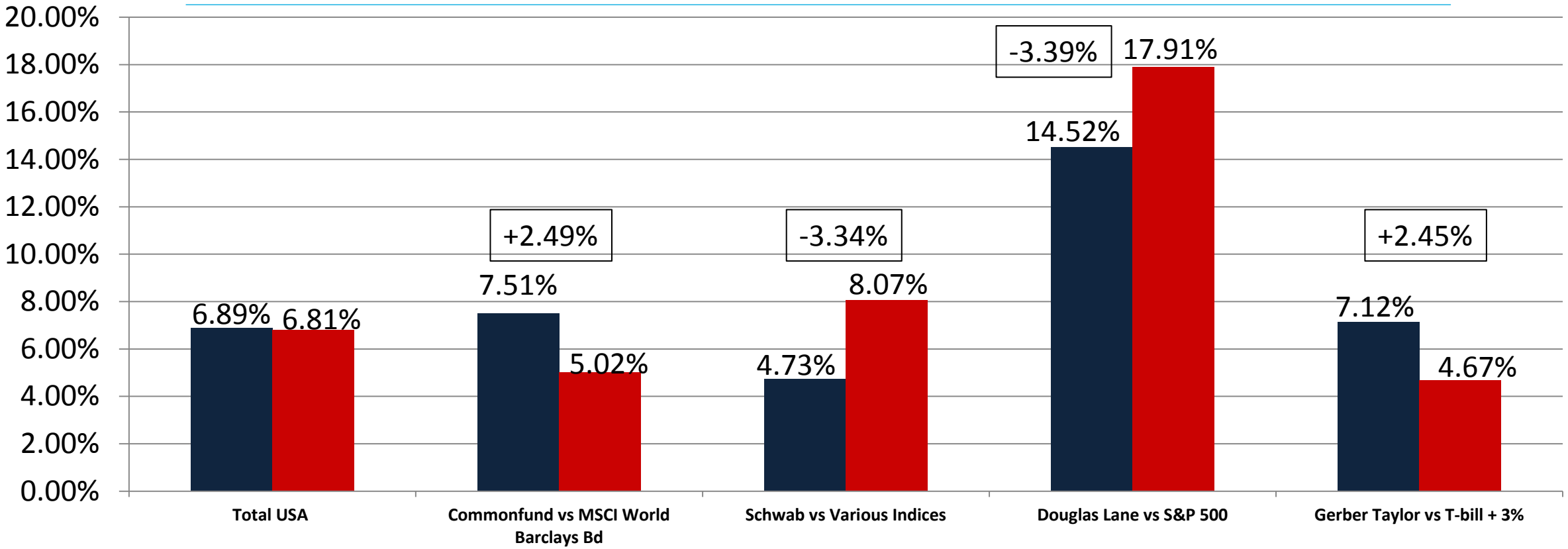
Total Fund Performance

Market Value at Beginning of Period	$ 150,494,443
Net Additions/Withdrawals	$ (5,014,675)
Market Value at End of Period	$155,545,720
Investment Earnings and Appreciation	$ 10,065,952

Total USA Endowment

October 1, 2017 — September 30, 2018

Total Fund Performance



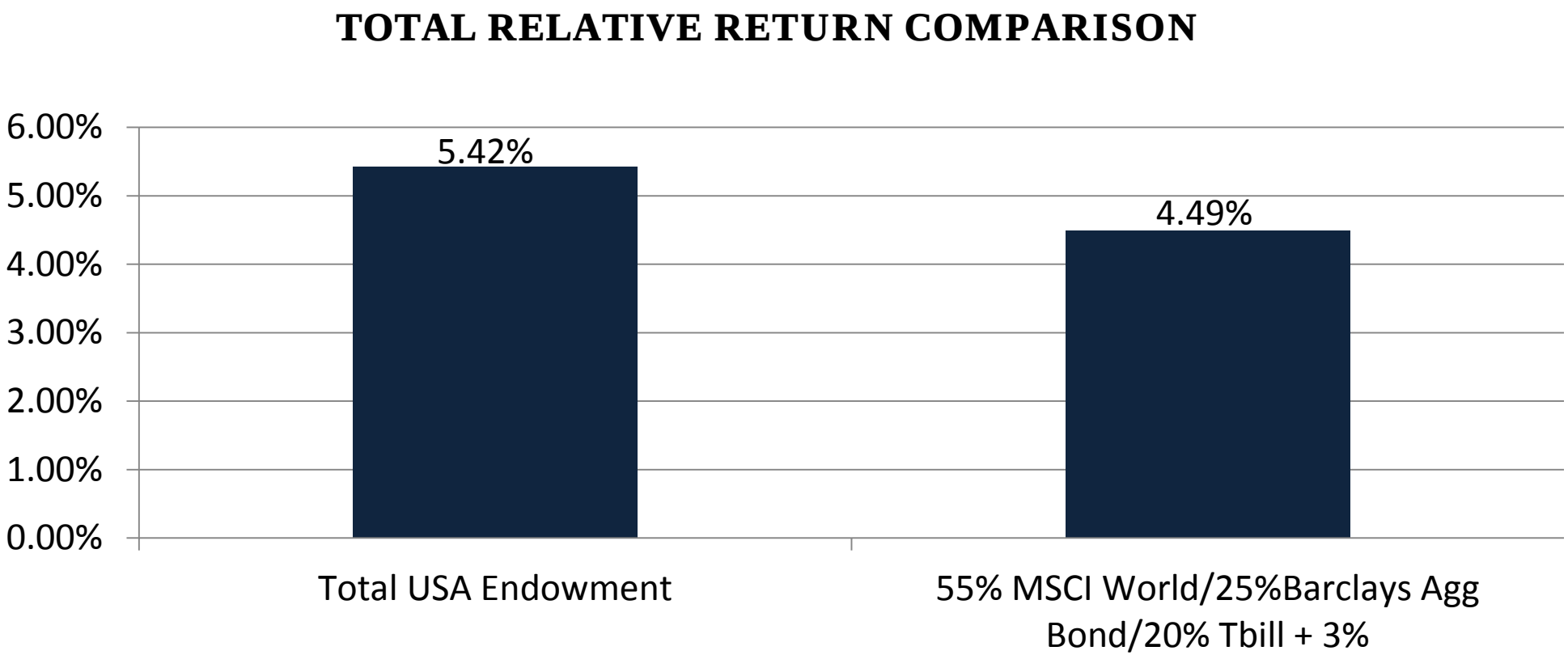
Total USA Endowment

Asset Allocation Breakdown

Manager	Money Market	Large Cap Equity	Small Cap Equity	International	Fixed	Private Equity	Hedge	Total	%
Private Advisors	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0%
Schwab	$ 1,624	$ 8,006,700	$ 8,118,096	$ 17,799,918	$ 5,642,468	$ -	$ -	$ 39,568,806	25%
Doug Lane	$ 56,909	$ 7,742,177	$ -	$ -	$ -	$ -	$ -	$ 7,799,086	5%
Common Fund	$ -	$ 39,912,514	$ -		$ 32,541,542	$ -	$ -	$ 72,454,056	47%
Gerber Taylor	$ -	$ -	$ -	$ -	$ -	$ -	$ 32,692,426	$ 32,692,426	21%
Common Fund PE	$ -	$ -	$ -	$ -	$ -	$ 1,639,496	$ -	$ 1,639,496	1%
JP Morgan PE	$ -	$ -	$ -	$ -	$ -	$ 374,840	$ -	$ 374,840	0%
Forester	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,017,011	$ 1,017,011	1%
Total	**$ 58,533**	**$ 55,661,391**	**$ 8,118,096**	**$ 17,799,918**	**$ 38,184,009**	**$ 2,014,336**	**$ 33,709,437**	**$ 155,545,720**	**100%**
%	0%	36%	5%	11%	25%	1%	22%	100%	
Policy %		25-55%	3-8%	5-15%	15-35%	0-10%	10-30%	100%	

Total USA Endowment

Since Inception
Total Annualized Fund Performance



Outperformance: 0.93%

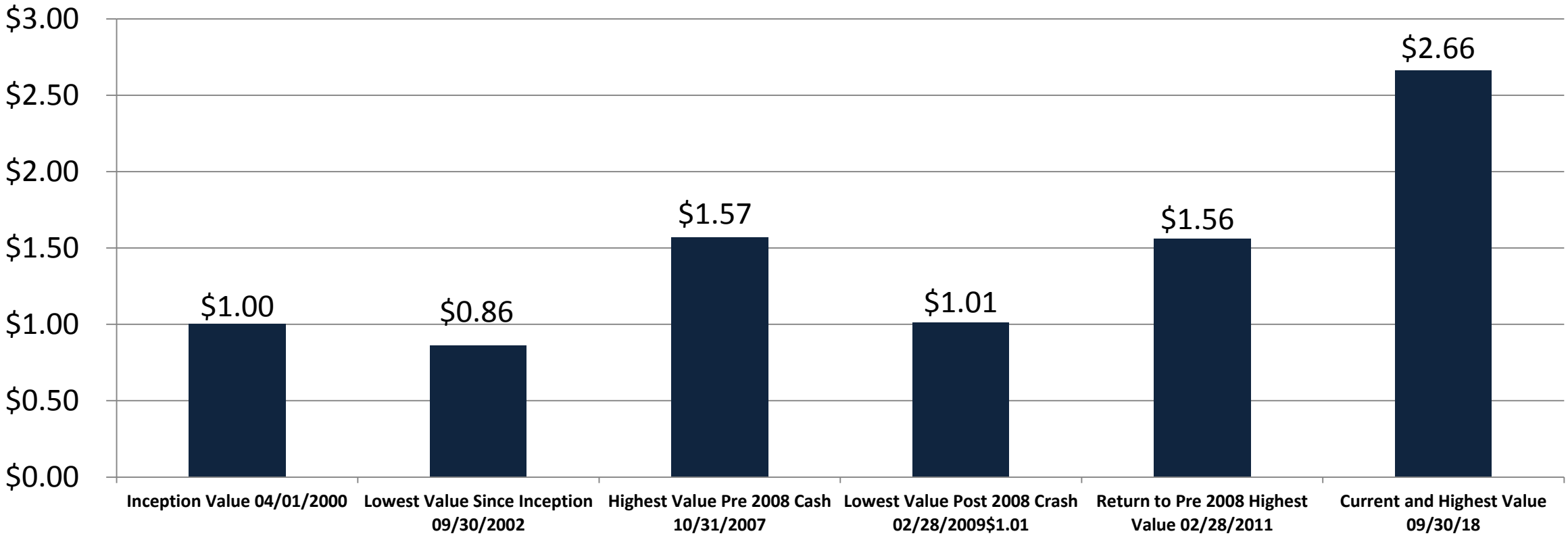
USA Endowment March 31, 2000— September 30, 2018

Total Fund Performance

Market Value at Beginning of Period	$ 5,700,000
Net Additions/Withdrawals	$ 68,664,936
Market Value at End of Period	$155,545,720
Investment Earnings and Appreciation	$ 81,180,784

USA Endowment

Value of a Dollar Since Inception



Total USA Endowment

Presentation Summary

1. **Fiscal Year To Date: Out-performed 0.08%: 6.89% vs 6.81%**

2. **Investment Manager changes:**

   New:

   Commonfund Capital Secondary Partners II L.P.
   Gerber Taylor International Fund
   JP Morgan Emerging Market Fund

   Release:

   Oakmark Global Select
   American Funds Capital World Growth and Income



GERBER TAYLOR

Presentation to:

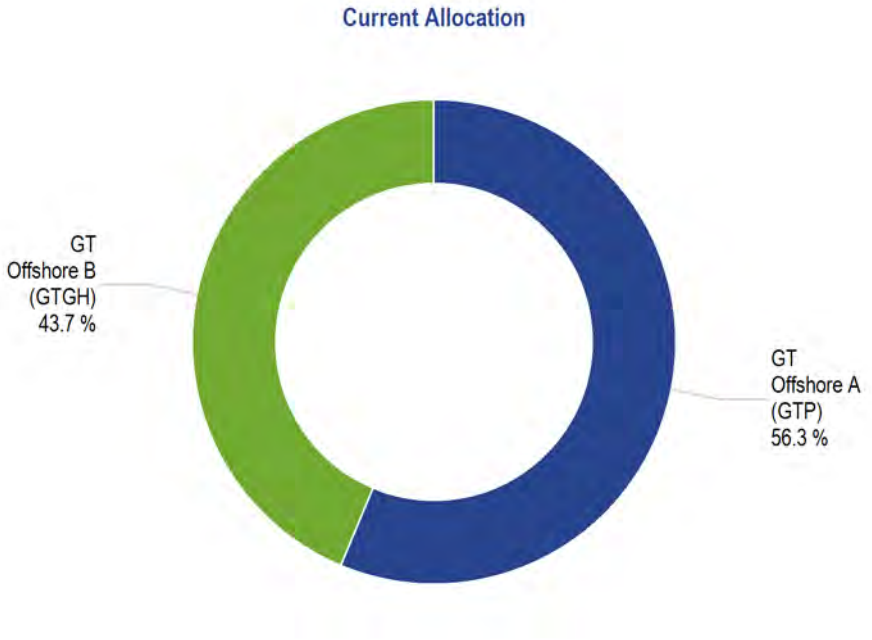
University of South Alabama

December 6, 2018

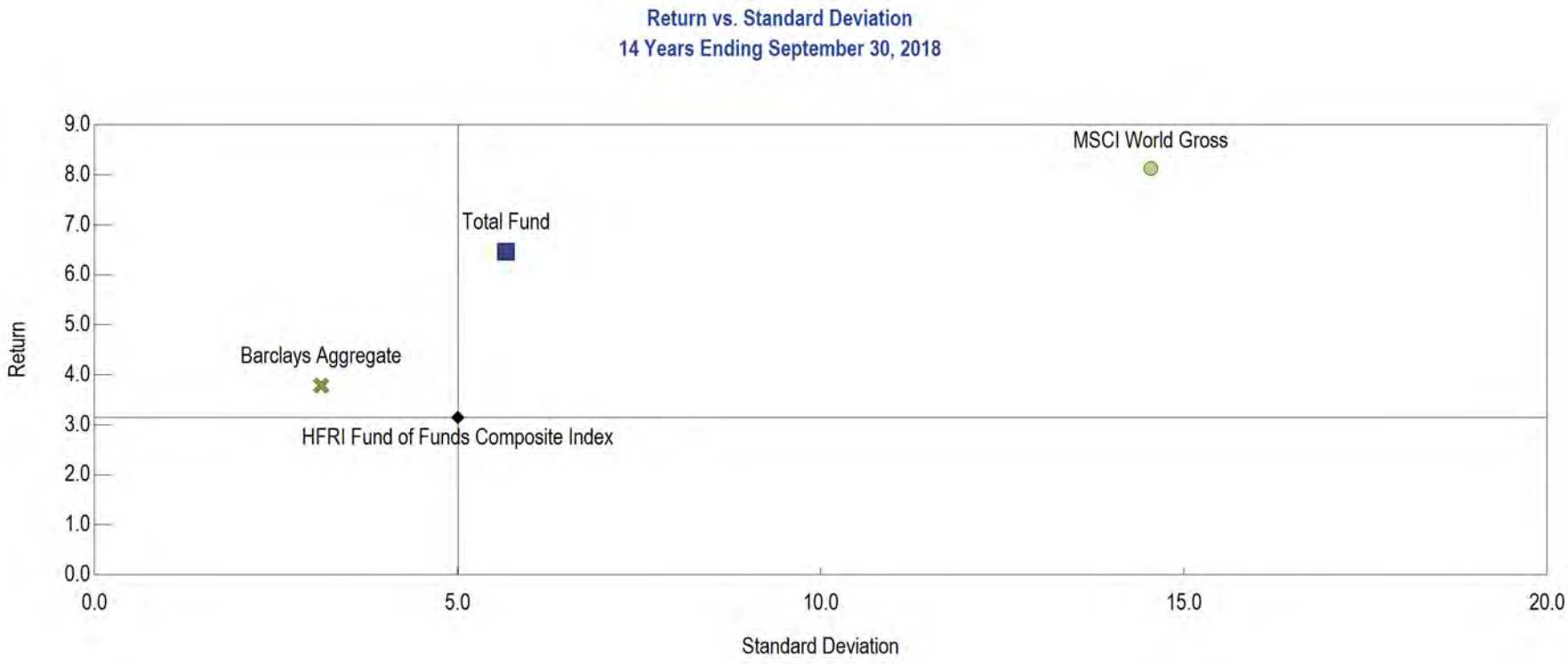
Summary of Cash Flows

	Third Quarter	Year-To-Date	One Year	Inception 10/1/04
Beginning Market Value	$32,460,142	$27,062,851	$26,632,690	$2,000,000
Net Cash Flow	$0	$4,000,000	$4,000,000	$19,588,000
Net Investment Change	$232,225	$1,629,516	$2,059,677	$11,104,367

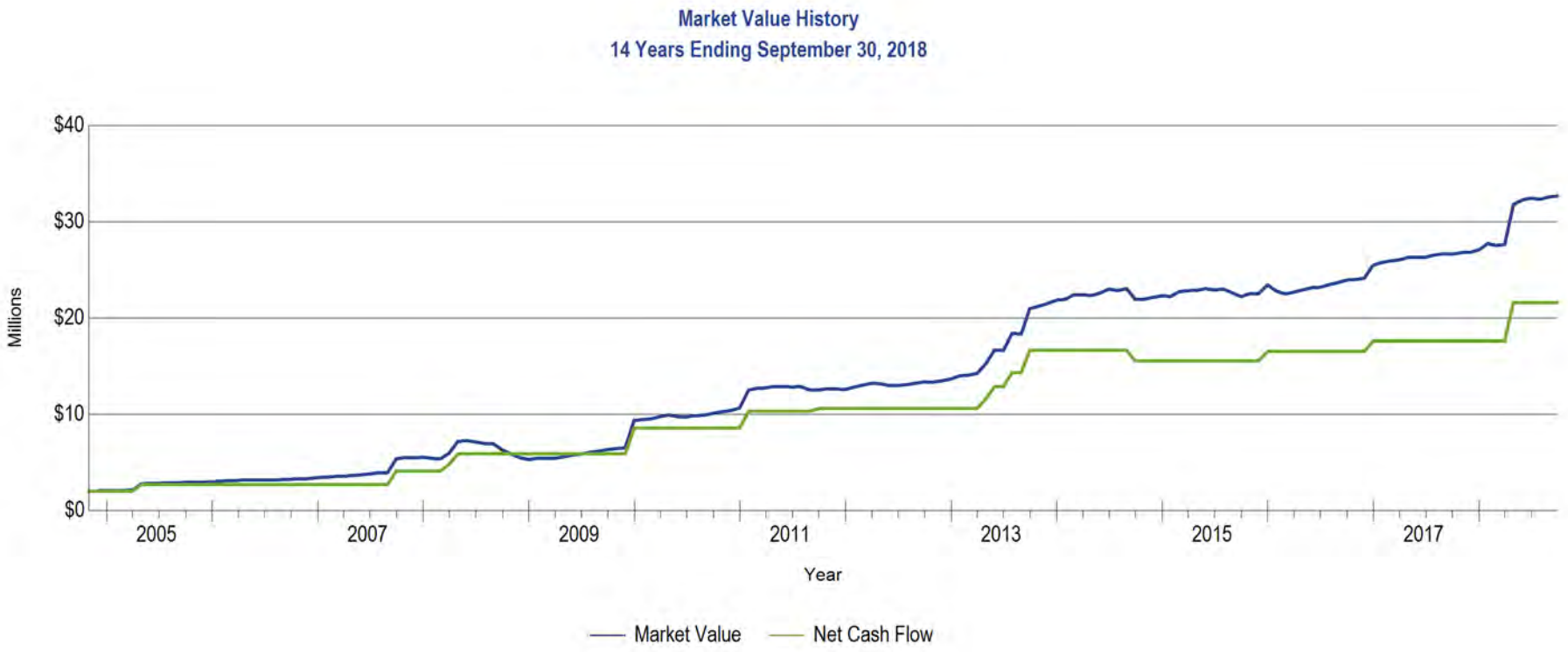
Current Allocation



	Market Value	% of Portfolio	2018 Q3	YTD	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Inception	Inception Date
Total Fund	**$32,692,367**	**100.0%**	**0.7%**	**5.5%**	**7.2%**	**5.7%**	**5.6%**	**6.4%**	**6.2%**	**6.5%**	**Oct-04**
HFRI Fund of Funds Composite Index			*0.3%*	*1.0%*	*3.1%*	*3.3%*	*3.2%*	*3.6%*	*2.6%*	*3.1%*	*Oct-04*
BBgBarc US Aggregate TR			*0.0%*	*-1.6%*	*-1.2%*	*1.3%*	*2.2%*	*2.0%*	*3.8%*	*3.8%*	*Oct-04*
GT Offshore A (GTP)	$18,409,219	56.3%	1.5%	4.5%	5.8%	4.5%	5.2%	6.1%	6.3%	6.5%	Oct-04
HFRI FOF: Conservative Index			*0.9%*	*2.6%*	*3.8%*	*2.9%*	*3.0%*	*3.4%*	*2.2%*	*2.6%*	*Oct-04*
GT Offshore B (GTGH)	$14,283,148	43.7%	-0.2%	7.4%	9.8%	7.8%	6.2%	6.9%	--	6.0%	Dec-09
HFRI FOF: Strategic Index			*-0.4%*	*-0.1%*	*2.4%*	*4.1%*	*3.4%*	*4.1%*	*2.9%*	*3.2%*	*Dec-09*
MSCI World Gross			*5.1%*	*5.9%*	*11.8%*	*14.2%*	*9.9%*	*13.1%*	*9.2%*	*10.4%*	*Dec-09*



	Annualized Return (%)	Total Return (%)	Annualized Standard Deviation	Annualized Alpha (%)	Beta	R-Squared	Sharpe Ratio	Up Market Capture Ratio Annualized (%)	Down Market Capture Ratio Annualized (%)
Total Fund	6.5%	140.3%	5.7%	3.4%	1.0	0.8	0.9	120.9%	71.4%
HFRI Fund of Funds Composite Index	3.1%	54.3%	5.0%	0.0%	1.0	1.0	0.4	100.0%	100.0%
MSCI World Gross	8.1%	198.6%	14.5%	0.9%	2.3	0.6	0.5	266.7%	215.1%
BBgBarc US Aggregate TR	3.8%	68.2%	3.1%	3.9%	0.0	0.0	0.8	24.0%	-34.8%



Summary of Cash Flows

	Inception 10/1/04
Beginning Market Value	$2,000,000
Net Cash Flow	$19,588,000
Net Investment Change	$11,104,367
Ending Market Value	$32,692,367

Palladian Partners IX – Overview

- Private equity fund of funds
- $170 MM in investor commitments
  - $9 MM from Gerber Taylor employees
- Four completed manager commitments
  - Greenoaks Fund II: $10 MM
  - Great Point Fund III: $10 MM
  - 1251 Capital: $8 MM
  - Tiger PIP XI: $11 MM
- University of South Alabama commitment = $2 MM
- First capital call of 5% ($100,000) occurred October 1st

Palladian Partners IX – Portfolio Construction

Buyout & Growth Equity

- Small companies, small deal sizes, small fund sizes
- Control-oriented
- Expertise & specialization
- Median fund size $300 MM

Special Situations / Distressed

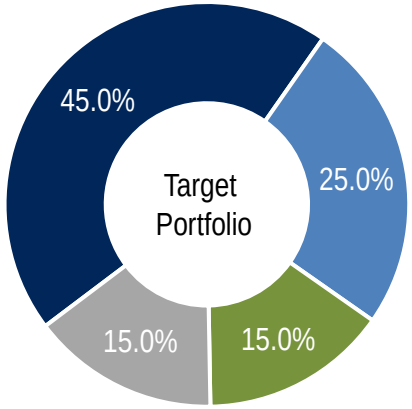
- Express value & contrarian instincts
- Capitalize on dislocation
- Control situations

Secondary Interests

- Opportunistic
- Cycle-dependent
- Selective direct sourcing
- Mitigate j-curve and enhance liquidity

Venture Capital

- Limited exposure
- Select managers
- Late-stage bias
- Minimize binary risk



Best Guess for Strategy Attractiveness – Q4 2018

Q4 2018 Asset Class Attractiveness: "Best Guess" for 7-10 Years

Very Attractive	Attractive	Neutral	Unattractive	Very Unattractive
	Japanese Stocks	Opportunistic Real Estate	Core Real Estate	US Gov't Bonds
	Japanese Yen	MLPs	Municipal Bonds	UK Gov't Bonds
	British Pound	Emerging Market Stocks	US REITs	EMU Gov't Bonds
		Global Long/Short	US Dollar	Japanese Gov't Bonds
		Closed End Bond Funds	International Stocks	Inflation Linked Bonds
		Event Driven	*Emerging Markets Debt*	Corporate Bonds
		Commodities	*Real Estate Debt/CMBS*	Large US Stocks
			Real Estate Debt/RMBS	Small/Mid US Stocks
			Venture Capital	High Yield Bonds
			Multi-Strategy Arbitrage	*Large Buyouts*
			Small Buyouts	
			Distressed	

This table attempts to identify the attractiveness of each strategy relative to its own long term average. It is not a rank ordering based on expected absolute returns. Italics indicate alternative strategies.

U.S. Equity Valuations

Valuation Factor	Timeframe	Valuation Level (ending 3Q18)	Current Decile within Distribution Quarterly Data
S&P 500 P/E based on 5-Year Normalized Earnings	1926-Present	25.7x	10th
S&P 500 P/E based on LTM Operating Earnings	1926-Present	21.1x	9th
Median Normalized P/E for 3000 Largest Stocks	1986-Present	26.16x	9th
S&P 500 Yield	1926-Present	1.90%	9th
DJIA Yield	1926-Present	2.08%	10th
S&P Industrial Book Value Ratio	1926-Present	4.33x	10th
DJIA Book Value Ratio	1926-Present	4.1x	10th
S&P Industrials Cash Flow Ratio	1946-Present	15.13x	10th
S&P Industrials Price to Sales Ratio	1956-Present	2.24x	10th
Total US Equity Capitalization as a % of GDP	1957-Present	156.63%*	10th
Median existing home prices divided by S&P 500	1968-Present	100.33**	10th
Ratio of S&P 500 to Gold	1926-Present	2.40	9th
Number of hours of work needed to buy one unit of S&P 500	1947-Present	133.78	10th

*Q3 2018 GDP Estimated

**Waiting on data release; Q2 2018 data shown.

Stocks expensive on a number of metrics relative to history

Source: The Leuthold Group.



GT Partners, LP

(GT Offshore A)

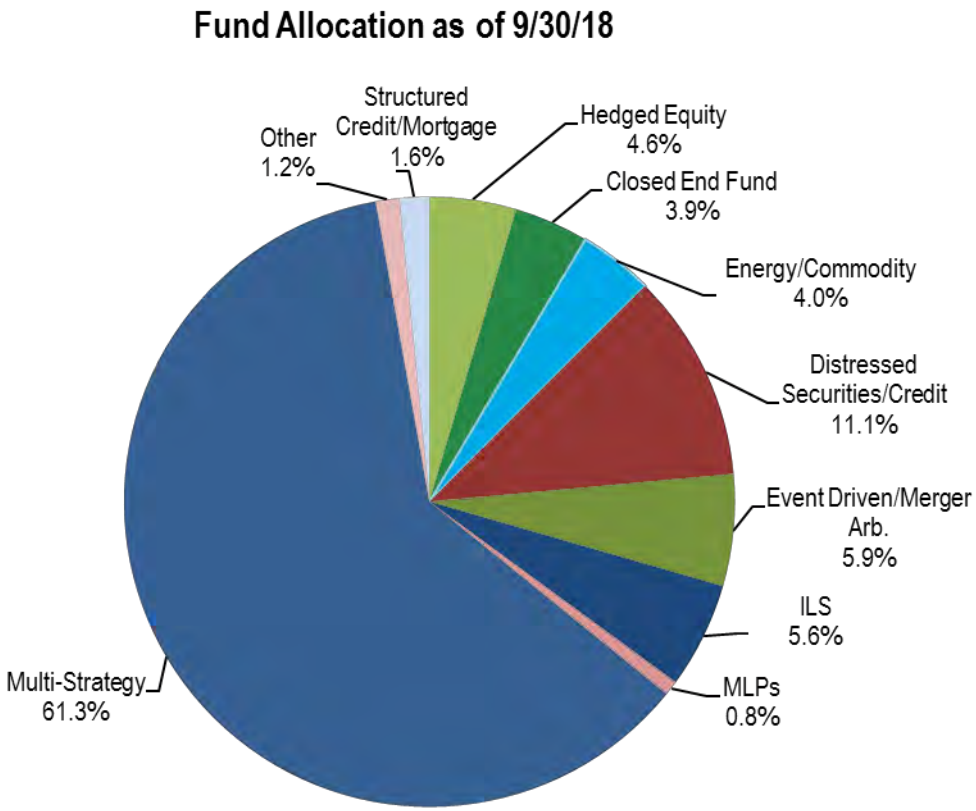
Multi-Strategy Hedge

GT Partners: Overview

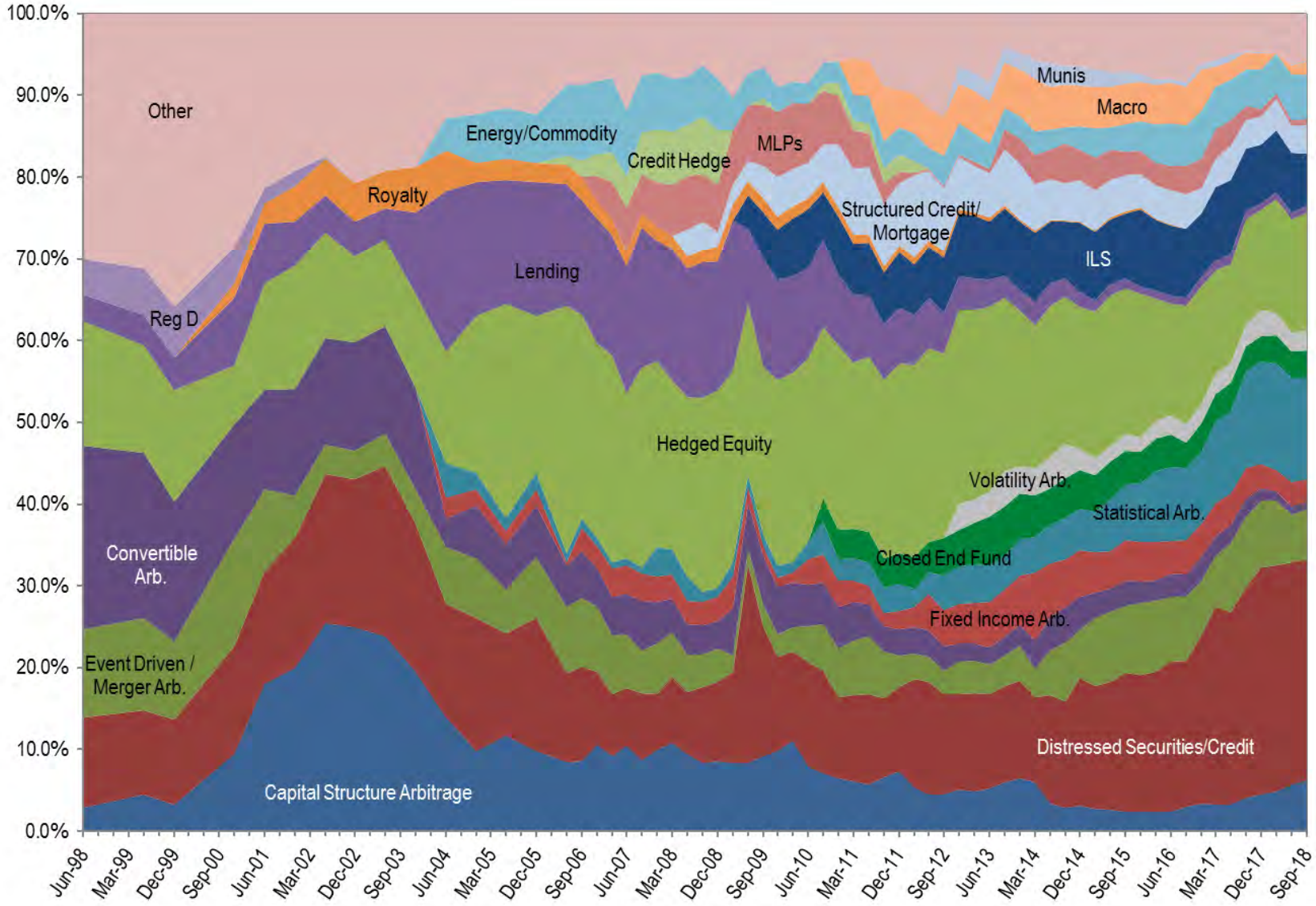
Goal: Generate an attractive absolute return with low market correlation.

Strategy and Attributes:

- Invested with an eclectic mix of managers who are oriented toward achieving consistent, absolute rates of return with minimal market exposure and low levels of leverage
- Strategy includes:
  - Multi-Strategy
  - Distressed Debt
  - Event Driven
  - Insurance Linked Securities
  - Energy/Commodities
  - Hedged Equity
  - Closed End Funds
- Assets of approximately $1.8 billion
- Offshore fund available
- In 266 of the 333 months since inception, GT Partners has had positive returns (80%).



GT Partners: Historical Strategy Allocation*



*Allocation presented on a look-through basis, does not include cash.

GT Partners: Fund Allocation

	STRATEGY	ALLOCATION	CLOSED	DISCOUNTED FEE
1	Multi-Strategy	8.6%	x	
2	Multi-Strategy	8.4%	x	
3	Multi-Strategy	7.9%		x
4	Multi-Strategy	7.1%	x	
5	Insurance Linked Securities	5.5%		x
6	Multi-Strategy	5.3%		
7	Multi-Strategy	5.1%		
8	Event Driven	4.4%	x	
9	Multi-Strategy	4.2%	x	
10	Multi-Strategy	4.1%	x	x
11	Multi-Strategy	3.2%		
12	Distressed	3.1%	x	
13	Hedged Equity	3.1%	x	
14	Distressed	3.0%	x	
15	Multi-Strategy	2.9%	x	
16	Distressed	2.6%	x	
17	Closed End Funds	2.6%		
18	Commodities	2.3%	x	
19	Multi-Strategy	2.2%	x	x
20	Multi-Strategy	1.8%	x	

FUND DIVERSIFICATION
The five largest funds represent 37% of assets, the top ten funds represent 61% of assets and the top 20 funds represent 88% of assets.

GT Partners: Annualized Performance

Annualized Performance, September 2018 (net of all fees and expenses)

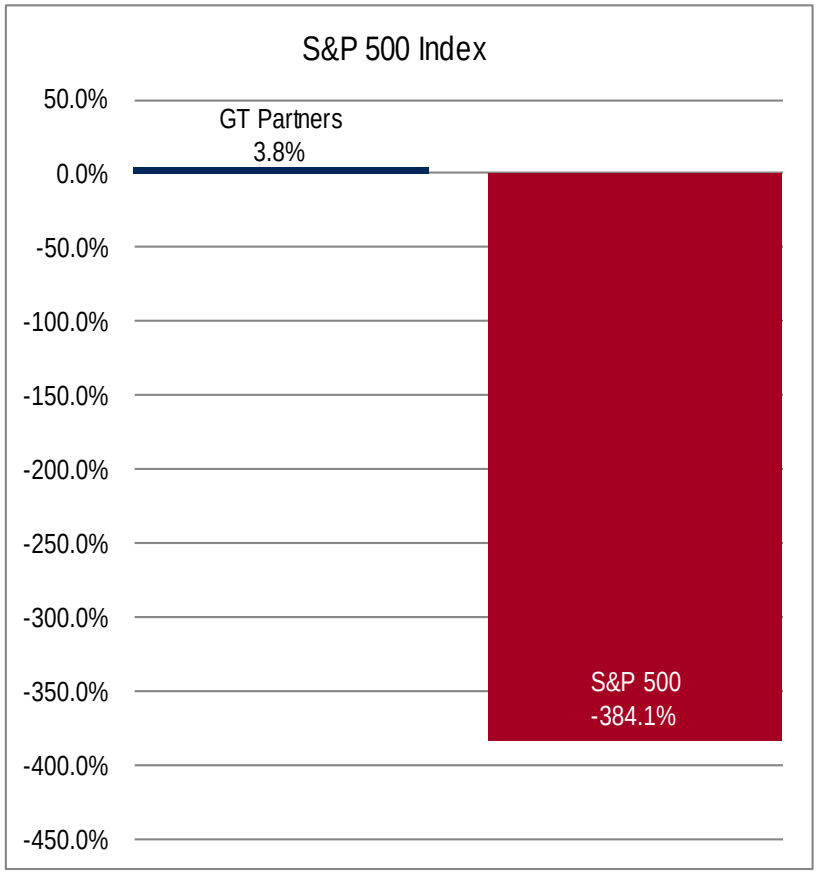
	YTD	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	25 Years	Since 1/1991
GT Partners	4.8%	6.3%	4.9%	5.5%	6.6%	7.3%	8.9%	8.5%	8.8%
HFRI FOF: Conservative	2.6%	3.8%	2.9%	3.0%	2.2%	2.8%	3.9%	4.8%	5.4%
S&P 500 Index	10.6%	17.9%	17.3%	14.0%	12.0%	9.7%	7.4%	9.8%	10.4%
BBgBarc US Govt/Credit	-1.9%	-1.4%	1.5%	2.2%	4.0%	3.8%	4.5%	5.0%	5.8%

Composite Performance Disclosure

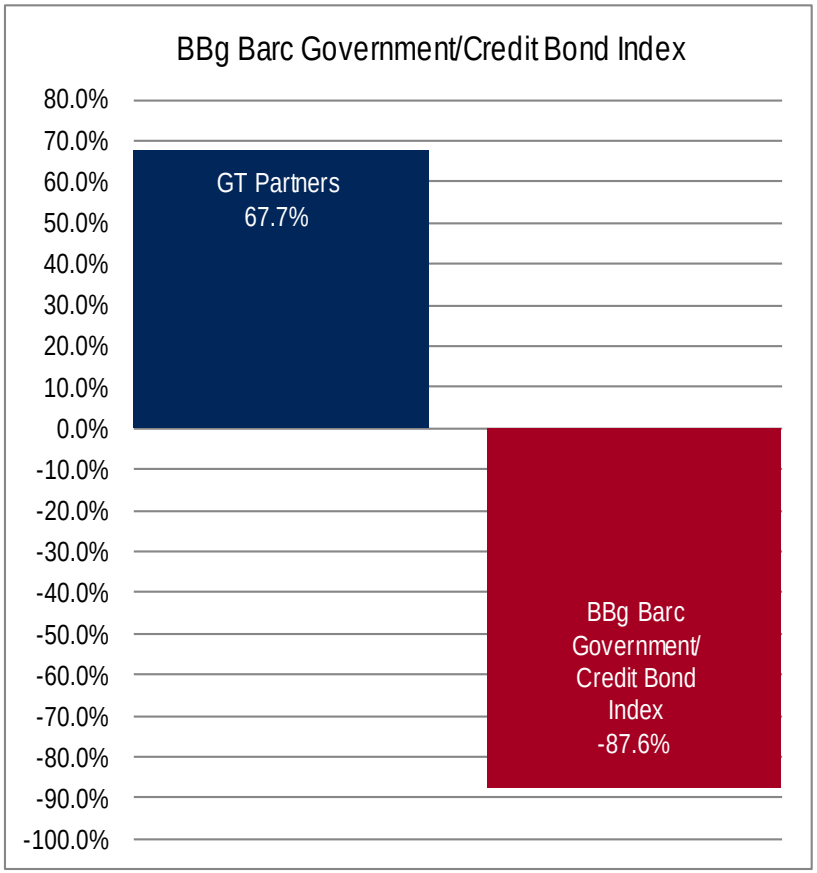
As of January 1, 2001, GT Special Situations, L.P., a fund also managed by Gerber Taylor, merged with GT Partners, L.P., and performance results after such date reflect this merger. For periods from January 1, 1993 to January 1, 2001, the performance results reflect the asset weighting composite performance of both GT Partners, L.P. (60%) and GT Special Situations, L.P. (40%). Performance results prior to 1993 include only GT Partners, L.P. No representation is made that an investor will achieve results comparable to those shown.

GT Partners Down Market Performance

January 1, 1991 to September 30, 2018



Estimated summed performance. Includes the 110 months when the S&P 500 Index had negative returns.



Estimated summed performance. Includes the 112 months when the BBg Barc Government/Credit Bond Index had negative returns.



GT Global Hedge, LP

(GT Offshore B)

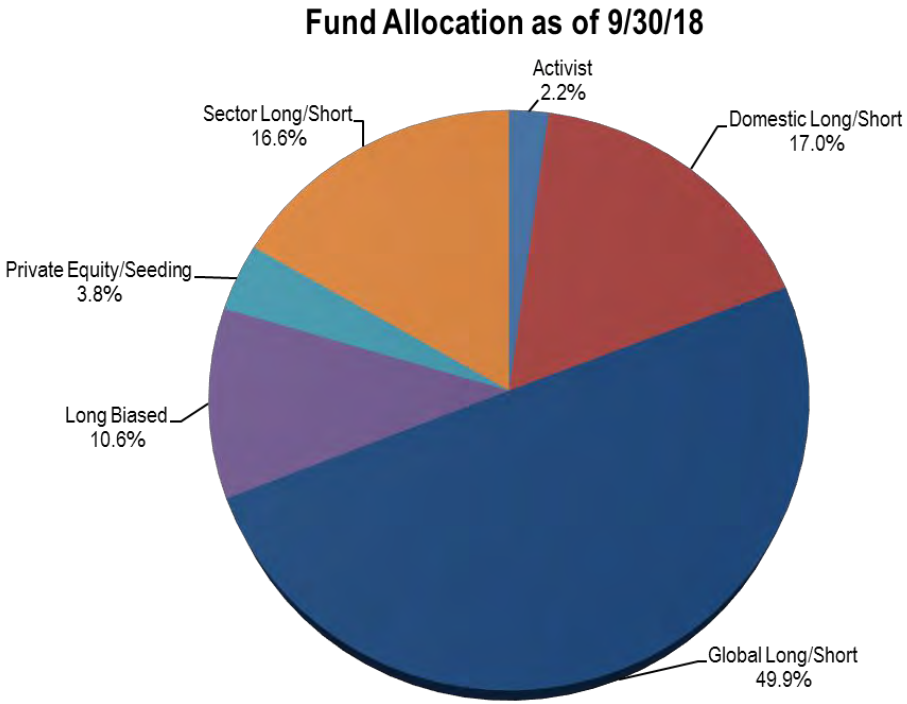
Hedged Equity

GT Global Hedge: Overview

Goal: Over the long term, generate an attractive equity-like return with lower volatility.

Strategy and Attributes:

- Invested with diverse group of global long/short stock pickers
- Invested with managers who maintain a portion of short exposure – stock shorts preferred to index shorts
- Avoidance of managers who participate in "macro" strategies or have style bias
- Net long exposure ranging from 20% to 60%
- Assets of approximately $1.5 billion
- Offshore fund available

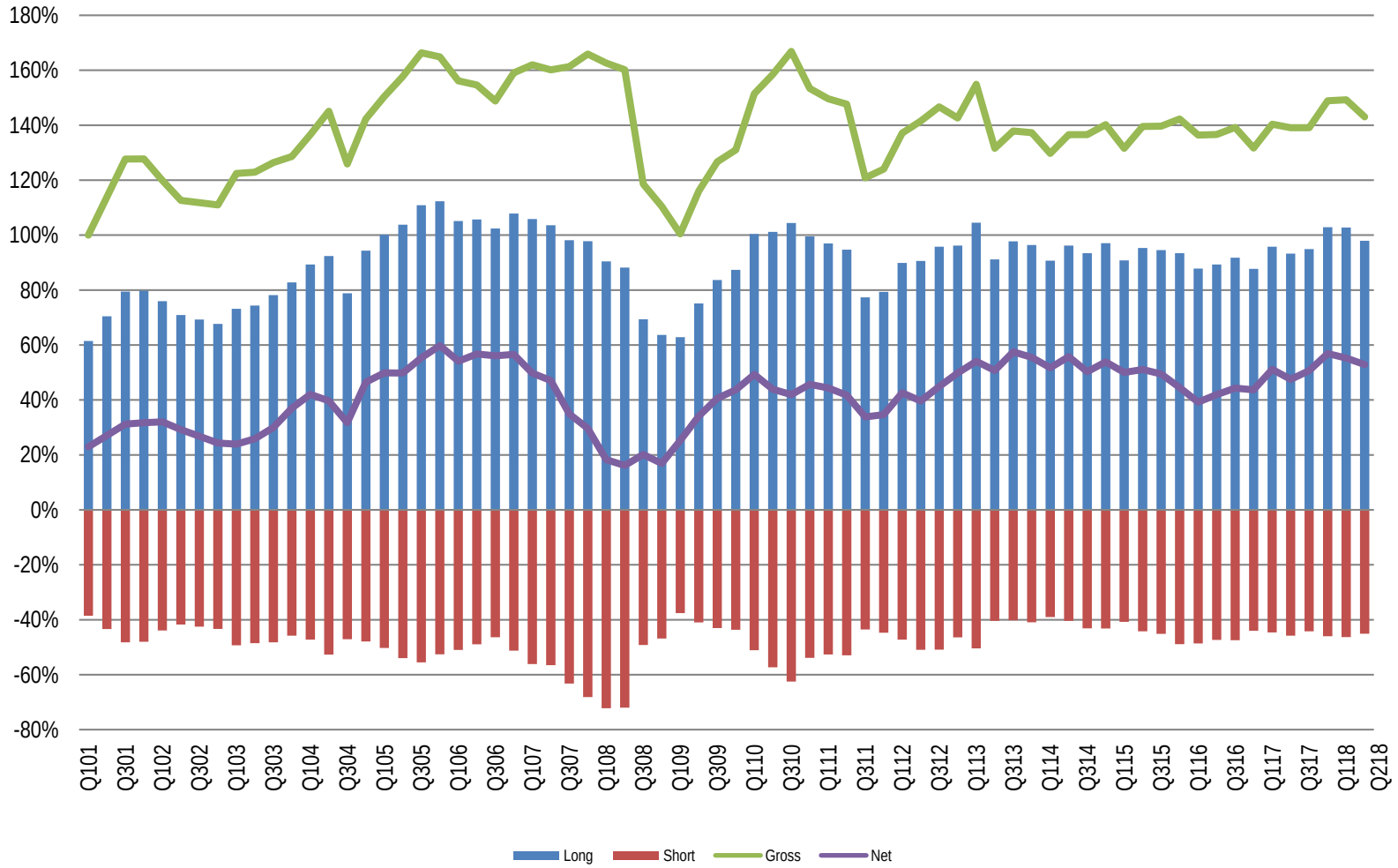


GT Global Hedge: Fund Allocation

	STRATEGY	ALLOCATION	CLOSED	DISCOUNTED FEE
1	Global Long/Short	7.4%		
2	Global Long/Short	6.8%	x	
3	Sector Long/Short	6.1%		x
4	Domestic Long/Short	5.9%		x
5	Global Long/Short	5.8%	x	x
6	Long Biased	5.8%		
7	Global Long/Short	5.6%	x	
8	Global Long/Short	5.5%	x	
9	Global Long/Short	5.4%		
10	Domestic Long/Short	4.6%		
11	Global Long/Short	4.1%		
12	Long Biased	3.7%		
13	Domestic Long/Short	3.3%		x
14	Domestic Long/Short	3.2%	x	x
15	Global Long/Short	3.1%		
16	Global Long/Short	2.9%		x
17	Global Long/Short	2.7%	x	
18	Global Long/Short	2.7%		
19	Global Long/Short	2.3%		x
20	Activist	2.2%	x	x

FUND DIVERSIFICATION
The five largest funds represent 32% of assets, the top ten funds represent 59% of assets and the top 20 funds represent 89% of assets.

GT Global Hedge: Historical Exposures



GT Global Hedge: Annualized Performance

Annualized Performance, September 2018 (net of all fees and expenses)

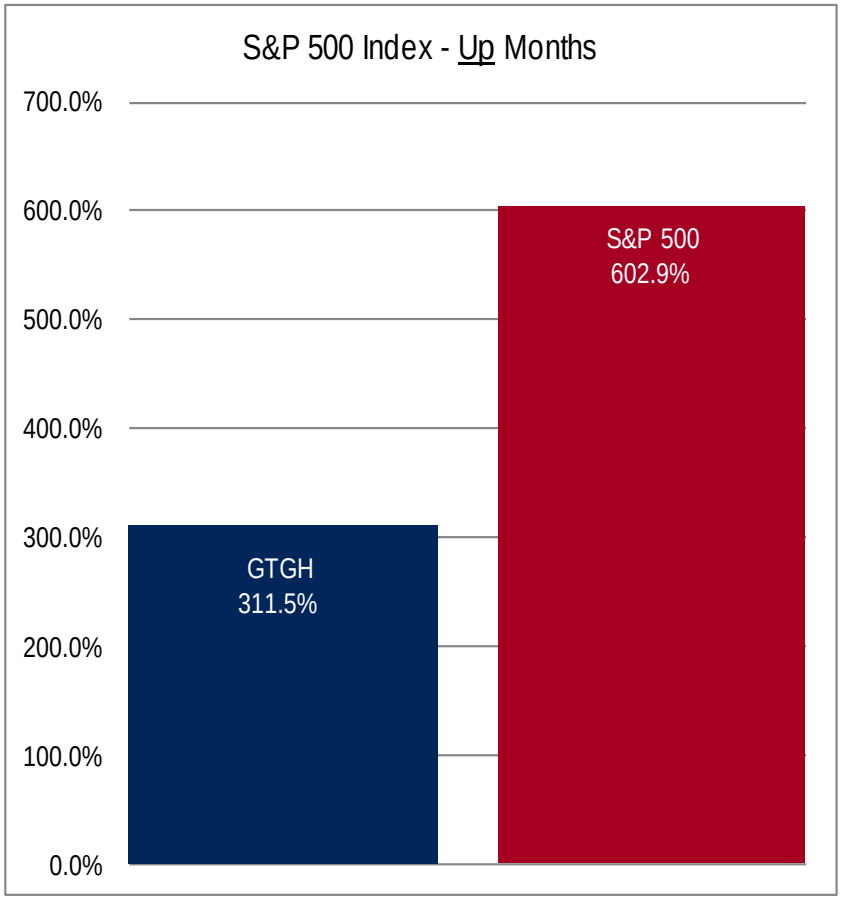
	YTD	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since 1/1995
GT Global Hedge	7.5%	10.0%	7.9%	6.4%	6.1%	7.5%	9.5%	10.1%
HFRI FOF: Strategic	-0.1%	2.4%	4.1%	3.4%	2.9%	3.9%	4.9%	5.9%
S&P 500 Index	10.6%	17.9%	17.3%	14.0%	12.0%	9.7%	7.4%	10.2%
MSCI World	5.9%	11.8%	14.2%	9.9%	9.2%	8.7%	6.7%	7.9%

Composite Performance Disclosure

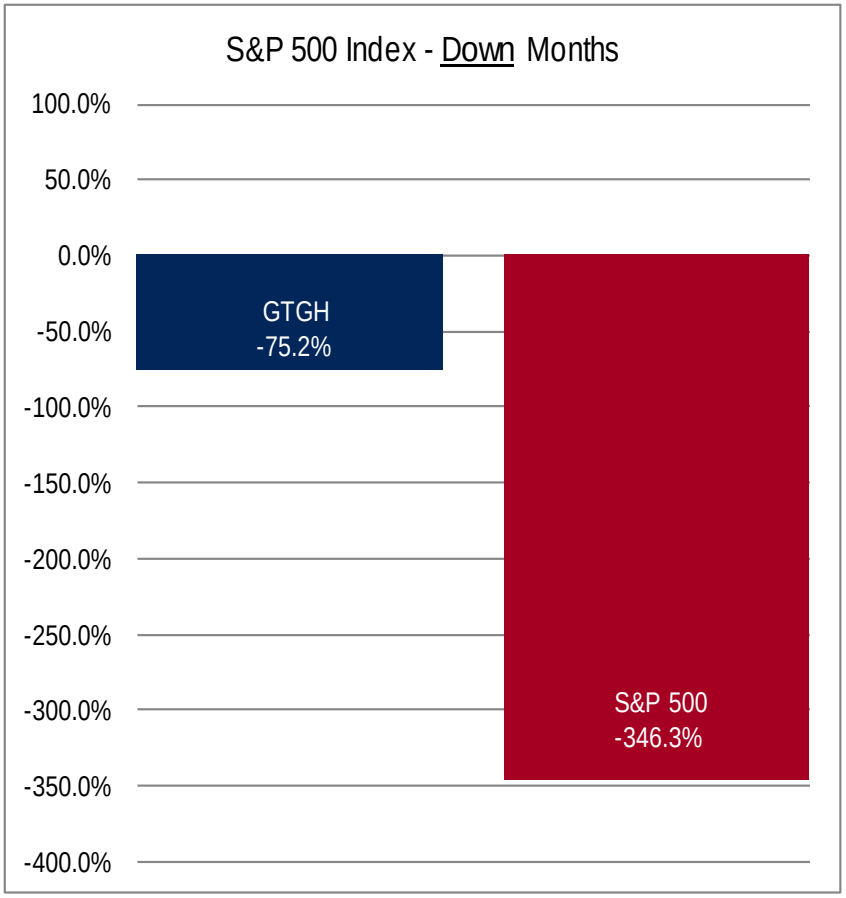
All performance statistics are calculated beginning January 1, 1995 rather than the actual start date of July 1, 1994, and are shown net of all fees and expenses. January 1, 1995 represents the point that the Fund became invested on a diversified basis with multiple managers and investors. Prior to that point, the Fund had only two managers and limited investors. If the results from inception were calculated beginning on July 1, 1994, the annualized return would be 9.5% for the Fund and 5.7% for the HFRI FOF Strategic Index, 10.2% for the S&P 500 Index and 7.8% for the MSCI World Index. Performance results are pre-tax, net of applicable fees and expenses and include income reinvestment. No representation is made that an investor will achieve results comparable to those shown.

GT Global Hedge Performance in Up and Down Markets

January 1, 1995 to September 30, 2018



Estimated summed performance. Includes the 191 months when the S&P 500 Index had positive returns.



Estimated summed performance. Includes the 94 months when the S&P 500 Index had negative returns.

Gerber Taylor Team

Portfolio Management & Research	
Charles Gerber* 28	Jason Gowen* 23
Mike Douglass* 24	Tara Elliott* 10
Bill Ryan* 16	Sean Montesi 8
Kojo McLennon* 10	Leo Corrigan 6
Allen Hawley* 18	Will Estes 5
Alex Moore* 8	Steven Francomacaro 4

Client Service	
Andy Taylor* 28	Bart Reid 17
Bill Pickens* 28	Matt Kinnear* 8
Matt Robbins* 24	Lisa Mallory 7
Warren Milnor* 19	

Due Diligence
David East* 20
Ryan Gibbs* 6
Justin Rikard 5
Ashlee Reid 7
Marie McPherson 12
Sara Kathryn Pace 10

Client Analytics
Glynn Dean 23
Mark Hicks 21
Linda Cox 20
Stacy Miller 17
Sarah Thomas 14

Accounting & Operations
Mary Cornpropst* 19
Simone Meeks* 16
Scott Kay 3
Erica Woodard 14
Vivian Jones 17
Janice Kruger 12
Kristi Hicks 4
Dana Czech 3

Administrative
Clarice Rowlett 23
Connie Meyer 3
Lisa Lawhead 1
Beth Miller 2

* Indicates shareholder of the firm.
The number next to each name reflects years at Gerber Taylor.
Average tenure = 13 years.

Important Disclosures

- *Confidentiality. The information contained on the following pages is confidential, proprietary information of Gerber Taylor, is intended only for the person to whom it has been delivered and under no circumstance may a copy of this presentation be made, shown, transmitted, or otherwise disclosed to any person other than the authorized recipient or the recipient's financial, tax or other legal advisers, without Gerber Taylor's prior written consent.*
- *No Obligation to Update. Unless otherwise indicated, information presented is as of the date of this document and Gerber Taylor does not undertake to update it or reflect changes in assumptions underlying any data.*
- *Limitations on Use of Information. The information contained herein is for illustration and discussion purposes only and is not intended to be, nor should it be construed or used as investment, tax, ERISA or legal advice. Prospective clients should consult their own legal, tax and other professionals concerning the advisability of the investment program discussed herein. Prospective clients with fiduciary responsibility for the assets of others should conduct their own due diligence before investing in any fund Opinions offered constitute our view and are subject to change without notice. The information on the following pages pertains to the important footnotes and other disclosures listed above which must be read carefully in conjunction with the information contained herein.*
- *No Offering of Securities, Including Fund Investments. This information does not constitute an offer to sell, or a solicitation of any offer to buy any security, including an interest in any private investment fund. Any offer or solicitation of an investment in any private fund may be made only by delivery of the confidential offering memorandum of such private investment fund to qualified investors. The information contained on the following pages is not complete and does not contain certain material information about the funds. To the extent any information herein may vary from, or be inconsistent with that of the Private Placement Memoranda and governing agreements (i.e., Limited Partnership Agreements, LLC Agreements, etc.) of the underlying funds, the terms of the Private Placement Memoranda and governing agreements shall govern. An investment in the funds involves risk.*
- *Risk of Investing in the Funds. An investment in a fund is not suitable or desirable for all investors. Investors and prospective investors should understand that while portfolio results may show a generally rising trend, there is no assurance that such trends will continue. If such trends are broken, the investors may experience real capital losses in their accounts. No representation is made that any fund investor will or is likely to achieve results comparable to those shown or will make any profit or will be able to avoid incurring substantial losses. Before making any investment, you should thoroughly review the applicable Private Placement Memorandum (and attached exhibits) with your financial and tax advisor to determine whether an investment in the fund is suitable for you in light of your financial situation. An investment in a private investment fund involves risk, including that such fund may be illiquid, may use leverage and other speculative investment strategies, may lack transparency, will incur fees and expenses regardless of profits and is not subject to the same regulatory requirements as mutual funds, including mutual fund requirements to provide certain periodic and standardized pricing and valuation information to investors. There is no guarantee that a fund's objectives, benchmarks, or targeted returns will be achieved, nor that any investments mentioned will be profitable in the future.*
- *Performance Calculation. Performance for GT Partners, LP and GT Global Hedge, LP is calculated using a time weighted return ("TWR"). Gerber Taylor believes that this methodology most accurately measures performance, as investors are free to control the timing of their inflows and outflows.*

Important Disclosures

- *Performance Net of Fees and Expenses. Performance represents returns of the Fund net of actual expenses and fees paid to Gerber Taylor by investors in the Fund. The performance results portrayed include the re-investment of income and they reflect the deduction of advisory fees and other expenses, which the investor would have paid during the period(s) shown. Actual investor results may vary depending upon different fee arrangements and timing of investments. Past performance is not indicative of future results.*
- *Reference to Indices. All referenced indices or financial benchmarks are for illustrative purposes only, are unmanaged, assume reinvestment of dividends and income, and do not reflect advisory fees. Indices are provided as general indicators of performance in various sectors of the securities markets and, except as indicated, are not benchmarks of any Gerber Taylor account or investment product. Such indices may differ materially in terms of volatility or other characteristics from the portfolio in question. It is not possible to invest directly in an index. Gerber Taylor's goal in managing assets is not correlated with any specific index. There are material inherent limitations in comparisons between passive financial indices and actively managed accounts.*
- *Targeted Returns and Other Forward-Looking Statements. Return targets or objectives, if any, are used for measurement or comparison purposes and only as a guideline for prospective investors to evaluate the investment strategies of a particular investment program and accompanying information. Targeted returns reflect subjective determinations based on a variety of factors, including, among others, investment strategy, prior performance of similar products (if any), volatility measures, risk tolerance and market conditions. Any statements that involve future events or are forward-looking constitute only subjective views, outlooks, estimations or intentions, are based upon Gerber Taylor's expectations, intentions or beliefs, are subject to change due to a variety of factors, including fluctuating market and economic conditions, and involve inherent risks and uncertainties, both general and specific, many of which cannot be predicted or quantified and are beyond Gerber Taylor's or any private fund's control. Actual results could differ materially from those set forth in, contemplated by, or underlying these statements. In light of these risks and uncertainties, there can be no assurance that these statements are now or will prove to be accurate or complete in any way, and such statements should not be relied upon by investors. Gerber Taylor undertakes no obligation to revise or update targeted returns or other forward-looking statements.*
- *The returns for GT Partners and GT Global Hedge are not representative of their GT Offshore or GT Erisa equivalent. The returns from GT Offshore and GT Erisa will generally be less due to additional expenses attributable to those funds.*
- *Prior to 1/1/14, investment management and performance fees (the "Fees") were charged at the GT Partners ("GTP") and GT Global Hedge ("GTGH"), level, so the reported performance for GTP and GTGH reflected all such Fees. Effective 1/1/14, such Fees are being charged at the feeder fund level for all Gerber Taylor managed funds that invest in GTP and GTGH. As a result, beginning 1/1/14, the performance results reported for GTP and GTGH are based upon a representative client account (the "RCA") that is (i) invested directly in GTP and GTGH; (ii) incurs full Fees at that level; and (iii) has no transactions in this reporting period. It is the opinion of Gerber Taylor that this is the most representative way to demonstrate the performance of a typical investor in GTP and GTGH.*

RESOLUTION

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

WHEREAS, the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) requires that investment policies 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 Development, Endowment and Investments Committee.

Endowment Funds
Investment Policies and Guidelines

The Endowment Committee of the Board of Trustees of the University of South Alabama shall be responsible for recommending investment policies and guidelines for approval by the Board of Trustees, implementation of such policies and guidelines and selection of qualified investment professionals including Investment Consultant(s), Investment Manager(s), and Funds Custodian(s). The Endowment Committee will oversee investment activities, monitor investment performance and ensure the prudent control of the Endowment Funds of the University. The Endowment Committee will make periodic reports to the Board of Trustees.

I. Purpose of the Endowment Funds

The University of South Alabama Endowment Funds exist to provide revenue while preserving principal to fund those projects which have been endowed for specific purposes, i.e., scholarships, professorships, program enhancements, student loans, etc.

II. Purpose of the Investment Policy

This investment policy is set forth by the Board of Trustees of the University of South Alabama in order to:

1. Define and assign the responsibilities of all involved parties.

2. Establish a clear understanding of all involved parties of the investment goals and objectives of Endowment Funds assets.

3. Offer guidance and limitations to Investment Manager(s) regarding the investment of Endowment Funds assets.

4. Establish a basis of evaluating investment results.

5. Manage Endowment Funds assets according to prudent standards as established in the laws of the State of Alabama.

6. Establish the relevant investment horizon for which the Endowment Funds assets will be managed.

In general, the purpose of this policy is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

III. Delegation of Authority

The Board of Trustees of the University of South Alabama is responsible for directing and monitoring the investment management of the University's Endowment Funds assets. As such, the Board of Trustees is authorized to delegate certain authority to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant(s). The consultant may assist the Board of Trustees in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

2. Investment Manager(s). The investment manager has discretion to purchase or sell, in the University's name, the specific securities that will be used to meet the Endowment Funds investment objectives.

3. Funds Custodian(s). The custodian will physically (or through securities owned by the Fund) collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets, owned, purchased or sold as well as movement of assets into and out of the Endowment Funds accounts.

With the exception of specific limitations described in these statements, managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate. All expenses for such experts must be customary and reasonable, and will be borne by the Endowment Funds as deemed appropriate and necessary.

IV. Assignment of Responsibility

A. Responsibility of the Board of Trustees of the University of South Alabama

The Board of Trustees is responsible for the management of the assets of the Endowment Funds. The Board of Trustees shall discharge its duties in good faith like an ordinary prudent person in a like position would exercise under similar circumstances and in a manner the Trustees reasonably believe to be in the best interest of the University. The Board of Trustees will supervise the Endowment Committee and assigns the following authority and responsibilities to the Endowment Committee on behalf of the Board of Trustees.

B. Responsibility of the Endowment Committee

The specific authority and responsibilities of the Endowment Committee relating to the

investment management of Endowment Funds assets include:

1. Projecting the Endowment Funds financial needs, and communicating such needs to the Investment Manger(s) on a timely basis.

2. Determining the Endowment Funds risk tolerance and investment horizon, and communicating these to the appropriate parties.

3. Establishing reasonable and consistent investment objectives, policies, time frames and guidelines which will direct the investment of the Endowment Funds assets.

4. Prudently and diligently selecting qualified investment professionals, including Investment Manager(s), Investment Consultant(s), and Custodian(s).

5. Regularly evaluating the performance of the Investment Manager(s) to assure adherence to policy guidelines and monitor investment objectives progress.

6. Developing and enacting proper control procedures: For example, replacing Investment Manager(s) due to fundamental changes in the investment management process, or failure to comply with established guidelines.

7. Making direct investments in cases in which selection of an investment manager is not appropriate.

8. Recommending an endowment spending policy to the Board of Trustees for approval.

9. Reporting periodically to the Board of Trustees Endowment Committee actions and recommendations and investment performance of the Endowment Funds.

C. Responsibility of the Investment Manager(s)

The Endowment Funds will be managed primarily by external investment advisory organizations; both commingled vehicles and separate accounts may be used. The investment manager(s) have discretion, within the guidelines set forth in this policy statement and any additional guidelines provided them, to manage the assets in each portfolio to achieve the investment objectives. Managers will normally manage only one type of investment in each fund. For example, equities and fixed income will not be combined in a balanced fund with one manager.

Each Investment Manager must acknowledge, in writing, their acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under their jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Each Investment Manager will be provided with a copy of this statement of investment objectives and policies. In turn, as part of the investment management contract that will govern their portfolio, the Investment Manager is expected to provide a written statement of the firm’s expectations, stated

in terms of the objectives and comparative benchmarks that will be used to evaluate performance and the allowable securities that can be used to achieve these objectives. These statements will be consistent with the statement of investment objectives and policies and will be incorporated as appendices. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy or sell individual securities, and to alter asset allocation with the annual guidelines established by the Endowment Committee.

2. Reporting, on a timely basis, quarterly investment performance results.

3. Providing monthly valuation of the investment portfolio based on the previous month's closing prices.

4. Communicating any major changes in economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objectives progress of the Endowment Funds investment management.

5. Informing the Endowment Committee regarding any qualitative change in the investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.

6. Providing the Endowment Committee with proof of liability and fiduciary insurance coverage.

7. Acknowledging in writing an ability and agreement to invest within the guidelines set forth in the investment policy.

8. Meeting with the Endowment Committee at least annually.

9. Voting proxies on behalf of the Endowment Funds and communicating such voting records on a timely basis. In cases in which the University desires to vote proxies related to specific topics, it will so notify Manager(s).

10. The Board of Trustees may from time to time request that the Investment Manager(s) allocate commissions to those brokerage firms providing other investment management services to the University. Good execution and commission prices are primary considerations in routing business to the said brokerage firms. If at any time any Investment Manager believes that any policy guideline inhibits investment performance, it is their responsibility to communicate this to the Endowment Committee.

V. General Investment Principles

1. Investments shall be made solely in the interest of the purposes of the University of South Alabama.

2. The Endowment Funds shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person in a like position would exercise under similar circumstances in a manner the Board of Trustees reasonably believe to be in the best interest of the University.

3. Investment of the Endowment Funds shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

4. The Board of Trustees may employ one or more investment managers of varying styles and philosophies to attain the Endowment Funds objectives.

5. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

VI. Investment Objectives

In order to meet its needs, the investment strategy of the University of South Alabama Endowment Funds is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. The total Endowment Funds shall be monitored for return relative to objectives, consistency of investment philosophy, and investment risk. The Endowment Funds results shall be evaluated on a rolling five-year basis against a market benchmark weighted 40 percent in favor of the S&P 500 Index, 5% Russell 2000 Index, 12% MSCI EAFE (US Dollar) Index, 23 percent toward the Barclay's Capital US Aggregate Bond Index and 20 percent Treasury-bill rate plus 3 percent.

VII. Portfolio Composition and Risk

A. To achieve its investment objective, the Endowment Funds assets are considered as divided into three parts a fixed income component, a fixed income alternative component, an equity component and a private equity component. The Endowment Funds long-term commitment to these funds shall be as follows:

	Range	Long-term neutral
Fixed Income	15-35%	25%
Equity	35-75%	50%
Private Equity	0-10%	5%
Fixed Income Alternative	10-30%	20%
Cash	0-5%	0%

The purpose of dividing the Endowment Funds in this manner is to ensure that the overall asset allocation among major asset classes remains under the regular scrutiny of the Endowment Committee and is not allowed to become the residual of separate manager decisions. Over the long run, the allocation among the major asset classes may be the single most important determinant of the endowment funds investment performance.

B. The purpose of the fixed income fund is to provide a hedge against deflation, to reduce the overall volatility of returns of the Endowment Funds, in order to produce current income in support of spending needs.

C. The percentage of total Endowment Funds assets allocated to the fixed-income fund at any time should be sufficient to provide that neither the current income nor the capital value or the total Endowment Funds declines by an intolerable amount during an extended period of deflation. The fixed-income fund should normally represent approximately 15-35 percent of total Endowment Funds assets at market value. Although the actual percentage will fluctuate with market conditions, levels outside this range should be closely monitored by the Endowment Committee.

D. The purpose of the equity fund is to provide appreciation of principal that more than offsets inflation and to provide a growing stream of current income. It is recognized that the pursuit of this objective could entail the assumption of greater market variability and risk than investment in fixed-income securities. Equity and equity-substitute investments are broadly defined as common stocks, high-yield bonds, reorganization securities, private equity, venture capital, leveraged buyout investments, equity real estate, reorganization securities, exchange traded index funds**,** etc. Investments made in such less liquid equity investments should be made through funds offered by professional investment managers.

E. The purpose of the fixed income alternative component is to provide the Endowment a source of returns with low correlation to equity markets and volatility of one third to one half that of the U.S. equity market, while still achieving equity-like returns of Treasury Bills plus 2-8% over time. The Fixed Income Alternative should normally represent approximately 10-30 percent of total Endowment Funds.

F. Any assets not committed to the fixed-income fund or fixed income alternative shall be allocated to the equity fund and the private equity fund. The equity fund should normally represent approximately 35-75 percent of total Endowment Funds assets at market value. The private equity fund should normally represent approximately 0-10 percent of total Endowment Fund assets at market value. Although the actual percentage of equities will vary with market conditions, levels outside these ranges should be closely monitored by the Investment Committee.

G. The Endowment includes investments in several categories, and the Endowment Committee targets allocations for the following:

Asset Class	Long-Term Strategic Target (%) of Endowed Funds	Range
DOMESTIC EQUITY	**42%**	**30-60%**
Large/Mid-Cap	35%	25-55%
Small Cap	5%	3-8%
High Yield Debt	2%	0-5%
INTERNATIONAL STOCKS	**10%**	**5-15%**
Developed Markets	6%	3-10%
Emerging Markets	4%	0-6%
PRIVATE EQUITY	**5%**	**0-10%**
TOTAL EQUITY COMPONENT	**57%**	**35-75%**
ALTERNATIVE INVESTMENTS	**20%**	**10-30%**
Absolute Return	15%	12-205
Long/Short Equity	5%	0-10%
TOTAL ALTERNATIVE COMPONENT	**20%**	**10-30%**
Fixed Income Component	**23%**	**15-35%**
U.S. Core Bonds	16%	12-20%
Global Bonds	4%	0-7%
TIPS	2%	0-5%
Emerging Markets Debt	1%	0-2%
TOTAL FIXED INCOME COMPONENT	**23%**	**15-35%**
CASH AND EQUIVALENTS	**0%**	**0-5%**

H. Within the equity fund, certain investments can be included, with Endowment Committee approval, to provide a hedge against unanticipated, rapidly accelerating inflation. These include cash, real estate and oil and gas investments. While the Endowment Committee recognizes the argument for having a separate allocation to inflation-hedging assets, at this time, these investments are evaluated primarily as equity-substitutes. The Endowment Committee will periodically review the adoption of an inflation-hedging fund allocation separate from the equity allocation.

I. Within the equity fund, in addition to cash reserves held by managers, there is normally an investment in cash or short-term instruments. Although the Endowment Committee has not adopted a cash allocation, new gifts to the endowment and endowment income in excess of budgetary distributions generate cash inflow to the Endowment Fund. The level of cash should be closely monitored by the committee.

J. The Endowment committee may change any of the above ratios; however, it is anticipated that these changes will be infrequent.

K. The Endowment Funds investments shall be diversified both by asset class (e.g., equities and fixed-income securities) and within asset classes (e.g., within equities by economic sector, geographic area, industry, quality, and size). The purpose of diversification is to provide reasonable assurance that no single security or class of securities shall have a disproportionate impact on the endowment funds aggregate results. Equity securities in any single industry will not exceed 20 percent, nor will equity securities in any single company exceed 10 percent of the market value of the endowment's allocation to equities.

VIII. Spending Policy

It shall be the policy of the University of South Alabama Board of Trustees to preserve and maintain the real purchasing power of the principal of the Endowment Funds. The current spending policy of the University will be determined annually by the President and the Endowment Committee and approved by the Board of Trustees. The spending guideline is based on an expected total return over the long-term less expected inflation.

IX. Volatility of Returns

The Board of Trustees understands that in order to achieve its objectives for Endowment Funds assets, the Funds will experience volatility of returns and fluctuations of market value. The Board will tolerate volatility as measured against the risk/return analysis of the appropriate market indices. The indices used as a measure of an investment manger's performance will be used to measure the allowable volatility (risk).

X. Liquidity

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Vice President for Financial Affairs will periodically provide Investment Manager(s) with an estimate of expected net cash flow. The Vice President will notify the Investment Consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves. Because of the infrequency of cash outflows and overall marketability of Endowment Funds assets, the Board of Trustees does not require the maintenance of a dedicated cash or cash equivalent reserve.

XI. Marketability of Assets

The Board of Trustees requires that all Endowment Funds allocated to cash equivalents, fixed income securities or equity securities be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Endowment Funds, with minimal impact on market price. The Board of Trustees recognizes that opportunities may exist in illiquid assets and will allow Investment Managers overseeing Private Equity or Fixed Income Alternatives to invest in securities that may be less liquid and could present a risk of illiquidity.

XII. Investment Guidelines

A. Allowable Assets

1. Cash Equivalents

    - Treasury Bills
    - Money Market Funds
    - Common Fund Short Term Investment Fund
    - Commercial Paper
    - Banker's Acceptance
    - Repurchase Agreements
    - Certificates of Deposits

2. Fixed Income Securities

    - U.S. Government and Agency Securities
    - Corporate Notes and Bonds
    - Mortgage Backed Bonds
    - Preferred Stock
    - Fixed Income Securities of Foreign Governments and Corporations
    - Collateralized Mortgage Obligations

3. Fixed Income Alternatives

    - Arbitrage (merger, event, convertible, equity and fixed income arbitrage and pairs trading)
    - Event investing (restructurings, spin-offs, etc.)
    - Distressed securities
    - Long Short equities (U.S., global and sector funds)
    - Market neutral equities
    - Short-biased equities
    - Macro investing

4. Equity Securities

    - Common Stocks
    - Convertible Notes and Bonds
    - Convertible Preferred Stocks
    - American Depository Receipts (ADRs) of Non-U.S. Companies
    - Exchange traded index funds

5. Private Equity

6. Mutual Funds

   - Mutual Funds which invest in securities as allowed in this statement.

Other Assets:

Derivative Securities: options and future contracts
In general, the use of derivative securities by the Investment Manager shall be discouraged, unless such an opportunity presents itself that the use of the sophisticated securities would provide substantial opportunity to increase investment returns at an appropriately equivalent level of risk to the remainder of the total portfolio. Also, derivative securities may be used by the Investment Manager in order to hedge certain risks to the portfolio. The approval and use of derivative securities will not be allowed unless the Endowment Committee is confident that the Investment Manager(s) thoroughly understands the risks being taken, has demonstrated expertise in their usage of such securities, and has guidelines in place for the use and monitoring of derivatives.

Real Estate: Investments may also include equity real estate, held in the form of professionally managed, income producing commercial and residential property. Such investments may be made only through professionally managed, income producing commercial and residential property. Such investments may not exceed 10% of the total endowment fund. Such investment may be made only through professionally managed pooled real estate investment funds, as offered by leading real estate managers with proven track records of superior performance over time.

(Is now covered under the derivative section)
The Endowment will avoid highly leveraged strategies and managers who provide insufficient transparency of their actions for adequate monitoring of the risks they are taking.

B. Guidelines for Fixed Income Investments and Cash Equivalents

1. Investment in fixed income securities shall be restricted to only investment grade bonds rated BAA or higher.

2. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's.

3. Investment in fixed income securities within the fixed income portfolio shall be restricted to only investment grade bonds rated BAA or higher. Any investment in below investment grade bonds shall be considered an equity or fixed income alternative investment**.**

C. Guidelines for Fixed Income Alternatives

1. Fixed Income alternative investments will be defined as any strategy using a partnership or offshore investment company structure that may or may not be subject to SEC registration, investing primarily in marketable securities and/or subject to a performance fee. These strategies would generally have absolute, as opposed to relative, return objectives driven more by manager skill and market inefficiency than market direction. Use of leverage, short selling and/or derivatives may or may not be employed as part of the investment approach. The endowment will employ a manager of manager's approach to investing in fixed income alternative investments.

D. Limitations on Manager Allocations

1. No more than 5% of the Endowment Fund assets shall be allocated to an individual Investment Manager.

2. No more than 25% of the Endowment Fund assets shall be allocated to a "Fund of Funds" or multi-manager fund.

XIII. Investment Manager Performance Review and Evaluation

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Board of Trustees for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board of Trustees intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reason including the following:

1. Investment performance which is significantly less than anticipated, given the discipline employed and risk parameters established, or unacceptable justification of poor results.

2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.

3. Significant qualitative changes to the investment management organization.

Investment managers shall be reviewed annually regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

XIV. Investment Policy Review

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Board of Trustees will review investment policy at least annually.

Investment Manager Selection

1. The Endowment Committee will decide on guidelines for the desired investment philosophy, asset mix, and performance objectives of the new manager.

2. The Endowment Committee will employ, if appropriate, Investment Consultant(s) to identify potential managers.

3. Potential managers will be reviewed by the Endowment Committee in some or all of the following areas with the importance of each category determined by the Endowment Committee:

   Organization
   - Experience of firm
   - Assets under management
   - Ownership
   - Number of professionals
   - Fees and minimum account size

   Performance
   - One, three and five-year comparisons
   - Up/down market comparisons
   - Risk/return graphs

   Securities Summary – Equities
   - Yield
   - Profit/earnings
   - Quality
   - Growth
   - Beta

   Securities Summary – Fixed Income
   - Quality
   - Maturity
   - Duration
   - Government/non-government
   - Investment decision-making process
   - Top down/bottom up
   - Quantitative/qualitative/traditional
   - Expected performance characteristics

   Securities Summary – Fixed Income Alternative
   - Arbitrage (merger, event, convertible, equity and fixed income arbitrage and pairs trading)
   - Event investing (restructurings, spin-offs, etc.)
   - Distressed securities

- Long Short equities (U.S., global and sector funds)
- Market neutral equities
- Short-biased equities
- Macro investing

Skill Set Analysis

- Market timing
- Sector diversification
- Security selection
- Security consideration

4. Final selection of a new manager resides with the Endowment Committee.

UNIVERSITY OF SOUTH ALABAMA
NON-ENDOWMENT CASH POOL INVESTMENT POLICIES

Purpose

The purpose of this Investment Policy is to provide a guideline by which the pooled funds (the current, loan, agency and plant fund groups) not otherwise needed to meet the daily operational cash flows for the University can be invested to earn a maximum return, yet still maintain sufficient liquidity to meet fluctuations in the inflow of funds from revenues, tuition payments and state appropriations.

The policies and practiced hereinafter set forth separate funds into three investment categories: (1) Short-term funds (2) Intermediate-term funds (3) Long-term funds.

INVESTMENT OBJECTIVES

The investment objectives for Operational Funds Investments are: (1) to maximize current investment returns consistent with the liquidity needs of the University. In keeping with the investment objectives noted above, it is acknowledged that there are Operational Funds which require short-term, intermediate-term and long-term investment strategies.

It is expected that the maturities of the investments in the Operational Funds will be matched against the cash flow needs of each campus to maximize yields consistent with the liquidity needs of the University.

Maintenance of Adequate Liquidity

The investment portfolio must be structured in such a manner that will provide sufficient liquidity to pay obligations such as normal operating expenses and debt service payments as they become due. A liquidity base will be maintained by the use of securities with active secondary markets, certificates of deposit, or repurchase agreements. These investments could be converted to cash prior to their maturities should the need for cash arise.

Return on Investments

The University seeks to optimize return on investments within the constraints of each investment objective. The portfolio strives to provide a return consistent with each investment category. The cash pool portfolio rate of return will be compared with the returns of broad indices representing the investment and maturity structure of the Pool.

DELEGATION OF AUTHORITY

The Board of Trustees is ultimately responsible for investment policy. By Board Resolution the Board of Trustees is delegating investment authority to the President or Vice President for Financial Affairs or other such persons as may be authorized to act on their behalf.

The Investment Policy is established to provide guidance in the management of the University's Non-Endowment Cash Pool to insure compliance with the laws of the State of Alabama and investment objectives. The Vice President for Financial Affairs or his designee is accorded full discretion, within policy limits, to select individual investments and to diversify the portfolio by applying their own judgments concerning relative investment values.

IMPLEMENTATION OF THE INVESTMENT POLICY

The Vice President for Financial Affairs or his designee is authorized to execute security transactions for the University investment portfolio. Reports of investments shall be presented to the Endowment and Investment Committee of the Board of Trustees.

AUTHORIZED INVESTMENT INSTRUMENTS

Short-Term Operational Funds

Safety of Capital

Preservation of capital is regarded as the highest priority in the handling of investments for the University of South Alabama. All other investment objectives are secondary to the safety of capital.

It is assumed that all investments will be suitable to be held to maturity. However, sale prior to maturity is warranted in some cases. For example, investments may be sold if daily operational funds are needed or if the need to change the maturity structure of the portfolio arises.

All investments will be restricted to fixed income securities with the maturity range to be consistent with the liquidity needs of the pooled fund groups. It is essential that cyclical cash flow be offset by liquid investments. Permissible investment instruments may include:

1. Checking and Money Market deposit accounts in banks. These funds are subject to full collateralization for the amounts above the FDIC $250,000.00 coverage limit, or participation by the Bank in the State of Alabama's Security for Alabama Funds Enforcement Program.

2. Certificates of Deposit issued by banks and fully collateralized for the amounts above the FDIC $250,000.00 coverage limit or participation by the bank in the State of Alabama's Security for Alabama Funds Enforcement Program. Negotiable Certificates of Deposit or

Deposit Notes issued by credit worthy U.S. Banks in amounts not to exceed the FDIC $250,000.00 coverage limit.

3. Direct obligations of the United States or obligations unconditionally guaranteed as to principal and interest by the Unites States.

4. Obligations of a Federal Agency (including mortgage backed securities) or a sponsored instrumentality of the United States including but not limited to the following:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC)
- Federal Farm Credit Banks (FFCB)
- Government National Mortgage Association (GNMA)
- Federal National Mortgage Association (FNMA)
- Student Loan Marketing Association (SLMA)
- Financing Corp (FICO)
- Tennessee Valley Authority (TVA)
- Government Trust Certificates (GTC)

5. Commercial paper of corporate issuers with a minimum quality rating of P-1 by Moody's, A-1 by Standard and Poor's or F-1 rating by Fitch. Corporate bonds will maintain a minimum "A" rating by both Moody's and Standard and Poor's at the time of purchase. No more than ten percent (10%) of the Total Cash and Investments shall be invested in a single corporation for Commercial Paper/Short-term Corporate Bonds and thirty-five percent (35%) per Federal Agency Obligation as described above. There will be no limit on U.S. Treasury Obligations. All such securities must have an active secondary market.

The maturity range of Short-Term Operational Funds Investments shall be consistent with liquidity requirements of the funds category. However, funds established under certain debt instruments may be invested in accordance with the applicable criteria. Typical maturity will range from one day to one year .

Intermediate-Term Investment of Operational Funds

Investments for those Operational Funds designated by the President as benefiting from investment over a one- to three-year period.

Permissible investments are consistent with all investments approved under short-term operational funds within a one- and three- year investment period. It is expected that the maturities of the investments within the intermediate-term funds will match against the cash flow needs of the University and to maximize yields consistent with the liquidity needs of the University.

Long-Term Investment of Operational Funds

From time to time management may have the opportunity to invest Operational Funds designated by the President to achieve higher earnings over a longer time horizon. These funds will be invested based on the Non-endowment Equity and Alternative Investment Pool Guidelines referenced in Appendix A.

PASS THROUGH OR DESIGNATED FUNDS

This policy shall also cover pass through funds (endowment funds to be forwarded to external endowment fund managers) and any funds managed by the University and designated for specific purposes and not covered by individual investment restrictions (i.e. endowment funds that may not be co-mingled, bond proceeds during construction, USA Health Plan, etc.)

PRUDENCE AND ETHICAL STANDARDS

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. Persons performing the investment functions, acting in accordance with these written policies and procedures, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations and appropriate recommendations to control adverse developments are reported in a timely fashion. The "prudent person" standard is understood to mean:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

EFFECTIVE DATE

This policy shall become effective immediately upon its adoption by the Board of Trustees. Further, this policy shall be reviewed at least annually and updated whenever changing market conditions or investment objectives warrant.

Appendix A

University of South Alabama

Non-Endowment
Equity and Alternative Investment Pool Guidelines

Purpose

The purpose of the University's Non-Endowment Equity and Alternative Investment Pool (Equity and Alternative Pool) is to maximize returns for those operating funds that are not utilized for day to day cash management needs. These funds will have a seven- to ten- year time horizon. The goal of the Equity and Alternative Pool is to provide revenue while preserving principal to fund University projects as set forth by the University President.

Return on Investments

The University seeks to optimize return on these investments within the constraints of the Equity and Alternative Pool guidelines. The portfolio strives to provide a return consistent with each investment category.

Oversight and Delegation of Authority

The Equity and Alternative Pool will be governed by the Non-Endowment Cash Pool Investment Policy. The Board of Trustees is ultimately responsible for the Non-Endowment Cash Pool Investment Policy. Investment oversight will be delegated to the President or Vice President for Finance and Administration or other such persons as may be authorized to act on their behalf.

Investment Objectives

In order to meet its needs, the investment strategy of the Equity and Alternative Pool is to emphasize long-term growth; that is, the aggregate return from capital appreciation. The Equity and Alternative Pool shall be monitored for return relative to objectives, consistency of investment philosophy, and investment risk.

Portfolio Composition and Risk

A. To achieve its investment objective, the Equity and Alternative Pool assets are considered as divided into two parts; an alternative investment component or hedged strategy and an equity component. Total Equity and Alternative Pool assets should not exceed 25% of all non-endowment cash and cash-equivalents of the University as of September 30th of the prior fiscal year. This percentage will be reassessed periodically and any changes will be communicated to the Board. The Equity and Alternative Pool commitment to these funds shall be as follows:

	Range	Long-term neutral
Equity	45-85%	70%
Alternative Investment	10-35%	30%

B. The purpose of the equity component is to provide appreciation of principal that more than offsets inflation and to provide a growing stream of capital appreciation and current income. It is recognized that the pursuit of this objective could entail the assumption of greater market variability and risk than investment in fixed-income securities. Equity and equity-substitute investments are broadly defined as common stocks, high-yield bonds, reorganization securities, venture capital, leveraged buyout investments, equity real estate, exchange traded index funds**,** etc.

C. The purpose of the alternative investment component is to provide the Equity and Alternative Pool a source of returns with low to negative correlation to equity markets and volatility of one third to one half that of the U.S. equity market, while still achieving equity-like returns of Treasury Bills plus 2-8% over time. The alternative investment component should normally represent approximately 10-35 percent of the total Equity and Alternative Pool.

D. Any assets not committed to the alternative investment component shall be allocated to the equity fund. The equity fund should normally represent approximately 45-85 percent of total the Equity and Alternative Pool assets at market value. Although the actual percentage of equities will vary with market conditions, levels outside this range should be closely monitored.

E. The Equity and Alternative Pool includes investments in several categories:

	Long-Term Strategic	
Asset Class	**Target (%) of Funds**	**Range**
DOMESTIC EQUITY	**55%**	**40-70%**
Large Cap	40%	30-65%
Mid Cap	10%	5-15%
Small Cap	5%	3-10%
INTERNATIONAL STOCKS	**15%**	**5-25%**
Developed Markets	10%	3-20%
Emerging Markets	5%	0-10%
TOTAL EQUITY COMPONENT	**70%**	**45-85%**
ALTERNATIVE INVESTMENTS	**30%**	**10-35%**
Absolute Return	30%	10-35%
TOTAL ALTERNATIVE COMPONENT	**30%**	**10-35%**
TOTAL	**100%**	

F. Within the equity fund, certain investments can be included to provide a hedge against unanticipated, rapidly accelerating inflation. These include cash, real estate and oil and gas investments.

G. The Equity and Alternative Pool investments shall be diversified both by asset class (e.g., equities and alternative investment securities) and within asset classes (e.g., within equities by economic sector, geographic area, industry, quality, and size). The purpose of diversification is to provide reasonable assurance that no single security or class of securities shall have a disproportionate impact on the endowment funds aggregate results. Equity securities in any single industry will not exceed 20 percent, nor will equity securities in any single company exceed 10 percent of the market value of the endowment's allocation to equities.

Spending Policy

It shall be the policy of the Equity and Alternative Pool to preserve and maintain the real purchasing power of the principal of the Fund. The current spending policy of the Equity and Alternative Pool will be determined annually by the University President. The spending guideline is based on an expected total return over the long-term less expected inflation and will use the excess return over the inflation adjusted principal using a 3 year moving average to help fund the operating needs of the University.

Line of Credit

At times of extreme volatility related to the Equity and Alternative Pool a Line of Credit (LOC) will be utilized to meet day to day management of the University's operating needs. A LOC of up to $30,000,000 will be established and available to meet those periods when operating cash is low due to seasonal tuition revenue. The LOC will be repaid in full as soon as sufficient cash is available. The Investment Manager will be required to inform the Vice-President for Finance and Administration, Treasurer and President and obtain appropriate approval of any draws and repayments on the LOC and will be required to provide them with balance reports throughout the year.

RESOLUTION

DIRECTOR OF THE JAGUAR ATHLETIC FUND, INC.

WHEREAS, pursuant to the Amended Bylaws of the Jaguar Athletic Fund, Inc. ("USAJAF"), the Board of Trustees of the University of South Alabama ("University") shall approve the USAJAF slate of officers and directors, and

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

WHEREAS, the Board of Directors of the USAJAF, through its Nominating Committee, is authorized to nominate directors and officers consistent with the aforesaid for consideration and approval by the Board of Trustees of the University, and

WHEREAS, the Nominating Committee of the Board of Directors and the Board of Directors of USAJAF have nominated Mr. Rick Jones for a three-year term representing football, pending the approval of the Board of Trustees of the University,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama does hereby approve Mr. Rick Jones as a member of the Board of Directors of the USAJAF with a three-year term beginning December 2018 and ending December 2021.

November 16, 2018

TO: Dr. Tony Waldrop
University 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 December 7, 2018.

The intent of the Resolution is for the University of South Alabama Board of Trustees to ratify Rick Jones as a newly elected JAF Board member. He was forwarded to the JAF Board for consideration following unanimous approval by the JAF Board of Directors nominating committee.

JWE/els

Attachment

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

HEALTH AFFAIRS COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

HEALTH AFFAIRS COMMITTEE

August 30, 2018
2:36 p.m.

A meeting of the Health Affairs Committee of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr, Chair, on Thursday, August 30, 2018, at 2:36 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Alexis Atkins, Chandra Brown Stewart, Steve Furr, Arlene Mitchell and Steve Stokes.
Member Absent:	Scott Charlton.
Other Trustees:	Tom Corcoran, Ron Graham, Ron Jenkins, Lenus Perkins, Jimmy Shumock, Ken Simon, Margie Tuckson, Mike Windom and Jim Yance.
Administration and Others:	Owen Bailey, Robert Berry, Lynne Chronister, Joel Erdmann, Mike Finan, Happy Fulford, Mike Haskins, David Johnson, Melva Jones, John Marymont, Mike Mitchell, Grace Newcombe (SGA), Pat Pigott, Matthew Reichert (Faculty Senate), John Smith, Tres Stefurak, Margaret Sullivan, Jean Tucker, Tony Waldrop, Bob Wood and Scott Weldon.
Media:	Alyssa Newton (WPMI) and Lawrence Specker (*al.com*).

The meeting came to order and the attendance roll was called. Dr. Furr called for adoption of the revised agenda. On motion by Dr. Stokes, seconded by Ms. Brown Stewart, the revised agenda was adopted unanimously. Dr. Furr called for consideration of the minutes of the meeting held on May 31, 2018. On motion by Dr. Stokes, seconded by Ms. Brown Stewart, the Committee voted unanimously to adopt the minutes.

Dr. Furr called for consideration of **ITEM 12**, a resolution authorizing the USA Hospitals medical staff appointments and reappointments for May, June and July 2018 (for copies of resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on August 31, 2018). On motion by Dr. Stokes, seconded by Ms. Brown Stewart, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Dr. Furr asked Mr. Bailey to address **ITEM 13**, a resolution to rename the University's health care facilities and clinics USA Health University Hospital, USA Health Children's & Women's Hospital (CWH), USA Health Mitchell Cancer Institute, and USA Health Physicians Group. Mr. Bailey gave background on a comprehensive, year-long rebranding initiative for USA Health, from which came the idea of promoting the USA Health academic mission for a marketing campaign and website redesign planned for the fall. He asserted that the renaming of USA Health facilities, in particular the redesignation of USA Medical Center as USA Health

University Hospital, would better reflect the academic mission and specialized care no other health provider in the region can offer patients. Mr. Haskins talked about advertising plans for targeting 80 percent of the market. Mr. Bailey thanked Mr. Haskins, Mr. Paul Taylor, the entire Marketing and Communications team and partners from Lewis Communications for their efforts. On motion by Ms. Mitchell, seconded by Ms. Atkins, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Dr. Furr called on Dr. Marymont for presentation of **ITEM 14**, a report on the activities of USA Health and the College of Medicine (COM). Dr. Marymont introduced Dr. Tres Stefurak, Associate Professor and Chair of Professional Studies in the College of Education and Professional Studies' (CEPS) Department of Counseling and Instructional Sciences, to talk about a collaborative project of the COM and CEPS. Dr. Stefurak shared that a new 30-semester-hour Health Professionals Education track, which is part of an existing master's degree program in instructional design, would provide students who are health care professionals with foundational skills in instructional design and engage them in how to teach and evaluate learning.

Dr. Marymont introduced Mitchell College of Business (MCOB) Dean Dr. Bob Wood, who spoke about a collaborative program being developed by the MCOB and COM – a Master of Business Administration (MBA) for health care professionals. Dr. Wood said the accelerated program was being adapted from South's existing MBA program for implementation with the 2019 fall semester. He added that plans for a "mini MBA" certificate program for physicians were proceeding as well and a series of other certificates programs for medical professionals would follow. Dr. Marymont advised that COM students could elect to simultaneously earn an MD and MBA degree over four years, and he shared information about faculty development scholarships.

Mr. Bailey discussed the success of the inaugural *A Night Honoring Heroes* event held in October 2017 as a benefit for the Fanny Meisler Trauma Center and announced that *A Night Honoring Heroes* 2018 would be held on October 11. Dr. Marymont said the event focuses on the many health care professionals needed to save one life.

Mr. Bailey introduced a video featuring the "graduation" of a CWH Neonatal Intensive Care Unit patient, who was delivered 22 weeks premature after 15 other hospitals declined to deliver due to gestation and mortality risks. He shared statistics on how social media posting of the video generated overwhelming interest in the story by news outlets nationally and internationally, some of which reached out to hospital staff for interviews.

There being no further business, the meeting was adjourned at 3:12 p.m.

Respectfully submitted:

_____
Steven P. Furr, M.D., Chair

RESOLUTION

USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS FOR AUGUST, SEPTEMBER AND OCTOBER 2018

WHEREAS, the medical staff appointments and reappointments for August, September and October 2018 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.

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

USA Health

Date:
November 7, 2018

To:
Tony G. Waldrop, Ph.D.
President

From:

Owen Bailey
CEO

Subject:
Board Meeting Documents

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 August, September and October 2018

- Credentials Report – August, September and November 2018

Resolution – University of South Alabama Hospitals Medical Staff Bylaws and Rules and Regulations Revisions of October 30, 2018

- Proposed Changes to University of South Alabama Hospitals Medical Staff Bylaws and Rules and Regulations
- University of South Alabama Hospitals Medical Staff Meeting Minutes – October 30, 2018

OB/kh

Attachments

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
August 2018, September 2018, and October 2018

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	CHILDREN'S & WOMEN'S HOSPITAL			UNIVERSITY HOSPITAL			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Aggen, Ashlen P., MD	New Appt.	Refer & Follow	Family Medicine	New Appt.	Refer & Follow	Family Medicine	NA	NA	NA
Alkharabsheh, Omar A., MD	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine
Allen, Lisa M., Hearing Screener	Reappt.	Allied	Surgery	NA	NA	NA	NA	NA	NA
Balderston, Keith D., MD	New Appt.	Contract/Locums	OBGYN	New Appt.	Contract/Locums	OBGYN	New Appt.	Contract/Locums	OBGYN
Baker, Channin J., CRNA	New Appt.	Allied	Anesthesiology	New Appt.	Allied	Anesthesiology	NA	NA	NA
Beasley, Stephen A., MD	NA	NA	NA	New Appt.	Active	Internal Medicine	NA	NA	NA
Berch, Barry R., MD	New Appt.	Contract/Locums	Surgery	NA	NA	NA	New Appt.	Contract/Locums	Surgery
Blair-Elortegui, Judy V., MD	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine
Boatright, Jeffrey D., MD	New Appt.	Courtesy	Orthopaedics	New Appt.	Courtesy	Orthopaedics	NA	NA	NA
Carley, Payton S., MD	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine
Carlyle, Megan E., PA	Reappt.	Allied	Surgery	NA	NA	NA	NA	NA	NA
Chalhub, Elias G., MD	Reappt.	Active	Neurology	Reappt.	Active	Neurology	Reappt.	Active	Neurology
Chang, Michael C., MD	New Appt.	Active	Surgery	New Appt.	Active	Surgery	New Appt.	Active	Surgery
Christian, Susan E., RN	NA	NA	NA	New Appt.	Allied	Internal Medicine	NA	NA	NA
Cobb, Michael L., MD	NA	NA	NA	Reappt.	Consult/Assoc.	Radiology	NA	NA	NA
Cook, Amy L., CRNP	Reappt.	Allied	Pediatrics	NA	NA	NA	Reappt.	Allied	Pediatrics
Coumanis, Lewis G., MD	Reappt.	Active	Radiology	Reappt.	Active	Radiology	Reappt.	Active	Radiology
Courtney, Angel C., CRNA	Reappt.	Allied	Anesthesiology	Reappt.	Allied	Anesthesiology	NA	NA	NA
Cox, Karen F, PA	New Appt.	Allied	Anesthesiology	New Appt.	Allied	Anesthesiology	New Appt.	Allied	Anesthesiology
Crews, LaDonna M., MD	Reappt.	Active	Pediatrics	Reappt.	Consult/Assoc.	Pediatrics	Reappt.	Act/Consult/Assoc.	Pediatrics
Daniels, Larkin J., MD	Reappt.	Courtesy	Surgery	Reappt.	Courtesy	Surgery	NA	NA	NA
Davidson, Sasha M., MD	New Appt.	Contract/Locums	OBGYN	New Appt.	Contract/Locums	OBGYN	New Appt.	Contract/Locums	OBGYN
Dempsey, Gretchen J., CRNP	New Appt.	Allied	Pediatrics	NA	NA	NA	New Appt.	Allied	Pediatrics
Desverreaux, III, John N., MD	Reappt.	Active	Anesthesiology	Reappt.	Active	Anesthesiology	NA	NA	NA
DiPalma, Jack A., MD	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine
Diegmann, Fred F., MD	Reappt.	Refer & Follow	OBGYN	NA	NA	NA	NA	NA	NA
Dinsmore, John E., MD	New Appt.	Contract/Locums	Surgery	NA	NA	NA	New Appt.	Contract/Locums	Surgery
Elkadi, Osama R., MD	New Appt.	Active	Pathology	New Appt.	Active	Pathology	New Appt.	Active	Pathology
Eyrich, George A., MD	NA	NA	NA	Reappt.	Courtesy	Internal Medicine	NA	NA	NA
Evans, Charla J., DO	New Appt.	Active	Family Medicine	New Appt.	Active	Family Medicine	New Appt.	Active	Family Medicine
Fonseca, Annabelle L., MD	New Appt.	Active	Surgery	New Appt.	Active	Surgery	New Appt.	Active	Surgery
Franklin, Alan J., MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	NA	NA	NA
Gandy, Roy E., MD	NA	NA	NA	Reappt.	Academic	Surgery	NA	NA	NA
Ghelani, Kinjal, MD	Reappt.	Consult/Assoc.	Psychiatry	Reappt.	Consult/Assoc.	Psychiatry	NA	NA	NA
Gosche, John R., MD, PhD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	Reappt.	Active	Surgery
Hanes, II, Charles R., MD	Reappt.	Active	OBGYN	Reappt.	Active	OBGYN	Reappt.	Active	OBGYN
Hannon, Jeffrey K., MD	Reappt.	Refer & Follow	Surgery	Reappt.	Refer & Follow	Surgery	NA	NA	NA
Harris, Janice D., CRNP	Reappt.	Allied	Pediatrics	NA	NA	NA	Reappt.	Allied	Pedatrics
Hartman, Catherine A., CRNP	Reappt.	Allied	Pediatrics	NA	NA	NA	Reappt.	Allied	Pediatrics

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
August 2018, September 2018, and October 2018

NAME	CHILDREN'S & WOMEN'S HOSPITAL			UNIVERSITY HOSPITAL			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Haynes, Jr., Johnson, MD	Reappt.	Consult/Assoc.	Internal Medicine	Reappt.	Active	Internal Medicine	Reappt.	Cons/Assoc./Act.	Internal Medicine
Heins, Alan E., MD	New Appt.	Active	Emerg. Ped. Med.	New Appt.	Active	Emergency Med.	NA	NA	NA
Henning, Paul R., MD	New Appt.	Active	Emerg. Ped. Med.	New Appt.	Active	Emergency Med.	NA	NA	NA
Herrera, Jorge L., MD	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine	Reappt.	Active	Internal Medicine
Herring, Adam D., MD	NA	NA	NA	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine
Higgs, William R., MD	Reappt.	Courtesy	Surgery	Reappt.	Courtesy	Surgery	NA	NA	NA
Howard, John Harrison, MD	New Appt.	Active	Surgery	New Appt.	Active	Surgery	New Appt.	Active	Surgery
Hussain, Zeiad, MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	New Appt.	Active	Radiology
Hutchens, Dennis Wade, MD	Reappt.	Active	Anesthesiology	Reappt.	Active	Anesthesiology	NA	NA	NA
Jones, Christopher A., CRNA	New Appt.	Allied	Anesthesiology	New Appt.	Allied	Anesthesiology	NA	NA	NA
Jones, Richard E., MD	Reappt.	Refer & Follow	Pediatrics	Reappt.	Refer & Follow	Pediatrics	NA	NA	NA
Jones-Massey, Hollie M., Hearing	Reappt.	Allied	Surgery	NA	NA	NA	NA	NA	NA
Jurasek, Meleah A., CRNP	Reappt.	Allied	Pediatrics	NA	NA	NA	Reappt.	Allied	Pediatrics
Kalra, Sarathi, MD	New Appt.	Active	Emerg. Ped. Med.	New Appt.	Active	Emergency Med.	NA	NA	NA
King, Jeffrey C., MD	New Appt.	Contract/Locums	OBGYN	New Appt.	Contract/Locums	OBGYN	New Appt.	Contract/Locums	OBGYN
Kobelja, Robert P., MD	New Appt.	Active	Neurology	New Appt.	Active	Neurology	New Appt.	Active	Neurology
Lane, Daniel R., MD	Reappt.	Refer & Follow	Surgery	Reappt.	Refer & Follow	Surgery	NA	NA	NA
Laskay, Kathleen M., CRNP	Reappt.	Allied	Pediatrics	NA	NA	NA	Reappt.	Allied	Pediatrics
Leytham, Thomas J., MD	Reappt.	Refer & Follow	Family Medicine	Reappt.	Refer & Follow	Family Medicine	Reappt.	Refer & Follow	Family Medicine
Lowthert, Lori A., MD	New Appt.	Consult/Assoc.	Psychiatry	New Appt.	Consult/Assoc.	Psychiatry	NA	NA	NA
Maertens, Paul M., MD	Reappt.	Active	Neurology	Reappt.	Active	Neurology	Reappt.	Active	Neurology
Manci, Elizabeth A., MD	Reappt.	Active	Pathology	Reappt.	Active	Pathology	Reappt.	Active	Pathology
Mando, Rufaat, MD	NA	NA	NA	New Appt.	Active	Internal Medicine	NA	NA	NA
Mayer, David C., MD	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics	NA	NA	NA
McGee, Gregory S., MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	NA	NA	NA
McMullan, Eddrice M., MD	Reappt.	Active	Anesthesiology	Reappt.	Active	Anesthesiology	NA	NA	NA
Moore, Jeremy C., MD	Reappt.	Consult/Assoc.	Psychiatry	Reappt.	Consult/Assoc.	Psychiatry	NA	NA	NA
Moore, Rachel M., CRNP	New Appt.	Allied	Surgery	New Appt.	Allied	Surgery	New Appt.	Allied	Surgery
Murphy, Patrick L., MD	NA	NA	NA	Reappt.	Consult/Assoc.	Internal Medicine	NA	NA	NA
Murray, Kelly M., PA	New Appt.	Allied	Pediatrics	NA	NA	NA	New Appt.	Allied	Pediatrics
Naritoku, Dean K., MD	Reappt.	Active	Neurology	Reappt.	Active	Neurology	Reappt.	Active	Neurology
O'Dowd, John M., MD	NA	NA	NA	Reappt.	Courtesy	Internal Medicine	NA	NA	NA
O'Gorman, Ronald B., MD	NA	NA	NA	Reappt.	Active	Surgery	NA	NA	NA
Onanyan, Mher, MD	NA	NA	NA	New Appt.	Active	Internal Medicine	NA	NA	NA
Park, Christopher A., MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	NA	NA	NA
Parlee, Brandi L., CRNP	NA	NA	NA	Reappt.	Allied	Surgery	Reappt.	Allied	Surgery
Parmley, Richard T., MD	New Appt.	Active	Pediatrics	New Appt.	Active	Pediatrics	New Appt.	Active	Pediatrics
Pearsall, Albert W., MD	Reappt.	Active	Orthopaedics	Reappt.	Active	Orthopaedics	Reappt.	Active	Orthopaedics
Pettaway, Jacqueline U., CRNP	Reappt.	Allied	Pediatrics	NA	NA	NA	Reappt.	Allied	Pediatrics
Powell, Stacy M, CRNP	New Appt.	Allied	Surgery	New Appt.	Allied	Surgery	New Appt.	Allied	Surgery

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
August 2018, September 2018, and October 2018

NAME	CHILDREN'S & WOMEN'S HOSPITAL			UNIVERSITY HOSPITAL			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Quatrino, Gregory M., MD	New Appt.	Refer & Follow	Surgery	New Appt.	Refer & Follow	Surgery	NA	NA	NA
Rahimi, Farnoosh, MD	New Appt.	Consult/Assoc.	Internal Medicine	New Appt.	Active	Internal Medicine	New Appt.	Cons/Assoc./Act.	Internal Medicine
Ray, Kristina E., MD	NA	NA	NA	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine
Reed, Jason M., CRNA	Reappt.	Allied	Anesthesiology	Reappt.	Allied	Anesthesiology	NA	NA	NA
Revere, Cherie J., CRNP	NA	NA	NA	Reappt.	Allied	Internal Medicine	Reappt.	Allied	Internal Medicine
Rich, Leonard S., MD	Reappt.	Consult/Assoc.	Surgery	Reappt.	Consult/Assoc.	Surgery	NA	NA	NA
Roberson-Trammell, Katrina L., MD	Reappt.	Active	Pediatrics	NA	NA	NA	Reappt.	Active	Pediatrics
Rogers, Vera Renee, RN	Reappt.	Allied	OBGYN	Reappt.	Allied	OBGYN	NA	NA	NA
Setzler, Roger M., MD	Reappt.	Courtesy	Orthopaedics	Reappt.	Courtesy	Orthopaedics	NA	NA	NA
Sharma, Kamal P., MD	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics
Shaw, David M., MD	NA	NA	NA	Reappt.	Courtesy	Internal Medicine	NA	NA	NA
Sheppard, Erin C., CRNP	New Appt.	Allied	Family Medicine	New Appt.	Allied	Family Medicine	New Appt.	Allied	Family Medicine
Sinclair, Richard Sean, MD	New Appt.	Consult/Assoc.	Psychiatry	New Appt.	Consult/Assoc.	Psychiatry	NA	NA	NA
Sindel, Lawrence J., MD	Reappt.	Active	Pediatrics	NA	NA	NA	NA	NA	NA
Skipper, Caitlin E., CRNP	New Appt.	Allied	Pediatrics	NA	NA	NA	New Appt.	Allied	Pediatrics
Smith, Faith A., Hearing Screener	Reappt.	Allied	Surgery	NA	NA	NA	NA	NA	NA
Smith, Jodi C., CRNP	New Appt.	Allied	Pediatrics	NA	NA	NA	New Appt.	Allied	Pediatrics
Smithgall, Sean E., PharmD	Reappt.	Allied	Family Medicine	Reappt.	Allied	Family Medicine	NA	NA	NA
Sonnier, William P., MD	NA	NA	NA	New Appt.	Active	Internal Medicine	NA	NA	NA
Stella, Felicia B., MD	Reappt.	Courtesy	OBGYN	NA	NA	NA	NA	NA	NA
Talerico, Christina M., MD	New Appt.	Consult/Assoc.	Psychiatry	New Appt.	Consult/Assoc.	Psychiatry	NA	NA	NA
Taslimi, Masoud M., MD	New Appt.	Contract/Locums	OBGYN	New Appt.	Contract/Locums	OBGYN	New Appt.	Contract/Locums	OBGYN
Tengsupakul, Supatida, MD	Reappt.	Active	Pediatrics	NA	NA	NA	Reappt.	Active	Pediatrics
Thompson, Jack H., MD	Reappt.	Refer & Follow	Pediatrics	Reappt.	Refer & Follow	Pediatrics	NA	NA	NA
Thrasher, Michelle R., CRNP	Reappt.	Allied	Pediatrics	NA	NA	NA	Reappt.	Allied	Pediatrics
Toldi, James P. DO	New Appt.	Active	Family Medicine	New Appt.	Active	Family Medicine	New Appt.	Active	Family Medicine
Val-Gallas, John M., MD	Reappt.	Courtesy	OBGYN	NA	NA	NA	NA	NA	NA
Vidal, Rosa A., MD	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics	Reappt.	Active	Pediatrics
Wang, Shengfu, MD	New Appt.	Contract/Locums	Radiology	New Appt.	Contract/Locums	Radiology	New Appt.	Contract/Locums	Radiology
Weatherly, Daniela V., MD	New Appt.	Active	Family Medicine	New Appt.	Active	Family Medicine	New Appt.	Active	Family Medicine
Weaver, Yaffa K., MD	NA	NA	NA	Reappt.	Consult/Assoc.	Surgery	NA	NA	NA
Weinstein, Leonard S., MD	Reappt.	Refer & Follow	Surgery	Reappt.	Refer & Follow	Surgery	NA	NA	NA
Whitt, Sharron, PCT	NA	NA	NA	New Appt.	Allied	Internal Medicine	NA	NA	NA
Winkler, Carey L., MD	New Appt.	Contract/Locums	OBGYN	New Appt.	Contract/Locums	OBGYN	New Appt.	Contract/Locums	OBGYN
Yarbrough, Theresa N., MD	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine	New Appt.	Active	Internal Medicine

UNIVERSITY OF SOUTH ALABAMA HEALTHCARE NETWORK
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS
FOR BOARD OF TRUSTEE APPROVAL
August 2018, September 2018, and October 2018

NAME	CHILDREN'S & WOMEN'S HOSPITAL			UNIVERSITY HOSPITAL			AMBULATORY CARE		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Change Requests									
Bentley, Emily Sawyer, CRNP	NA	NA	NA	Name Chg	Allied	Emergency Med.	NA	NA	NA
Bolton, III, Wilburn D., MD	NA	NA	NA	Added Priv.	Active	Emergency Med.	NA	NA	NA
Coumanis, Lewis G., MD	Added Priv.	Active	Radiology	Added Priv.	Active	Radiology	Added Priv.	Active	Radiology
Delgado, Gregg, DO	Add Priv/Chg Status	Active	Radiology	Add Priv/Chg	Active	Radiology	Add Priv/Chg	Active	Radiology
Doan, Ninh B., MD, Ph.D.	Deleted Priv.	Active	Neurosurgery	Deleted Priv.	Active	Neurosurgery	Deleted Priv.	Active	Neurosurgery
Fleck, Lorie G., MD	Add Priv/Chg Status	Active	Surgery	Add Priv/Chg	Active	Surgery	Add Priv/Chg	Active	Surgery
Gosche, John R., MD, PhD	Add/Del. Priv.	Active	Surgery	Add/Del. Priv.	Active	Surgery	Add/Del. Priv.	Active	Surgery
Hanes, II, Charles R., MD	Added Priv.	Active	OBGYN	Added Priv.	Active	OBGYN	Added Priv.	Active	OBGYN
Herrera, Jorge L., MD	Added Priv.	Active	Internal Medicine	Added Priv.	Active	Internal Medicine	Added Priv.	Active	Internal Medicine
Imran, Hamayun, MD	Added Priv.	Active	Emer. Ped. Med.	NA	NA	NA	NA	NA	NA
Leytham, Thomas J., MD	Changed Status	Refer & Follow	Family Medicine	Changed Status	Refer & Follow	Family Medicine	Changed Status	Refer & Follow	Family Medicine
Mayer, David C., MD	Add/Del. Priv.	Active	Pediatrics	Add/Del. Priv.	Active	Pediatrics	NA	NA	NA
Naritoku, Dean K., MD	Added Priv.	Active	Neurology	Added Priv.	Active	Neurology	Added Priv.	Active	Neurology
Omar, Bassam A., MD	NA	NA	NA	Added Priv.	Active	Internal Medicine	Added Priv.	Active	Internal Medicine
Park, Christopher A., MD	Added Priv.	Active	Surgery	NA	NA	NA	NA	NA	NA
Parlee, Brandi L., CRNP	NA	NA	NA	Added Priv.	Allied	Surgery	Added Priv.	Allied	Surgery
Sharma, Kamal P., MD	Added Priv.	Active	Pediatrics	Added Priv.	Active	Pediatrics	Added Priv.	Active	Pediatrics
Terry, Jr., William J., MD	Add Priv/Chg Status	Active	Surgery	Add Priv/Chg	Active	Surgery	Add Priv/Chg	Active	Surgery
Resigned/Retired									
Name	**Reason**	**Date**	**Dept.**	**Reason**	**Date**	**Dept.**			
Beverly, Tonia M., CCCA	Retired	9/7/2018	Surgery	Retired	9/7/2018	Surgery			
Bilbao, Nordie, MD	Resigned	8/1/2018	Pediatrics	NA	NA	NA			
Boodoo, Ramnarine, MD	Resigned	9/28/2018	Psychiatry	Resigned	9/28/2018	Psychiatry			
Brannon, Betty, CRNP	Resigned	8/21/2018	Family Medicine	Resigned	8/21/2018	Family Medicine			
Brocato, Brian E., DO	Resigned	8/1/2018	OBGYN	Resigned	8/1/2018	OBGYN			
Davidson, Sasha M., MD	Resigned	10/2/2018	OBGYN	Resigned	10/2/2018	OBGYN			
Dullet, Suneet W., MD	Resigned	8/2/2018	Internal Medicine	Resigned	8/2/2018	Internal Medicine			
Eurgil, II, David J., CRNA	Resigned	7/27/2018	Anesthesiology	Resigned	7/27/2018	Anesthesiology			
Freno, Daniel, MD	NA	NA	NA	Resigned	6/30/2018	Emergency Med.			
Glasser, James G., MD	Resigned	10/1/2018	Surgery	Resigned	10/1/2018	Surgery			
Green, William K., MD	Resigned	8/20/2018	Internal Medicine	Resigned	8/20/2018	Internal Medicine			
Hupp, Saunders L., MD	NA	NA	NA	Resigned	7/18/2018	Surgery			
Johannesmann, Daniel B., CRNA	Resigned	8/1/2018	Anesthesiology	Resigned	8/1/2018	Anesthesiology			
Jones, Brian, MD	NA	NA	NA	Resigned	6/30/2018	Emergency Med.			
Jones, Sondra R., LPN	Resigned	7/25/2018	Pediatrics	NA	NA	NA			
Lammle, Markus, MD	Resigned	8/6/2018	Radiology	Resigned	8/6/2018	Radiology			
Leonard, Clinton D., CRNP	NA	NA	NA	Resigned	8/1/2018	Surgery			
Lyle, Cynthia, MD	Resigned	9/20/2018	Radiology	Resigned	9/20/2018	Radiology			
McKinley, James E., MD, MBA	Resigned	8/13/2018	Family Medicine	Resigned	8/13/2018	Family Medicine			
Moeller, James E., CNIM	Resigned	7/9/2018	Neurosurgery	Resigned	7/9/2018	Neurosurgery			
Roca, Theresa P., MD	Resigned	8/24/2018	Pediatrics	Resigned	8/24/2018	Pediatrics			
Rosenbaum, Michael S., PhD	Resigned	8/8/2018	Psychiatry	Resigned	8/8/2018	Psychiatry			
Sims, Kaci, MD	NA	NA	NA	Resigned	6/30/2018	Emergency Med.			

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

August 2018, September 2018, and October 2018

LEGEND:

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

RECOMMENDED BY:

Robert A. Perkins, M.D., Chair of Medical Executive Committee or Chair Elect
USA Children's & Women's Hospital

Sabrina G. Bessette, M.D., Chair of Medical Executive Committee or Chair Elect
USA Medical Center

Owen Bailey
Chief Executive Officer & Senior Associate Vice President for Medical Affairs
USA Health

RESOLUTION

USA HOSPITALS MEDICAL STAFF BYLAWS AND RULES AND REGULATIONS REVISIONS OF OCTOBER 30, 2018

WHEREAS, revisions to USA Hospitals Medical Staff Bylaws and Rules and Regulations, approved at the October 30, 2018 Medical Staff meeting and attached hereto, are recommended for approval by the Medical Executive Committees, General Medical Staff and the Executive Committee of the University of South Alabama Hospitals,

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

Proposed Changes to University of South Alabama Hospitals Medical Staff Bylaws/Rules and Regs. Revisions approved at the USA Hospitals General Medical Staff Meeting on October30, 2018

Bold and Underlined are additions - Strikethroughs are ~~deletions~~

BYLAWS

ARTICLE XII- APPOINTMENTS

Section 12.04 Processing of Application

A. The information reported by the applicant shall be verified with primary source documentation or sources approved by accreditation bodies. References and other information shall be obtained as appropriate. In all cases, time-sensitive information (See Medical Staff Credentialing Office Policy 6.0) must be verified no more than 150 days prior to the credentialing decision by the BOT. It shall be the applicant's responsibility and burden of proof to provide information to support the requested status and privileges and to resolve any doubts that arise during the review of the application forms and related documents. An application shall be deemed complete when all information provided has been verified and all necessary documentation has been provided or obtained. The completed application shall be forwarded by the MSO to the appropriate Department Chair and/or CW Service Line Chair.

B. After receipt of a completed application, the Department Chair and/or CW Service Line Chair shall review the application and related documentation and, taking into account relevant criteria, make a recommendation concerning the application. The Department Chair and/or CW Service Line Chair shall submit recommendations, together with the application and related documentation, to the MSO for transmittal to the Combined Credentials Committee.

C. The Combined Credentials Committee shall conduct a review of the application and all related documentation and shall recommend that the application be: 1) approved; 2) approved with conditions or restrictions; or 3) disapproved. The Combined Credentials Committee also may remand the application and related documentation to the Department Chair for collection and consideration of additional information, together with a specific date for a response by the Department Chair. The Combined Credentials Committee shall submit its recommendations to the MEC. The office of record for the application and all related documentation is that of the MSO.

D. The MEC shall review the recommendations of the Combined Credentials Committee and recommend approval, disapproval, deferral, or remanding to the Combined Credentials Committee. If the MEC decides to defer a decision in whole or in part, the deferred recommendation shall be reviewed at the next meeting of the MEC. If the recommendation of the MEC is favorable, such favorable recommendation shall be forwarded **for approval** to the ~~Executive Committee for review.~~ **USA Health Credentialing Board (USAHCB), as defined below and consented to by the BOT.** ~~If the recommendation of the Executive Committee is favorable, such favorable recommendation shall be forwarded to the BOT for action.~~ For favorable recommendations**,** the applicant will be notified of the decision of the **USAHCB** ~~BOT~~ within thirty (30) calendar days. If the recommendation **of the MEC** is adverse, the Chair of MEC shall notify the applicant and grant him the opportunity for a Fair Hearing and Appellate Review as described herein. All adverse actions will be reported to the appropriate regulatory agencies, pursuant to the reporting requirements in state and/or federal law.

ARTICLE XII-APPOINTMENTS

Section 12.05 Expedited Appointment Process

~~Two members of the BOT are delegated to make decisions on credentials and privileges between regularly scheduled meetings. A letter requesting approval of privileges using the expedited process is generated by the Hospital Administrator to the Chief Executive Officer. The Chief Executive Officer then requests approval of these privileges through the President to the delegated BOT members.~~

~~To be considered for the expedited appointment process, the application must be complete and there must be no history of challenge to licensure or registration; no history of involuntary termination of medical staff membership at another organization; no history of involuntary limitation, reduction, denial, or loss of clinical privileges; and no unusual pattern or excessive number of professional liability actions resulting in a final judgment against the applicant. The complete file must have received a positive recommendation by the Combined Credentials Committee, MEC, and Executive Committee.~~

A. An expedited Board approval process may be used for initial appointment and reappointment to the medical staff and for granting privileges when the criteria for that process are met.
B. If an application for appointment, reappointment or request for privileges is submitted timely, the expedited process may be followed provided the following criteria have been satisfied:
    - if the inaction is due to circumstances beyond the applicant's control, and
    - no issues have been identified with the application.
    - The board has delegated the authority to render those decisions to an Operating Committee of at least two voting members of the Board.
C. This approval will be presented at the next board meeting.

Proposed Changes to University of South Alabama Hospitals Medical Staff Bylaws/Rules and Regs. Revisions approved at the USA Hospitals General Medical Staff Meeting on October30, 2018

ARTICLE XVIII-CHIEF EXECUTIVE OFFICER

Section 18.01 Selection
The Chief Executive Officer is hired by the University of South Alabama and serves until resignation or termination.
Section 18.02 Responsibility and Authority

A. **Serves on** ~~Chair~~ the Executive Committee.
B. Monitor and support Medical Staff compliance with the Bylaws.
C. Responsible for review, revision and dissemination of the Bylaws, as well as policies and procedures affecting Medical Staff activities.
D. Monitor risk management activities of The University of South Alabama Hospitals.
E. Responsible for Medical Staff compliance with Hospital policies, Medical Staff Rules and Regulations, and regulatory requirements from external organizations, e.g., the Joint Commission, the National Committee for Quality Assurance, Alabama Department of Public Health and other governmental and regulatory agencies.

ARTICLE XX- DEPARTMENT CHAIRS/CW COMMITTEE CHAIRS

Section 20.05 Removal from Office
Removal from office alone has no effect on Medical Staff appointment status or delineated clinical privileges.

Children's and Women's
A. CW Committee Chairs may be removed from office by:
1) The Executive Committee; or
2) Two-thirds vote of the MEC; if ratified by the Executive Committee.
B. Grounds for removal of Chairs of the Medical Staff Department Committees from office include, but are not limited to:
1) Failure to perform the duties of the position in a timely and appropriate manner;
2) Failure to support the Hospital's mission;
3) Failure to maintain the qualifications for the position.

Medical Center/Children's and Women's
Chief of Service/Department Chair may be removed from office by the **Vice President of Medical Affairs/**Dean **of the** College of Medicine by termination of academic department chair appointment. Any conflict between the College of Medicine and the Hospital regarding the Chief of Service/Department Chair will be resolved by the **Vice President of Medical Affairs/**Dean **of the** College of Medicine **and** the Chief Executive Officer~~, and the Vice President of Health Sciences~~.

ARTICLE XXII– EXECUTIVE COMMITTEE

Section 22.01 Membership
The Executive Committee is chaired by the ~~Chief Executive Officer~~ **Vice President of Medical Affairs/Dean College of Medicine**. Members include the Health System Chief ~~Operating~~ **Executive** Officer, Hospital Administrators, Chief Financial Officer, the Chair of MEC from each hospital, the Immediate Past Chair of MEC from each hospital and Academic/Service line Department Chairs.

Section 22.02 Meetings
The Executive Committee's meeting frequency is determined by the membership but no less than quarterly.

Section 22.03 Duties and Responsibilities
The Executive Committee provides leadership, planning, organization, and direction of the development and operation of the USA Hospitals.

The Executive Committee provides advice and counsel to the Medical Staff, President of the University of South Alabama, and BOT on medical staff issues, specifically:

ARTICLE XXII- EXECUTIVE COMMITTEE

Section 22.03 Duties and Responsibilities
The Executive Committee provides advice and counsel to the Medical Staff, President of the University of South Alabama, and BOT on medical staff issues, specifically:
~~A. Recommendations for Medical Staff appointments and reappointments with granting of privileges, which are ultimately granted and approved by the Board of Trustees;~~

Proposed Changes to University of South Alabama Hospitals Medical Staff Bylaws/Rules and Regs. Revisions approved at the USA Hospitals General Medical Staff Meeting on October30, 2018

ARTICLE XXIV – BYLAWS COMMITTEE

Section 24.01 Membership
At least 3 members of the Active Staff, one of whom shall be a member of the Medical Executive Committee at Children's & Women's Hospital and one of whom shall be a member of the Medical Executive Committee at the Medical Center shall be appointed to the Bylaws Committee. Past presidents of the Medical Executive Committee or Chair of the Combined Credentials Committee are selected when possible. Other appointees to the Bylaws Committee are at least one of the executive leaders from the USA hospitals**, the Chief Medical Officer** and both Quality Management Department Heads.

ARTICLE XXVII - HOSPITAL COMMITTEES

Hospital committees recommended by Chair of MEC or Hospital Administrator and approved by the Executive Committee include Medical Staff representatives. Biennially, the Chair of MEC, Chair-Elect/Secretary of MEC, and Immediate Past Chair of MEC in collaboration with the Hospital Administrator shall appointment Medical Staff representatives for each Hospital Committee to serve for two year beginning January 1. Members may be reappointed.

Hospital Committees (see Hospital's Performance Improvement Plan for detailed descriptions of committee functions) include, but are not limited to, the following:

Children's and Women's Hospital
A. Performance Improvement Council*
B. Pharmacy & Therapeutics/Medication Use Committee/Antibiotic Stewardship*
C. Patient Safety and Medical Error Reduction Committee/Combined Critical Events Subcommittee*
D. CW Infection Prevention and Control, Infection Prevention and Control Combined Committee*, **
E. Medical Ethics Committee*
F. Emergency Services Committee*
G. Surgery Steering Committee*

Medical Center
A. Performance Improvement Council*
B. Critical Care Committee*
C. Pharmacy and Therapeutics*
D. Medication Error Reduction Committee*
E. Rapid Response/Code Committee
F. Infection Control Combined Committee*, **
G. Medical Ethics Committee*
H. Emergency Department Committee*
I. Trauma Burn Operational Committee*
J. Surgery Steering Committee*

* Denotes joint hospital and medical staff committees.
**Denotes joint USA hospitals committees.

ARTICLE XXVII - USA HEALTH CREDENTIALING BOARD (USAHCB) NEW SECTION

Section 27.01 Membership
The USAHCB will consist of four (4) voting members- Vice President of Medical Affairs/Dean of the College of Medicine, the Chief Medical Officer, and two (2) BOT physician members, as appointed by the USABOT; and one (1) non-voting member- the CEO of USA Health.

Section 27.02 Meetings
The USAHCB's meeting frequency is determined by the membership but no less than 10 meetings per year. Three (3) voting members of the committee must be in attendance in order to constitute a quorum and conduct committee business, with two (2) of those three (3) being the BOT appointees. The meeting will be held via teleconference on the day specified.

Section 27.03 Duties and Responsibilities
A. Review and approve requests for appointment, reappointment and granting of clinical privileges to USA Health and its hospitals and clinics.
B. This approval is the final step for granting of full privileges.

ALL section to be Changed from USA Medical Center to University Hospital

Proposed Changes to University of South Alabama Hospitals Medical Staff Bylaws/Rules and Regs.
Revisions approved at the USA Hospitals General Medical Staff Meeting on October30, 2018

Bold and Underlined are additions - Strikethroughs are ~~deletions~~

RULES & REGULATIONS

Change USA Medical Center to University Hospital

3.2.2 Progress notes

Progress notes must be entered into the medical record daily by attending physician or licensed independent practitioner ~~with counter signature~~. Patients designated as being long term stay patients will be assessed as per hospital policy. Medical student progress notes must be reviewed and signed by a physician, but cannot take the place of an attending or resident note. These notes should reflect current problems, treatments and plans and patient/family wishes.

3.3.8 Permanently filing incomplete records

A medical record shall not be permanently closed until it is completed by the attending physician or is ordered closed by the Medical Executive Committee **or designee**. The Medical Executive Committee **or designee** may order a medical record filed as completed in cases where the attending physician has died, become disabled, has moved, or otherwise is unable to complete the record. In such cases, the department chairperson will ensure that appropriate notations are placed in the record explaining the circumstances. In cases where the physician is able, but refuses to complete the record within one year of discharge of the patient, that physician will be permanently removed from the Medical Staff and the medical record(s) in question will be closed by the Medical Executive Committee.

2.0 General Conduct of Care (NEW section):

Co-signature requirements:	ARNP	CRNA	Resident	PA	Medical Student	Other Allied Health*
Progress Notes	NO	NO	NO	NO	Yes	Yes
History & Physicals	YES	N/A	YES	YES	N/A	YES
Consults	YES	NO	YES	YES	YES	N/A
Discharge Summaries	YES	NO	YES	YES	N/A	N/A
Operative Procedure note/report	YES	NO	YES	YES	N/A	N/A
Order to Admit	YES	N/A	YES	YES	YES	N/A
Pre-Operative Anesthesia Assessment	N/A	YES	N/A	N/A	N/A	N/A

***Dental hygienists and unlicensed physician employees or RN's/LPN's employed directly by the physician must have verbal orders and progress notes immediately cosigned by their attending or covering physician.**

UNIVERSITY OF SOUTH ALABAMA HOSPITALS
MEDICAL STAFF MEETING MINUTES
October 30, 2018

The meeting of the University of South Alabama Hospitals Medical Staff was held at the Strada Patient Care Center on Tuesday, October 30, 2018. John Marymont, MD, Vice President for Medical Affairs and Dean of the College of Medicine, called the meeting to order at 6:20 pm. A roster of attendees is available in the Medical Staff Credentialing Office.

John Marymont, MD welcomed everyone and introduced the new members in attendance. He then gave an update on the College of Medicine. The thorough review of the Liaison Committee on Medical Education (LCME) is complete with the results anticipated in the near future. He shared that the Accreditation Council for Graduate Medical Education (ACGME) has reviewed the application for an Emergency Residency Program and will vote on it in January, 2019. If approved, the first class of Emergency Medicine Residency might be possible for July 2019.

John Marymont, MD introduced Michael Chang, MD, the new Chief Medical Officer for USA Health. Dr. Chang will be responsible for leading clinical quality and safety initiatives that support the performance and practice standards across the health system as it continues to grow.

Michael Chang, MD spoke on the USA Health's major domains effected by our rapid growth. He identified several areas of need influenced by growth and modernization. The need for the USA Hospitals Bylaws to adapt to USA Health. The Medical Staff credentialing process needing to be updated and electronic. A need for uniform Quality and Safety criteria for both hospitals. He also expressed the importance of meeting the demands dictated by growth and ensuring that all clinical and infrastructure needs are met so that continuity of the highest level of care remains top priority.

John Marymont, MD introduced the new Executive Director of Practice Management for USA Health, Mrs. Michelle Dudley. She will be responsible for the operational and financial management of the USA Health Physicians Group.

Mrs. Michelle Dudley reported on Meaningful Use of Electronic Medical Records (EMR) and Value-Based Revenue related to USA Health Physicians Group. Other focus areas shared were improve electronic messages to patients, establish a team to assist with pre-certifications for hospital procedures, improve medicine reconciliation, and improve Revenue Cycle Services.

Mr. Sam Dean, Administrator of USA Health University Hospital, announced upcoming events. The ground breaking for the new Fanny Meisler Trauma Center will be held on December 4, 2018. The New Faculty & Physicians Reception will be held on December 6, 2018 at the Strada Patient Care Center. He reported on the successful event "A Night Honoring Heroes" held on October 11, 2018. This event was attended by 710 people and raised 60% more in contributions than last year. He stated that "with growth comes change". In sharing some of those changes, he described the upcoming changes regarding physician and resident parking areas, two urologist joining USA Health, and additional outpatient operating rooms opening for utilization on November 12, 2018.

Mr. Chris Jett, Administrator of USA Health Children's & Women's Hospital, shared a touching media story about a baby patient who graduated from the Level III Neonatal Intensive Care Unit (NICU). This story has been viewed over 21 million times on social media. Mr. Jett gave an update on the new Bridge Program designed to meet the needs of families facing a high-risk pregnancy. He stated plans for the Pediatric Evaluation Center to move towards a Pediatric Emergency Room level of care are still underway. Renovations are ongoing for new Mother/Baby Suites on the 4th and 5th floors. Admissions have increased 7% and surgeries have increased 18%. Mr. Jett shared the importance of an upcoming Employee/Physician Engagement Survey that will be sent to everyone in the USA Health System and encouraged participation.

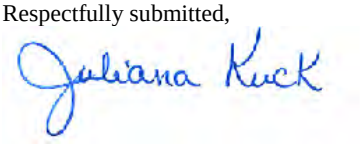
Sabrina Bessette, MD, USA Health University Hospital Medical Staff Chair presented the proposed revisions to the Medical Staff Bylaws and Rules and Regulations for review and approval. The most significant change was the establishment of the USA Health Credentialing Board (USAHCB). A motion was made, carried, and approved.

Mrs. Ashton Hennig, USA Health Outreach and Special Projects Manager, shared information about USA Health partnering with Feeding Gulf Coast and explained the fundraiser and supplies drive.

John Marymont, MD mentioned the upcoming Mitchell Cancer Institute Celebrate Hope event scheduled on November 15, 2018. He closed the meeting by stating that USA Health is a dominant force in the region.

With no further business, the meeting was adjourned at 6:50 pm.

Respectfully submitted,



Juliana Kuck
Medical Credentialing Coordinator

RESOLUTION

FINANCIAL ASSISTANCE POLICY FOR USA HEALTH UNIVERSITY HOSPITAL AND USA HEALTH CHILDREN'S & WOMEN'S HOSPITAL

WHEREAS, the University of South Alabama (the University) provides patient care through its hospital facilities, USA Health University Hospital and USA Health Children's & Women's Hospital, and

WHEREAS, the University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is also a hospital organization as that term is defined under Section 501(r) of the IRC, and

WHEREAS, the Patient Protection and Affordable Care Act (ACA) includes requirements with which hospital organizations must comply to maintain their 501(c)(3) tax-exempt status, and those requirements are set forth in Section 501(r) of the IRC, and

WHEREAS, Section 501(r) of the IRC requires hospital organizations to establish written financial assistance and emergency medical care policies, limit amounts charged for medically necessary care of individuals eligible for assistance, and make reasonable efforts to determine whether individuals are eligible for assistance before engaging in extraordinary collection actions, and

WHEREAS, the Financial Assistance Policy (FAP) must describe all financial assistance available, identify the method for determining the amount generally billed to individuals who have insurance, verify eligible individuals are not charged more than amounts generally billed to individuals who have insurance, and inform and notify residents of the community about the Financial Assistance Policy, and

WHEREAS, USA Health Finance and Administration recommends adoption of the attached proposed Financial Assistance Policy for USA Health hospital facilities that incorporates the requirements of the Affordable Care Act,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees hereby adopts said Financial Assistance Policy for eligible patients of USA Health University Hospital and USA Health Children's & Women's Hospital.

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

USA Health

Date:
November 26, 2018

To:
Tony G. Waldrop, PhD

From:

John V. Marymont, MD, MBA
Vice President for Medical Affairs
Dean College of Medicine

Owen Bailey, FACHE
Chief Executive Officer
Senior Associate Vice President for Medical Affairs

Subject:
Board Meeting Documents

We are making a request to adopt the Financial Assistance Policy (FAP) for eligible patients of USA Health University Hospital and USA Health Children's & Women's Hospital. The hospitals, as part of the University of South Alabama, are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code as defined under Section 501(r) which requires hospital organizations to establish a written financial assistance policy.

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

Resolution – Financial Assistance Policy for USA Health University Hospital and USA Health Children's & Women's Hospital

- Financial Assistance Policy
- Financial Assistance Policy – Plain Language Summary
- Notice of Financial Assistance Program Availability
- Addendum of Amount Generally Billed (AGB)
- Addendum of Services not Covered
- Addendum of Outside Services used to Determine Patient's Eligibility
- Addendum of Practices that Provide Emergency or other Medical Necessary Care in the Hospital Facilities
- Charity Care Committee Addendum

Thank you for your consideration.

OB/kh

Attachments

USA HEALTH SYSTEM
FINANCIAL ASSISTANCE POLICY

Pursuant to 501(r) of the Internal Revenue Code

Policy

USA Health System's goal is to help our patients lead longer, better lives; we are committed to providing quality health care to those we serve. One of the ways USA Health System fulfills this mission is by establishing a policy and procedure to grant financial assistance to uninsured and under-insured members of our community who receive emergency medical care or medically necessary hospital services and who have an established a need for this assistance. USA Health System believes in personal responsibility, and as such, believes that an individual should make every effort to provide for their own health and well-being, as well as the health and well-being of those for whom they are responsible. USA Health System's ability to provide care for free or at a reduced rate is not unlimited and is subject to availability of funds. In addition to the financial assistance offered pursuant to the terms of this Policy, USA Health System may offers other assistance to patients including financial assistance for services that are not provided in a hospital setting.

Purpose

The purpose of this policy is to provide a fair and consistent method for uninsured and/or under-insured patients to apply and be considered for financial assistance for the personally responsible portion of their bill (after insurance payments) related to emergency and other medically necessary hospital care received while being treated at USA Health System's Hospitals and Offsite Hospital Departments. While not all services of the USA Health System are eligible under this Financial Assistance Policy (FAP), this policy is compliant with applicable federal, state and local laws.

Definitions

Amount Generally Billed (AGB): An amount that is not more than the amounts generally billed to individuals who have insurance covering such care as defined by IRS Section 501(r)(5)(A)

Applicant: Patient or other individual responsible for payment of the patient's care who seeks financial assistance.

Application Period: Begins on the date medical care is provided and ends 240 days after the first post-discharge billing statement or 30 days after the hospital or authorized third party provides written notice of extraordinary collection actions the hospital plans to initiate, whichever is later.

Bad Debt: The unpaid charges for care to patients who are able but unwilling to pay all or some portion of the medical bills for which they are responsible.

Charity Committee: A committee appointed by the USA Health System's CFO to review the applications for financial assistance, review the Presumptive Approvals, the recommendations for assistance, Patient Attestations and Affidavits, and Retrospective Charity and/or Indigent Care Approvals. This committee will consider appeals in the event a patient or their representative wishes a reconsideration of a denial of full or partial assistance. The Charity Committee will have final authority for Charity and/or Indigent Care Approvals as well as all appeals to assure that reasonable efforts have been made to determine an individual's eligibility.

USA Hospitals' Collection Policy: The USA Hospital Collection Policy is also known as the "Self-Pay Balance Follow-up and Collection" Policy details the actions that the facility may take in the event of nonpayment and maybe found on the Health System's website along with the FAP and Addendums.

Emergency Care: The care or treatment for an Emergency Medical Condition, as defined by EMTALA.

Emergency Department Credit Policy: The USA Policy that defines the methodology used to assess the patient's medical needs once the patient comes to the Emergency Department and determine charges in the event the patient is determined to have a non-emergent medical condition.

EMTALA: The Emergency Medical Treatment and Active Labor Act (42 U.S.C. § 1395dd).

Federal Poverty Level (FPL): The FPL is the set minimum amount of income that a family needs for food, clothing, transportation, shelter, and other necessities, (also known as Federal Poverty Guidelines) and are updated annually. The amount is adjusted for family size and may be regionally adjusted for eligibility in certain programs and benefits. Information on the FPL may be obtained at: https://www.healthcare.gov/glossary/federal-poverty-level-FPL/ (This website is maintained by the federal government and subject to change at their discretion.)

Financial Assistance: The cost of providing free or discounted care to individuals who cannot afford to pay all or a portion of their hospital medical bills based on the eligibility rules identified in this policy.

Gross Charges: The full established price for medical care provided to patients.

Medically Necessary Care: Health care services or products that a prudent physician would provide to a patient for the purpose of preventing, diagnosing, or treating an illness, injury, disease or its symptoms in a manner that is:

- In accordance with generally accepted standards of medical practice;
- Clinically appropriate in terms of type, frequency, extent, site and duration; and
- Not primarily for the economic benefit of the health plans and purchasers or for the convenience of the patient, treating physician, or other healthcare provider.

Patient: An individual who receives care at a USA Health System Hospital and the person who is financially responsible for the care of the patient.

Self-pay Balance: The amount due to a provider or hospital after services are rendered and all other payment options or reimbursement methods are exhausted.

Self-Pay Balance Follow-Up and Collection Policy: The Policy and Procedure used for collection of Self-Pay balances due after insurance or if there was no insurance at all. This is sometimes referred to as the USA Hospitals' Collection Policy.

Uninsured Patient: A person who is uninsured or does not otherwise qualify for any governmental or private program that provides coverage for any of the services rendered and either:

- Qualifies for charity care as defined in this policy;
- Does not qualify for charity care but does qualify for some discount of his/her charges for hospital services based on a substantive assessment of his/her ability to pay ("Means Test"), such as total income, total medical bill, assets, mortgage payments, utilities, number of family members, disability considerations, etc.; or
- Has some means to pay but qualifies for a discount based on this policy.

Policy for Emergency and Medically Necessary Care

- This policy applies to all Emergency Care and Medically Necessary Care provided in the inpatient or outpatient acute care setting, and applies to all such care provided in the USA Health System's Hospitals or by the USA Health System's Practices as listed in an Addendum to this Policy. This policy does not include or apply to payment arrangements for elective procedures.
- USA Health System's policy is to provide Emergency Care and Medically Necessary Care to patients without regard to race, creed, or ability to pay. Subject to the terms and conditions set forth below, uninsured patients who do not have the means to pay for services provided at USA Health System's Hospitals' facilities may request to be considered for approval of financial assistance under the FAP. The eligibility criteria for financial assistance and the procedures for receiving financial assistance set out in this FAP are intended to ensure that USA Health System will have the financial resources necessary to meet its commitment to providing care to patients who are in the greatest financial need.

- Consistent with EMTALA, USA Health System will provide an appropriate medical screening examination (MSE) to any individual, regardless of race, creed or ability to pay, requesting treatment for a potential emergency medical condition. If, following an appropriate medical screening, USA Health System personnel determine that the individual has an emergency medical condition, USA Health System will provide services, within the capability of its facility, necessary to stabilize the individual's emergency medical condition, or will effect an appropriate transfer as defined by EMTALA.
- USA Hospitals are safety net providers for south Alabama and the surrounding areas and as such their emergency rooms see patients whose medical needs vary from emergency to non-emergent. Each patient entering the facility will have a MSE performed by a licensed professional to determine their medical needs. If the MSE determines that the patient is neither Emergent nor Urgent and that the Non-Emergency Condition is determined to not require immediate medical treatment, the patient will be informed of this determination.
- If the patient's condition is a non-emergent medical condition then immediate treatment is not considered medically necessary. Treatment for care that is not medically necessary is not covered further by this FAP. Once the patient has been informed that their condition does not require immediate treatment, they may choose to delay treatment and leave or they may choose to remain and receive treatment and will be subject to the fees detailed in the Emergency Department Credit Policy (EDCP). Patients will be informed of the fees per the EDCP. Whether the patient chooses to leave or seek further treatment in the Emergency Department the charge for the MSE (Triage) will be written off as covered under the FAP.

Providers Covered Under This Policy

All emergency and other medically necessary hospital care services provided in USA Health University Hospital and USA Health Children's & Women's in Mobile, Alabama as well as in hospital departments located in Mobile and Baldwin Counties.

A list of other USA Health System's Practices that provide emergency or other medically necessary care in the hospital facilities and are covered by this FAP is listed in an Addendum to this Policy. The Addendum indicates the hospital and non-hospital services of these other providers covered by this FAP and the extent to which the services are covered. This Addendum entitled "USA FAP Addendum – Practices that provide emergency or other medically necessary care in the hospital facilities" is available on the Health System's website and also available in writing upon request.

Notifications of the FAP to Patients and the Public

- USA Health System's Hospitals will post a sign in conspicuous places in admission and registration areas (including in the Emergency Department) stating: "You may be eligible for financial assistance, under the terms and conditions of the USA Health System's Financial Assistance Policy, offered to qualified patients. For additional information, contact the financial counselors by calling (251) 434-3505, Monday – Friday, 9 am – 4 pm. All inquiries, as well as all applications and supporting documents are confidential."
- A translation in Spanish and selected Asian languages will be included on the signage and the FAP, the Application and the Plain Language Summary will be translated on the website and made available in paper copies.
- USA Health System will display in a prominent place on its website a notice of the Financial Assistance Policy, a plain language summary of the FAP, and an application along with instructions on applying.
- In addition to appearing on its website, a printed copy of the application and the plain language summary will be available at no charge at the hospital's Patient Access Department and the Emergency Department.
- USA Health System will include a statement on each patient bill that patients meeting certain income criteria may qualify for the financial assistance under the FAP. A telephone number and website with additional information will be included.
- USA Health System's Hospitals will include informational training for employees as well as specific information for referring patient inquiries about the FAP to employees in areas such as:
    - Switchboard,
    - Registration,
    - Scheduling,
    - Business Office,
    - Case Management,
    - Emergency Department Discharge Areas

Limitation on Amounts Generally Billed (AGB)

All patients of a USA Health System Hospital are charged equally for the services provided. Once it is determined that a patient qualifies for financial assistance under this policy, the charges will be reduced by an amount appropriate to the award. If the award is 100%, the patient will be advised and the amount charged for those services will be reduced to zero and no longer billed. Where there is an award of financial assistance that does not cover 100% of the charges for the service, the amounts charged to patients eligible for discounted care will not be more than the amounts generally billed to patients under the Internal Revenue

Service's " look-back method," which is the percentage of charges that USA Hospitals would have received from a combination of Medicare and all private insurers' patients. The look-back percentage will be calculated separately for each hospital. The Amount Generally Billed (AGB) and the calculation methodology for the AGB of each hospital is shown in the "USA FAP Addendum - Amount Generally Billed (AGB)". This Addendum is included on the Health System's website or is also available in writing upon request.

Limitations of Financial Assistance

As indicated above, the FAP is limited to Emergency or Medically Necessary Treatments. Treatments and procedures that are not deemed and generally considered as emergent or medically necessary, such as elective procedures are not covered by this policy. A non-exhaustive list of items and services that are not covered by the FAP is attached in an Addendum.

Procedure and Who Qualifies

In general, patients are eligible for financial assistance when they receive emergency or medically necessary care at a USA Health System Hospital, (or a practice listed in the Addendum of Participating Non-Hospital Practices), and the patient's family income is at or less than 300% of the Federal Poverty Level (FPL).

The amount of assistance is determined using a sliding scale and may be periodically subject to revision or change.

Approval of financial assistance is made on a case by case and discharge by discharge basis, and as individuals and families financial circumstances can change, the approval for financial assistance for one treatment does not obligate USA Health System to continue to provide care free of charge or at reduced rates. Patients may be required to apply or re-apply for financial assistance at a frequency consistent with the FAP. Each USA site of service reserves the right to require a patient to re-apply at any time.

Once approved for financial assistance the patient's approved application will continue in effect for Emergency and Medically Necessary Hospital Services for a period 180 days, unless notified otherwise by the Hospital's Business Office.

To find out if you qualify for financial assistance, please complete the Application Form and attach the documents required to prove income, assets or other available resources. If you need assistance in completing the application, financial counselors are available by calling (251) 434-3505, Monday – Friday, 9 am – 4 pm.

Eligibility

We will determine financial assistance eligibility based upon income and asset guidelines and the Federal Poverty Limit Guidelines (FPL). Approved applications apply to USA Health System's Hospital accounts only and apply to the patient responsibility amount (amount due after insurance).

USA Health System FAP utilized a written application process to determine eligibility for financial assistance under the FAP. The application allows for the determination of the applicant's qualifying with the family income levels based of the FPL and what level of financial assistance can be allowed.

The levels of financial assistance for Hospital charges available under this policy are:

Family Income Level (of FPL)	Discount
Mobile County	
0 – 150%	100% of Charges
151% - 300%	Charges reduced to AGB
Outside Mobile County (Note)	
0 – 150%	100% of Charges
151% - 250%	Charges reduced to AGB

Notification of Eligibility

Applicants will be notified by letter regarding their financial assistance application status. If a patient is notified that they have been approved for a reduction of charges to AGB, they may still qualify for a greater discount by providing verification that their family income (or in the case where they have assets assumed to be too great to qualify, their assets/liabilities) meet the less than 200% of the FPL. Or in the event that they have been denied approval for financial assistance. They can appeal the decision!

An appeal can be filed within 240 days of the patient's first bill after discharge. To file an appeal the patient (or their representative on file) may contact the USA Health System Business Office and request a review for appeal. They will be expected to explain and detail why they should receive financial assistance or a more generous discount. The Financial Counselor will inform them of what verification is needed to be provided for the appeal, and they may be asked to sign another affidavit.

The appeal and the verification provided will be reviewed by the Business Office and the Charity Committee and a decision to grant or deny the appeal will be communicated by USPS (mail).

Application Process

All inquiries, as well as all applications and supporting documents are confidential.

USA Health System will make every reasonable effort to allow the most generous discount available and maximum financial assistance for which the patient qualifies.

To determine eligibility to the FAP, USA Health System will utilize Presumptive, Attestation and Retrospective methodologies.

- Presumptive Methodology is the utilization of information from sources and vendors other than the patient's application. This would include patient interviews, recommendations from the Hospital's Medicaid and Financial Aid qualifying vendor, and the Hospital's Collection Company.
  - The amount of discount allowed under the presumptive methodology is to discount charges to the AGB unless provable evidence can be obtained.
- Attestation/Affidavit: An attestation/affidavit may be allowed to grant financial assistance to discount the amount due from the patient to in the AGB unless provable evidence can be obtained to qualify the patient for a more generous discount.

To obtain the maximum financial assistance available under the FAP, the patient or the patient's representative needs to complete the written application for assistance, attach the requested supporting documents, and mail to the Business Office at the following address:

Mail: USA Health System

Attention: Business Office -Financial Counselor

P.O. Box 40010

Mobile, AL 36640-0010

When completing the application form, be sure to include documents that verify your income and assets both for yourself and for your spouse (if applicable).

Examples of documentation used to verify eligibility include pay subs, tax returns, bank statements and medical bills owed. Additional forms of verification may also be required.

Verification of Income

- If you are currently employed, please provide verification of gross income for the last three (3) months. Verification can be a check stub or a letter from your employer on company letterhead.
- If you are self-employed, please provide a copy of your prior year's Tax Return, including all forms.
- If you are unemployed and drawing unemployment benefits, please provide verification of the amount you receive. Verification can be you notice of approval.
- If you are unemployed and have no income, please provide verification of your circumstances. Verification can be a statement from your physician, your church pastor, or attorney.
- If you are receiving Social Security Benefits, SSI, Social Security Disability, veteran's benefits a Military, Government or Private Pension, please provide verification of that income. Verification can be a copy of your most recent check/stub or deposit verification or a letter from the government or pension authority showing the amount you are receiving. If you have minor children or other members of your household receiving monthly payments, please show proof of those amounts.
- If you are collecting a retirement check, pension, annuity, short/long-term disability or worker's compensation, please provide verification of that income. Verification can be your most recent check/stub or a letter from the income source.
- **If you are collecting governmental assistance, such as rent assistance in a H.U.D. Property, Food Stamps, Medicaid, Alabama All Kids, Alabama Family Assistance, SNAP, WIC, Section 8 Housing, live in an AHEPA apartment, then you will have already had your income and assets verified and as such can use your governmental assistance as verification of income. A copy of your documentation of assistance can be provided as proof of income.**
- If you receive child support or alimony or receive assistance from your child's other parent (not living in your household), please provide verification of that income. Verification can be your child support order or divorce decree.
- If you are separated or going through a divorce, please provide legal proof of your separation or a letter from you lawyer.
- If your expenses exceed your income, please provide verification of how your monthly expenses are being satisfied. Verification can be letters of financial support from your family, friends, church or other organizations. Verification can be letters of financial support from your family, friends, church or other organizations. If you are using credit cards, cash advances or loans to satisfy your monthly expenses, please provide copies of the most recent statement of those items.

- The hospital will deny assistance under the FAP for failure to provide documentation or information only when such information or documentation was requested in the FAP or the FAP Application Form.

Verification of Assets

- Please provide the most recent copy of your complete bank statement (including all pages of all checking, savings or certificates of deposits, 401K investment statements). If your bank account has been closed, please provide a letter from the bank stating that the account has been closed.
- Other assets, such as real estate (other than your primary residence), rental income or investment equity will need to be verified during the approval process.

Charges and Collection Activity

- USA Health System believes in personal responsibility and expects that when notified that USA Hospitals (or other entity) has a FAP to assist the patient, the patient or their representative will cooperate and make reasonable efforts to take advantage of that financial assistance.
- USA Health System's Hospitals will allow a reasonable amount of time for the patient or the patient's representative to provide reasonable evidence and information required to determine if the patient qualifies for financial assistance.
    - The patient or the patient's representative should contact the Hospital Business Office or Patient Financial Counselor as soon as possible if they wish for and intend to apply for financial assistance.
    - The Hospital Business Office will not utilize outside collection efforts (ECA) during the first 120 days after the first bill.
    - During the period of 120 to 240 after the first patient bill, the Business Office will suspend outside collection efforts if an application for financial assistance is received.
    - If an application is received that needs additional information the applicant will be given 30 days to perfect their application, before collection activities resume.
    - If in the event collection activities have proceeded based on a USA Hospitals' Collection Policy. If the collection agency identifies a patient as likely meeting USA Hospitals' financial assistance eligibility under its FAP, the patient's account may be still considered for financial assistance. The Collection Agency will notify the USA Business Office and upon approval from the Business Office, collection activity will be suspended on these accounts until USA Hospitals Financial Counselors have reviewed the patient's account and attempted to make a determination under the FAP. If the entire account

balance is adjusted, the account will be returned to USA Hospitals. If a partial adjustment occurs, the patient fails to cooperate with the financial assistance process, or if the patient is not eligible for financial assistance, collection activity may resume.

Please Note: The financial assistance offered under this program does not apply to physician or other professional fees billed separately from the hospital fees unless otherwise noted in the Addendum.

For questions or assistance with the financial assistance application, please call our office at (251) 434-3505.

USA Health System's Financial Assistance Policy – Plain Language Summary

Financial Assistance

USA Health System's goal is to help our patients lead longer, better lives; we are committed to providing quality health care to those we serve. USA Health System has established a policy and procedure that grants financial assistance to uninsured and under-insured members of our community who receive emergency medical care and medically necessary hospital services and who have an established need for assistance.

USA Health System will make reasonable effort to collect funds from insurance companies and third-parties. Patients who meet certain income and asset levels may qualify for financial assistance for hospital charges based on the income levels below and apply that assistance to the patient responsibility amount (amount due after insurance). The amount of the discount allowed will be the Amount Generally Billed (AGB) which is an amount calculated to be the average amount generally billed to patients after their insurance coverage or 100% of Charges (depending on the patient's qualifications.:

Family Income Level (of FPL)	Discount
Mobile County	
0 – 150%	100% of Charges
151% - 300%	Charges reduced to AGB
Outside Mobile County	
0 – 150%	100% of Charges
151% - 250%	Charges reduced to AGB

How can I qualify?

To qualify for financial assistance, you must meet income and asset guidelines and the Federal Poverty Limit Guidelines (FPL). Please complete the Application Form and attach the documents required to prove income, assets or other available resources. In many cases, by providing proof of your current participation in other governmental assistance programs, may automatically qualify you for assistance from USA's Financial Assistance Policy. If you need assistance, in completing the application or have questions, financial counselors are available by calling (251) 434-3505, Monday – Friday, 9 am – 4 pm. Approved applications apply specifically to USA Health System's Hospital accounts but may be used by some associated

Physician Practices for addition assistance. All inquiries, as well as all applications and supporting documents are confidential.

How do I apply?

To find out if you qualify for financial assistance, please complete the Application Form and attach the documents required to prove income, assets or other available resources. If you need assistance in completing the application, financial counselors are available by calling (251) 434-3505, Monday – Friday, 9 am – 4 pm. All inquiries, as well as all applications and supporting documents are confidential. Your completed application should be mailed to the Patient Accounting Department at the following address:

USA Health System
Attention Financial Counselor
P.O. Box 40010
Mobile, AL 36640-0010

Instructions

When completing the application form, be sure to include documents that verify your income and assets both for yourself and for your spouse (if applicable).

Examples of documentation used to verify eligibility include pay subs, tax returns, bank statements and medical bills owed. Additional forms of verification may also be required.

Verification of Income

- If you are currently employed, please provide verification of gross income for the last three (3) months. Verification can be a check stub or a letter from your employer on company letterhead.
- If you are self-employed, please provide a copy of your prior year's Tax Return, including all forms.
- If you are unemployed and drawing unemployment benefits, please provide verification of the amount you receive. Verification can be your notice of approval.
- If you are unemployed and have no income, please provide verification of your circumstances. Verification can be a statement from your physician, your church pastor, or attorney. Please contact USA Health System's financial counselors by calling (251) 434-3505, Monday – Friday, 9 am – 4 pm to discuss your circumstances.
- If you are receiving Social Security Benefits, SSI, Social Security Disability, veteran's benefits a Military, Government or Private Pension, please provide verification of that income. Verification can be a copy of your most recent check/stub or deposit verification or a letter from the government or pension authority showing the amount you are receiving. If you have minor children

or other members of your household receiving monthly payments, please show proof of those amounts.

- If you are collecting a retirement check, pension, annuity, short/long-term disability or worker's compensation, please provide verification of that income. Verification can be your most recent check/stub or a letter from the income source.
- If you are collecting governmental assistance, such as rent assistance in a H.U.D. Property, Food Stamps, Medicaid, Alabama All Kids, Alabama Family Assistance, SNAP, WIC, Section 8 Housing, live in an AHEPA apartment, then you will have already had your income and assets verified and as such can use your governmental assistance as verification of income. A copy of your documentation of assistance can be provided as proof of income.
- If you receive child support or alimony or receive assistance from your child's other parent (not living in your household), please provide verification of that income. Verification can be your child support order or divorce decree.
- If you are separated or going through a divorce, please provide legal proof of your separation or a letter from you lawyer.
- If your expenses exceed your income, please provide verification of how your monthly expenses are being satisfied. Verification can be letters of financial support from your family, friends, church or other organizations. Verification can be letters of financial support from your family, friends, church or other organizations. If you are using credit cards, cash advances or loans to satisfy your monthly expenses, please provide copies of the most recent statement of those items.

Verification of Assets

- Please provide the most recent copy of your complete bank statement (including all pages of all checking, savings or certificates of deposits, 401K investment statements). If your bank account has been closed, please provide a letter from the bank stating that the account has been closed.
- Other assets, such as real estate (other than your primary residence), rental income or investment equity will need to be verified during the approval process.

Eligibility

We will determine financial assistance eligibility based upon income and asset guidelines and the Federal Poverty Income Guidelines. Approved applications apply to USA Health University Hospital and USA Health Children's & Women's Hospitals accounts only and apply to the patient responsibility amount (amount due after insurance).

Notification of Eligibility

Applicants will be notified by letter regarding their financial assistance application status.

Continued Collections

Please Note: The financial assistance offered under this program does not apply to physician or other professional fees billed separately from the hospital fees.

For questions or assistance with the financial assistance application, please call our office at (251) 434-3505.

UNIVERSITY OF SOUTH ALABAMA (USA) HOSPITALS
USA HEALTH UNIVERSITY HOSPITAL – USA HEALTH CHILDREN'S & WOMEN'S HOSPITAL

NOTICE OF FINANCIAL ASSISTANCE PROGRAM AVAILABILITY

USA Hospitals and/or the USA Health System in the following text refers to the two hospitals listed above.

AS THE HOSPITAL PATIENT OR THE REPRESENTATIVE THEREOF: I, THE UNDERSIGNED, ACKNOWLEDGE THE FOLLOWING:

I have been advised that the USA Health System's Hospitals (listed above) have an established Financial Assistance Policy and Procedure (FAP). The purpose of this FAP is to grant financial assistance to uninsured and under-insured members of the community receiving emergency medical care or medically necessary hospital services and who demonstrate a need or who have an established need for this assistance.

I understand and agree that in order to qualify for this assistance I must:

- Complete the application form and/or provide documentation necessary to prove that I am currently receiving or eligible for established government assistance programs.
- I will cooperate with and take any action reasonably necessary in the filing of an application for any and all insurance (Medicaid, Medicare, Insurance, etc.) and/or other assistance to which I might qualify and will assign or pay to the hospital the amount recovered for hospital charges.
- I understand that the USA Health System will make effort to verify all information I provide with credit bureaus, creditors, agencies and other persons to verify the information given.
- I am advised that the Application for Financial Assistance, the Plain Language Summary of the FAP, as well as the full FAP, FAP Addendums, Self-Pay Balance Follow-Up and Collection Policy, and other information regarding assistance, payment, and related information are available on the USA Health System Website.
- I understand that the amount of the assistance, to which, I may qualify to receive, will be determined once my household size and income is verified. An explanation of the Family Income Level and Percentages of Discounts are shown in the FAP documentation on the Health System website.
- I understand that in addition to its availability on the hospital website, a printed copy of the application and the plain language summary is available at no charge at the hospital's Patient Access Department and the Emergency Department.
- It is also my understanding that in the event my completed application for assistance is denied, I may appeal the decision to the Charity Committee. The Charity Committee has final authority for Charity and/or Indigent Care Approvals as well as all appeals regarding eligibility.

BY SIGNING BELOW, I HEREBY ACKNOWLEDGE RECEIPT OF THIS NOTICE OF FINANCIAL ASSISTANCE AVAILABILITY.

_____ _____

Printed Name of Patient Date

_____

Signature of Patient or Patient's Representative

_____

Printed Name of Patient's Representative (if applicable)

USA Health System FAP

Addendum of Amount Generally Billed (AGB)

The AGB is an amount that is not more than the amounts generally billed to individuals who have insurance covering such care as defined by IRS Section 501(r)(5)(A).

All patients of a USA Health System Hospital are charged equally for the services provided in that hospital. If it is determined that a patient qualifies for financial assistance under the USA Health System Financial Assistance Policy, the charges[1] made to the eligible patient will be reduced by an amount appropriate to the award. If the award is 100%, the patient will be advised and the amount charged for those services will be reduced to zero and no longer billed. Where there is an award of financial assistance that does not cover 100% of the charges for the service, the amounts charged to eligible patients will be discounted to an amount that is not more than the amounts generally billed (AGB) to patients who have insurance.

The method used to determine the AGB[2] for USA Health University Hospital and USA Health Children & Women's Hospital will be the Internal Revenue Service's "Look-Back Method"[3]. This is the amount, for which, an insured patient would be responsible at the individual hospital. If the patient has been billed and paid an amount greater than the amount of their award, then they will be refunded the excess paid. The Look-Back Percentage is calculated as a combination of the discounts allowed to Medicare (Fee Schedule) and all private insurers' patients. The look-back percentage is calculated separately for each hospital and also separately for Inpatients and Outpatients.

USA Hospital System	**Amount Generally Billed (AGB)**
USA Health University Hospital	**Discount to Charges**
Inpatient Charges	47%
Outpatient Charges	62%
USA Health Children's & Women's Hospital	**Discount to Charges**
Inpatient Charges	42%
Outpatient Charges	62%

[1] In the event that there were charges for services not covered by the Financial Assistance Policy, only those covered charges will be reduced to the amount of the assistance award.

[2] There are two methods allowed for calculating the "Amount Generally Billed". The methods are the Look-Back Method, and the Prospective Medicare or Medicaid Method. The USA Health System is not required to use the same method for all hospital facilities. The USA Health System may change its AGB calculation method at any time.

[3] Under the look-back method, AGB is calculated by multiplying the hospital facility's gross charges for the care provided by one or more AGB percentages. Guidance for calculating AGB allows for one average percentage of gross charges for all care or for all emergency and other medically necessary care provided by the hospital facility, or multiple AGB percentages for separate categories of care, or for separate items or services. . The AGB percentage for USA Health System is calculated as a separate average for each hospital and is also calculated as a separate average for Inpatients and Outpatients accounts. Under the look-back method, the AGB percentage numerator is equal to the sum of all claims for emergency and other medically necessary care that have been allowed by health insurers or, if the hospital facility prefers, claims allowed for all medical care during a prior 12-month period by:

- Medicare fee-for-service;
- Medicare fee-for-service and all private health insurers that pay claims to the hospital facility; or
- Medicaid, either alone or in combination with the insurer(s) described above.

The AGB percentage denominator is equal to the sum of the associated gross charges for those claims. The USA Health System's AGB's are calculated at least annually under the look-back method.

USA Health System FAP

Addendum of Services not covered by the USA Health System FAP

- Procedures considered as elective,
    - Cosmetic surgery
    - Breast implants
    - Breast Reduction
    - Infertility treatment
- Transportation and Lodging,
- Food (other than that provided as an inpatient),
- Durable Medical Equipment
- Prescriptions (other than those provided as an inpatient, or during treatment).
- Home Health Care,
- Hospice Care,
- Physician Services (unless provided by USA Practices and listed in the USA FAP Addendum – Practices that provide emergency or other medically necessary care in the hospital facilities,
- Expenses for the patient's relatives,
- Teeth extractions, and Dentures,
- Addiction Recovery Service,

This is a non-exhaustive list of services and is used to indicate that not all expenses can expect to be covered by the FAP. USA Health System has limited resources and cannot cover all expenses at free or reduced charges.

USA Health System FAP

Addendum of Outside Services used by the USA Health System to determine Patient's eligibility to the USA Health System FAP

- Change Healthcare,
- Armstrong and Associates,

USA Health System FAP

Addendum to USA Health System's FAP of Practices that provide emergency or other medically necessary care in the hospital facilities

Discounts allowed to charges when approved for Financial Assistance

PRACTICE NAME	IN-HOSPITAL CHARGES
USA Health Emergency Medicine Physicians	Hospital FAP Policy
USA Health Anesthesiologists	Hospital FAP Policy

USA HEALTH HOSPITALS' FINANCIAL ASSISTANCE PROGRAM

CHARITY CARE COMMITTEE ADDENDUM

In addition to the USA Health Hospitals' Financial Assistance Program (FAP), the USA Health Hospitals' CFO will create the USA Health Hospitals' Charity Care Committee (Committee). The size of the Committee will be determined by the scope of work and the number of members appointed by the CFO.

USA Health Hospitals make every reasonable attempt to collect from insurance companies and other third-party payers. Financial hardship and charity care adjustments may be considered for those patients whose income and assets will not allow full payment within a reasonable time. Adjustments by the Charity Committee may include:

- Full Adjustment of the self-pay write-off balance to either Charity or Indigent.
- Partial adjustment of the self-pay write-off balance to either Charity or Indigent.

Approval of charity/indigent care is made on a case by case and discharge by discharge basis, and a recommendation of treatment as charity/indigent does not obligate USA Health Hospitals to continue to provide care free of charge or at reduced rates. Patients may be required to apply or re-apply for charity/indigent care assistance at a frequency consistent with the FAP. Each USA site of service reserves the right to require a patient to re-apply at any time.

Committee's Purpose:

The purpose of the Committee is to supplement the USA Health Hospitals' FAP by reviewing certain patient's accounts in an effort to determine if there is sufficient information available to grant the patient charity/indigent care status thereby adjusting a patient's account balance. The Committee provides an additional way to assist our patients by granting full or partial charity or indigent care status to an individual's hospital bill.

Committee's Principals:

Equal Opportunity

USA Health Hospitals are committed to upholding the multiple federal and state laws that preclude discrimination on the basis of race, sex, age, religion, national origin, marital status, sexual orientation, disabilities, military service, or any other classification protected by federal, state or local laws.

Indigent Care

Patients who cannot pay their bills may be classified as "charity" if they do not have a job, mailing address, residence, or insurance. Consideration is also given to classifying emergency room only patients as charity if they do not provide adequate information as to their financial status. In many instances, these patients are homeless and have few resources to cover the cost of their care.

Government Assistance

In determining whether an individual qualifies for charity care, other county or governmental assistance programs will be considered. Despite USA Health Hospitals' best efforts, some applicants

are not aware that they may be eligible for public health insurance programs or have not pursued our FAP application. USA Health Hospitals' staff will help the individual determine eligibility for governmental or other assistance, as appropriate. Persons who are eligible for programs (such as State-sponsored Medicaid) but who were not covered at the time that medical services were provided may be granted financial assistance, provided that the patient completes an application for government assistance. To obtain coverage by governmental authorities (such as Alabama Medicaid) for assistance during part of the patient stay or pre or post stay coverage requires diligent effort and may be used as proof of qualification for USA Health Hospitals Charity/Indigent Care classification.

Collection Activity

USA Health Hospitals believe in personal responsibility and expect that when notified that USA Health Hospitals have a FAP to assist the patient, the patient or their representative will make reasonable efforts to take advantage of that financial assistance. USA Health Hospitals recognize that this expectation may in reality not be the case and a patient that might be eligible under the USA Health Hospitals' FAP but may not have followed through or applied. Thus collection activity may have proceeded based on a USA Health Hospitals' Collection Policy. If a collection agency identifies a patient as likely meeting USA Health Hospitals' financial assistance eligibility under its FAP, the patient's account may be still considered for financial assistance. The Collection Agency should notify the USA Health Business Office and upon approval from the Business Office, collection activity will be suspended on these accounts until USA Health Hospitals have reviewed the patient's account and attempted to make a determination under the FAP. If the entire account balance is adjusted, the account will be returned to USA Health Hospitals. If a partial adjustment occurs, the patient fails to cooperate with the financial assistance process, or if the patient is not eligible for financial assistance, collection activity will resume.

Committee's Procedure:

The Committee will review patient accounts for the period in which they have been written off and prior to them having been reported on the Hospital's Medicare Cost Report to determine:

- If sufficient documentation exist to substantiate a patient's inability to pay for hospital care, if so, full or partial assistance maybe granted.
- If there is documentation that the patient or their representative has requested Financial Assistance. If such evidence of a request exists, the Committee will review the denial to determine if events and circumstances arising after the denial would alter the decision. If the Committee determines that a change in circumstances has occurred or if more information is available subsequent to a denial, full or partial assistance maybe granted.
- Patient was previously or subsequently approved for Medicaid. If this coverage exists, full or partial assistance maybe granted.
- Review will be made to determine if the patient is unemployed or homeless. Statements collected during contacts with relatives and/or associates maybe used to determine this circumstance and if this is the case, full or partial assistance maybe granted.
- Review will be made to determine if the patient is an undocumented alien and if the patient is employed or has assets. Determination of circumstances and the assessment of the USA Health Hospitals' ability to collect may result in the Committee granting full or partial assistance.

- The Committee will consider information and requests from USA Health Hospital sources such as the Business Office, Registration, USA Physicians, Case Management and other departments. Depending upon the circumstances, full or partial assistance maybe granted.
- The Committee will consider and provide final review and approval/disapproval of all appeals of denials filed by patients or their representatives.

Committee's Review:

The Committee will review:

- All accounts written to Bad Debts with balances greater than $200,000;
- Accounts written to Bad Debts with partial stay or history of Medicaid Coverage with a balance greater than $15,000 but less than $200,000;
- Patient with balances greater than $150,000 submitted to the Mobile County Indigent Care Board;
- Known special circumstances accounts.

Additional review criterion may be used as suggested by the Committee and approved by the CFO.

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

August 30, 2018
3:12 p.m.

A meeting of the Academic and Student Affairs Committee of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr, Vice Chair, on Thursday, August 30, 2018, at 3:12 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Alexis Atkins, Steve Furr, Ron Graham, Lenus Perkins, Margie Tuckson and Mike Windom.
Member Absent:	Scott Charlton.
Other Trustees:	Chandra Brown Stewart, Tom Corcoran, Ron Jenkins, Arlene Mitchell, Jimmy Shumock, Ken Simon, Steve Stokes and Jim Yance.
Administration and Others:	Todd Andel, Owen Bailey, April Berry, Robert Berry, Lynne Chronister, Shameryl Dixon, Joel Erdmann, Mike Finan, John Friend, Happy Fulford, Mike Haskins, Shelly Holden, David Johnson, Melva Jones, John Marymont, Leigh Minchew, Mike Mitchell, Grace Newcombe (SGA), Pat Pigott, Matthew Reichert (Faculty Senate), John Smith, Margaret Sullivan, Jean Tucker, Tony Waldrop and Scott Weldon.
Media:	Alyssa Newton (WPMI) and Lawrence Specker (*al.com*).

The meeting came to order and the attendance roll was called. Dr. Furr called for consideration of the minutes of the meeting held on May 31, 2018. On motion by Mr. Windom, seconded by Ms. Atkins, the Committee voted unanimously to adopt the minutes.

Dr. Furr called for a report on the activities of the Division of Academic Affairs, **ITEM 15**. Provost Johnson introduced School of Computing Professor and 2018-2019 Provost Faculty Fellow Dr. Todd Andel, Maternal Child Nursing Chair Dr. Leigh Minchew, and Health, Kinesiology and Sport Chair Dr. Shelly Holden.

Concerning a report on the activities of the Division of Student Affairs, **ITEM 16**, Dr. Furr called on Dr. Smith, who spoke about $1.8 million in food court upgrades that include the opening of Panda Express and Moe's Southwest Grill, refreshing of the existing Pizza Hut and Chick-Fil-A, and a salad bar located on the Student Center ground floor. He reported on the opening of Camellia Hall, a 370-bed residence facility at 97 percent occupancy. Photos of the facilities were shown. Dr. Smith talked briefly about the contracts with the food chains.

Dr. Furr called on Ms. Chronister for a report on the activities of the Division of Research and Economic Development, **ITEM 17**. Ms. Chronister advised that, as a result of the University's affiliation agreement with Wichita State University and a $7 million federal appropriation over two years, South would engage in a significant project to develop a predictive maintenance algorithm for the U.S. Department of Defense's aging F-16 jet. She stated, in conjunction, Dr. Andel would partner with Wichita State to develop a digital model of the aircraft, which would garner USA proceeds

of approximately $1 million. She said future plans by the Pentagon for a rapid sustainability program involving 3-D printing of parts would be rooted in both projects. She added that South was preparing for opportunities expected to follow; for instance, collaboration with Wichita State to expand USA's 3-D printing capabilities.

Dr. Furr called on Dr. Mitchell for additional reports related to the Division of Student Affairs, **ITEM 16**. Dr. Mitchell introduced Department of Counseling and Testing Services (CTS) Director Dr. John Friend, who talked about the CTS Graduate Student Training Program, through which students from USA's Clinical and Counseling Psychology Ph.D. and Mental Health Counseling Master's programs receive instruction on a wide array of clinical services and participate in campus outreach initiatives. The students commit to one year of training and spend 20 hours per week in the CTS Center. Students Ms. April Berry and Ms. Shameryl Dixon were asked to introduced themselves. Dr. Friend stated participants logged 886 clinic hours last year, or 34 percent of the mental health services provided, and he talked about program potential and internship placement as a measure of success.

Dr. Mitchell, Chair of the Diversity and Inclusion Committee, advised of diversity and inclusion training to be offered to faculty, staff and students on October 24 and 25. He said Dr. Delois Smith, retired chief diversity officer from the University of Alabama at Huntsville, would facilitate.

There being no further business, the meeting was adjourned at 3:32 p.m.

Respectfully submitted:

_____
Steven P. Furr, M.D., Vice Chair

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 and college dean, and by the Provost and Senior Vice President for Academic Affairs and the President,

THEREFORE, BE IT RESOLVED that the University of South Alabama Board of Trustees approves sabbatical awards as follows on this date, December 7, 2018, for Fall 2019 – Spring 2020.

NAME	DISCIPLINE	TIME PERIOD
David T. Allison	Earth Sciences	Fall 2019
Huybrechts F. Bindele	Mathematics & Statistics	Fall 2019
Kara K. Burns	Art History	Fall 2019
Sarah Koon-Magnin	Political Science & Criminal Justice	Spring 2020
Mara V. Kozelsky	History	Academic Year 2019-20
J. Todd McDonald	Computer Science	Academic Year 2019-20
Becky R. McLaughlin	English	Fall 2019

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Academic Affairs

Date:
November 6, 2018

To:
Tony Waldrop

From:
G. David Johnson

Subject:
Sabbatical Recommendations for Fall 2019 – Spring 2020

I recommend that the individuals whose names are listed below be granted a sabbatical for the period of time as indicated.

NAME	DISCIPLINE	TIME PERIOD
David T. Allison	Earth Sciences	Fall 2019
Huybrechts F. Bindele	Mathematics & Statistics	Fall 2019
Kara K. Burns	Art History	Fall 2019
Sarah Koon-Magnin	Political Science & Criminal Justice	Spring 2020
Mara V. Kozelsky	History	Academic Year 2019-20
J. Todd McDonald	Computer Science	Academic Year 2019-20
Becky R. McLaughlin	English	Fall 2019

Teaching coverage has been addressed in a satisfactory manner for all recommended proposals. Proposals have been reviewed and recommended at the department and college level. Full applications and supporting materials are available in the Office of Academic Affairs. A brief summary of each request is attached.

RESOLUTION

FACULTY EMERITUS

WHEREAS, the following faculty members have retired from the University of South Alabama:

ACADEMIC AFFAIRS:

James L. Aucoin, Ph.D., Professor of Communication
Robert E. Barletta, Ph.D., Associate Professor of Chemistry
Charles H. Brown, Ph.D., Professor of Psychology (Posthumous)
John S. Carter, Ph.D., Professor of Mathematics
Michael V. Doran, Ph.D., Professor of Computer Science
Greg L. Gruner, Ph.D., Professor of Music
Kenneth L. Heck, Ph.D., Professor of Marine Science
Elise Labbé-Coldsmith, Ph.D., Professor of Psychology
Diane H. Roe, Instructor of Chemistry
Cindy L. Stanfield, Ph.D., Associate Professor of Biomedical Sciences

COLLEGE OF MEDICINE:

Charles Rodning, M.D., Ph.D., F.I.C.S., F.A.C.S., Professor of Surgery
June E. Ayling, Ph.D., Professor of Pharmacology,

and

WHEREAS, in recognition of their contributions to the University through extraordinary accomplishments in teaching and in the generation of new knowledge through research and scholarship; in serving to positively inspire students; and, regarding those with clinical backgrounds, for dedication to the treatment and healing of patients; all for which, in accordance with University policy, the respective faculty committees, departmental chair and college dean, the Provost and Senior Vice President for Academic Affairs or the Vice President for Medical Affairs, and the President have duly recommended the aforementioned faculty retirees be appointed to the rank of Professor Emeritus, Associate Professor Emeritus or Instructor Emeritus,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby appoints these individuals to the rank of Professor Emeritus, Associate Professor Emeritus or Instructor Emeritus with the rights and privileges thereunto appertaining, and

BE IT FURTHER RESOLVED that the Board of Trustees of the University of South Alabama, in recognition of their significant contributions and dedicated service to the University of South Alabama, conveys its deep appreciation to these individuals.

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Academic Affairs

Date:
November 6, 2018

To:
Tony Waldrop

From:
G. David Johnson

Subject:
Emeritus Recommendations

In accordance with recommendations by the faculty, chairs and deans of the respective disciplines and colleges I recommend that the retired University of South Alabama faculty members listed below be granted the status of *Professor Emeritus, Associate Professor Emeritus and Instructor Emeritus appropriate for their respective rank at retirement* effective upon approval by you and the Board of Trustees.

- James L. Aucoin, Professor of Communication (Professor Emeritus)
- Robert E. Barletta, Associate Professor of Chemistry (Associate Professor Emeritus)
- Charles H. Brown, Professor of Psychology (Professor Emeritus, Posthumous)
- John S. Carter, Professor of Mathematics (Professor Emeritus)
- Michael V. Doran, Professor of Computer Science (Professor Emeritus)
- Greg L. Gruner, Professor of Music (Professor Emeritus)
- Kenneth L. Heck, Professor of Marine Science (Professor Emeritus)
- Elise Labbe-Coldsmith, Professor of Psychology (Professor Emeritus)
- Diane H. Roe, Instructor of Chemistry (Instructor Emeritus)
- Cindy L. Stanfield, Associate Professor of Biomedical Sciences (Associate Professor Emeritus)

Thank you.

GDJ/rmh

UNIVERSITY OF SOUTH ALABAMA

To: Dr. Tony G. Waldrop
President, University of South Alabama

From: Dr. John Marymont
Vice-President for Medical Affairs and Dean of the College of Medicine

Date: October 10, 2018

Re: College of Medicine Emeritus Recommendations, 2018

Below are my 2018 Emeritus recommendations for the College of Medicine. These recommendations are being forwarded to you for your approval and for approval by the Board of Trustees.

RECOMMENDED:

College of Medicine:

Charles Rodning, M.D., Ph.D., F.I.C.S., F.A.C.S., Professor of Surgery

June E. Ayling, Ph.D., Professor of Pharmacology

JM/afn

COLLEGE OF MEDICINE | OFFICE OF THE DEAN
CSAB 170 | 5795 USA Drive N. | Mobile, Alabama 36688-0002
TEL: (251) 341-3030 | FAX: (251) 341-3994

RESOLUTION

DEAN EMERITUS

WHEREAS, Dr. Debra C. Davis has retired from the University of South Alabama as Dean of the College of Nursing, and

WHEREAS, in recognition of her honorable and distinguished service to the University through extraordinary accomplishments in administrative leadership and scholarship, for which, in accordance with University policy, the Faculty Senate, the Provost and Senior Vice President for Academic Affairs, and the President have duly recommended Dr. Davis be appointed to the rank of Dean Emeritus,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama hereby appoints Dr. Debra C. Davis to the rank of Dean Emeritus with the rights and privileges thereunto appertaining, and

BE IT FURTHER RESOLVED that the Board of Trustees of the University of South Alabama, in recognition of her significant contributions and dedicated service to the University of South Alabama, conveys its deep appreciation to Dr. Davis.

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Academic Affairs

Date:
November 6, 2018

To:
Tony Waldrop

From:
G. David Johnson

Subject:
Dean Emeritus Recommendation

I recommend that Dr. Debra Davis be granted the status of *Dean Emeritus* effective upon approval by you and the Board of Trustees.

Thank you.

GDJ/rmh

RESOLUTION

TENURE

WHEREAS, in accordance with University policy, faculty applications for tenure have been reviewed by the respective faculty peers, departmental chair and college dean, and by the Provost and Senior Vice President for Academic Affairs or the Vice President for Medical Affairs, and the President, and the following individuals are hereby recommended for tenure,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees approves and grants tenure to the following individuals.

PAT CAPPS COVEY COLLEGE OF ALLIED HEALTH PROFESSIONS:

Nancy A. Rice Effective February 1, 2019

COLLEGE OF MEDICINE:

Rebecca M. Sugg Effective January 7, 2019

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

OFFICE OF ACADEMIC AFFAIRS

Date:
September 25, 2018

To:
Tony G. Waldrop

From:
G. David Johnson

Subject:
Tenure Recommendation for Dr. Nancy Rice

Dr. Nancy Rice has been hired as the Chair of the Department of Biomedical Sciences effective February 1, 2019.

It is recommended by the Dean and the tenured faculty in the Pat Capps Covey College of Allied Health that Dr. Rice be appointed as Professor with tenure effective her hiring date of February 1, 2019. I endorse this recommendation.

Her portfolio and recommendations with accompanying rationales are available for your review. Upon your final action, a resolution for the Board of Trustees will be forwarded.

Approved _____

Disapproved_____

GDJ/njc

UNIVERSITY OF SOUTH ALABAMA

TO: Dr. Tony G. Waldrop
President, University of South Alabama

FROM: John V. Marymont
Vice-President for Medical Affairs and Dean of the College of Medicine

Date: November 30, 2018

SUBJECT: College of Medicine Tenure Recommendations, December 2018 Board Meeting

Below is my recommendation for the College of Medicine tenure for the December 2018 Board Meeting. The recommendation is being forwarded to you for your approval and for approval by the Board of Trustees.

RECOMMENDED:

COLLEGE OF MEDICINE:

Tenure:
Rebecca M. Sugg, M.D.

VICE PRESIDENT FOR MEDICAL AFFAIRS I DEAN, COLLEGE OF MEDICINE
CSAB 170 | 5795 USA Drive N. | Mobile, Alabama 36688-0002
TEL: (251) 341-3030 | FAX: (251) 341-3994

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

BUDGET AND FINANCE COMMITTEE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

BUDGET AND FINANCE COMMITTEE

August 30, 2018
3:32 p.m.

A meeting of the Budget and Finance Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Tom Corcoran, Chair, on Thursday, August 30, 2018, at 3:32 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Tom Corcoran, Ron Graham, Arlene Mitchell, Lenus Perkins, Steve Stokes and Jim Yance.
Other Trustees:	Alexis Atkins, Chandra Brown Stewart, Steve Furr, Ron Jenkins, Jimmy Shumock, Ken Simon, Margie Tuckson, and Mike Windom.
Administration and Others:	Owen Bailey, Robert Berry, Lynne Chronister, Joel Erdmann, Mike Finan, Happy Fulford, Mike Haskins, David Johnson, Melva Jones, John Marymont, Mike Mitchell, Grace Newcombe (SGA), Pat Pigott, Matthew Reichert (Faculty Senate), John Smith, Margaret Sullivan, Jean Tucker, Tony Waldrop and Scott Weldon.
Media:	Alyssa Newton (WPMI) and Lawrence Specker (*al.com*).

The meeting came to order and the attendance roll was called. Mr. Corcoran called for consideration of the minutes of the meeting held on May 31, 2018. On motion by Mr. Yance, seconded by Mr. Perkins, the Committee voted unanimously to adopt the minutes.

Mr. Corcoran called for comments from Mr. Weldon on the quarterly financial statements for the nine months ended June 30, 2018, **ITEM 18**. Mr. Weldon reported an increase in net position of approximately $4.5 million compared to approximately $35 million in 2017. He stated the primary drivers for this difference were a decline in tuition revenue due to an enrollment decrease in the 2017 fall semester; the extra costs associated with the implementation of Cerner patient records software, and the inclusion of the health care authority that did not exist in 2017; and changes in investment market performance. He stated these factors were anticipated by the Administration, and the information in the financial statements was as expected. He advised of the new GASB (Governmental Accounting Standards Board) 75 for which, effective with the 2017-2018 fiscal year, public universities would be required to report the employer portion of unfunded liability for post-employment benefits excluding pensions. He said, in USA's case, health insurance benefits for retirees estimated at approximately $250 million would be acknowledged, and he stressed this would not impact actual cash.

Concerning **ITEM 19**, a resolution to adopt the University total budget for the 2018-2019 fiscal year (for copies of resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on August 31, 2018), Mr. Weldon outlined significant budget influences, such as an enrollment decline of 4.7 percent, an increase in state appropriation of 3.5 percent, and increases in tuition and housing/dining rates of 5 percent and 3.7/3.4 percent, respectively. Dr. Johnson discussed positive statistics related to the freshman class, transfer student enrollment,

and recruitment and retention, and summarized causes associated with the overall headcount enrollment decline of 739 students. Questions about recruitment strategies and the recommendation for a one-time, three-percent salary supplement for all eligible staff were addressed. Mr. Weldon reviewed key changes in budgeted funds and expenditures, and noted that the 2018-2019 recommendation was a balanced $974 million budget. On motion by Mr. Corcoran, seconded by Dr. Stokes, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

There being no further business, the meeting was adjourned at 3:54 p.m.

Respectfully submitted:

_____
E. Thomas Corcoran, Chair

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

BUDGET AND FINANCE COMMITTEE

November 10, 2018
10:30 a.m.

A meeting of the Budget and Finance Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Tom Corcoran, Chair, on Saturday, November 10, 2018, at 10:36 a.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Tom Corcoran, Lenus Perkins and Jim Yance. Participating by phone were Ron Graham (joined late) and Steve Stokes.
Member Absent:	Arlene Mitchell.
Other Trustees:	Jimmy Shumock and Ken Simon.
Administration and Others:	Owen Bailey, Kristin Dukes, Joel Erdmann, Monica Ezell, Mike Haskins, John Marymont, Randy Moon, John Smith, Margaret Sullivan, Tony Waldrop and Scott Weldon.
Media:	Jason Johnson (*Lagniappe*), Richard Narramore (*Vanguard*), Alyssa Newton (WPMI), Chad Pietri (WKRG), Asha Staples (WALA) and Creg Stephenson (*al.com*).

The meeting came to order and the attendance roll was called. Mr. Corcoran called for adoption of the revised agenda. On motion by Mr. Yance, seconded by Mr. Perkins, the Committee voted unanimously to adopt the revised agenda.

Pursuant with the provisions of the Alabama Open Meetings Act, Mr. Corcoran made a motion to hold an executive session for an approximate duration of 20 minutes for the purpose of discussing preliminary negotiations in trade competition, **ITEM 1**. He added Associate University Attorney Ms. Kristin Dukes had submitted the required written declaration for the minutes (for copies of resolutions, policies and other authorized documents, refer to the minutes of the special meeting of the Board of Trustees held on November 10, 2018). Mr. Yance seconded and the committee voted unanimously at 10:37 a.m. to convene an executive session as recorded below:

AYES:
Mr. Corcoran
Mr. Perkins
Dr. Stokes
Mr. Yance

Following the executive session, Mr. Corcoran presented **ITEM 2**, a resolution authorizing the University President to award and execute contracts for Phase II construction of an on-campus stadium with Jesco, Inc., for Phases IIA and IIC, Wharton-Smith, Inc., for Phase IIB and Persons Services for Phase IID, and further authorizing the University President to award and execute

additional contracts for future phases of construction of the stadium, contingent upon securing of appropriate funding. Mr. Yance seconded and the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

There being no further business, the meeting was adjourned at 11:08 a.m.

Respectfully submitted:

_____
E. Thomas Corcoran, Chair

RESOLUTION

CREATION OF SINGLE-MEMBER, LIMITED-LIABILITY COMPANIES FOR THE SUPPORT OF BILLING AND COLLECTIONS FOR THE UNIVERSITY OF SOUTH ALABAMA

WHEREAS, pursuant to Title 16, Chapter 55 of the Code of Alabama 1975, as amended (the "Enabling Law"), the University of South Alabama (the "University") was established for the purpose of providing a state institution of higher learning within Mobile County, and

WHEREAS, in furtherance of the purposes for which the University was established, the University owns and operates an academic medical center enterprise which consists of: (i) two hospitals (a) USA Health University Hospital, a tertiary care hospital which includes a level one trauma center, a burn unit, and state-of-the-art facilities for internal medicine, surgery and cardiovascular diagnostic and treatment techniques, and (b) USA Health Children's & Women's Hospital, a facility specializing in pediatric services, which include pediatric oncology, pediatric intensive care and neonatal intensive care, as well as obstetric, including high risk obstetrics, and gynecological services; (ii) USA Health Mitchell Cancer Institute, a comprehensive cancer research/treatment center; and (iii) USA Health Physicians Group, a multispecialty group practice of faculty physicians, and

WHEREAS, as a result of the increasing complexity of health care billing and payment practices, including that of insurance providers making a consolidated payment to a single entity which may have several providers and locations, which, in turn, makes allocation of the payment among providers and locations difficult and time-consuming, University management has determined that operational efficiencies could be attained through the formation of single-member, limited-liability companies organized for the purpose of supporting the University, including, but not limited to, activities such as billing and collection, and

WHEREAS, based on the foregoing, University management has determined that limited-liability companies should be formed, each with the University as its sole member, and each with its own federal tax identification number, and

WHEREAS, there is currently a need for at least nine limited-liability companies with a possibility of the need for additional companies in the future, and

WHEREAS, each limited-liability company created would be under the full and complete control of the University of South Alabama Board of Trustees,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama hereby authorizes the President of the University and the Vice President for Finance and Administration to establish single-member, limited-liability companies as deemed necessary by management, each of which would have the University as the single member and be organized solely to support the University's mission and operations.

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Office of Finance
and Administration

Date:
November 19, 2018

To:
Tony Waldrop

From:
Scott Weldon

Subject:
Creation of Limited Liability Companies to Facilitate Health System Billing

For your approval, attached is a resolution to authorize the University President and Vice-President for Finance and Administration to establish additional single-member limited liability companies to facilitate billing at USA Health. These entities would be under the control of the Board of Trustees and would be created only for the purpose of facilitating billing activities. While it is possible that additional entities will be required in the future, we will initially create nine such companies.

I recommend presentation of this resolution to the Board of Trustees at the December meeting.

Attachment

UNIVERSITY OF SOUTH ALABAMA

MEMORANDUM

Finance and Administration

Date:
December 3, 2018

To:
President
Tony G. Waldrop

From:
G. Scott Weldon
Vice President for Finance and Administration

Subject:
Agenda Item for
December 7, 2018, Board of Trustees Meeting
Authorization to Issue the 2019 Bonds

Attached is a resolution for consideration by the Board of Trustees concerning the University's 2019 bond issue that will provide the funding for a new stadium and related capital improvements, equipment and assets. Some of the specifics of the 2019 bonds will be:

- $75,000,000 Approximate Proceeds
- 30-Year Maturity
- Tax-Exempt and Taxable Series
- Level Principal and Interest Payments
- Possible Bond Insurance

This resolution will provide the authorization to execute any necessary documents for the issuance of the bonds.

With your consent, this item will be presented to the Board of Trustees for discussion and approval. Further, I recommend the adoption of the resolution by the Board of Trustees.

Attachments

A RESOLUTION AUTHORIZING THE ISSUANCE OF UNIVERSITY FACILITIES REVENUE BONDS, SERIES 2019

BE IT RESOLVED by the Board of Trustees (herein called the "Board") of the **UNIVERSITY OF SOUTH ALABAMA** (herein called the "University") as follows:

Section 1. (a) Findings. The Board has determined and hereby finds and declares that the following facts are true and correct:

(1) it is necessary, advisable, and in the interest of the University and the public that the University design, acquire, construct, install, furnish and equip a new football stadium, intramural fields and related capital improvements, equipment and assets on the campus of the University (herein called the "2019 Improvements"); and

(2) it is necessary, advisable, and in the interest of the University and the public that the University issue as additional parity bonds under Article VIII of the Indenture (as hereinafter defined) one or more series of fixed rate bonds hereinafter collectively described as the "Series 2019 Bonds" in order to pay for: (i) the costs of the 2019 Improvements, (ii) capitalized interest respecting the Series 2019 Bonds, (iii) the costs and expenses of issuing the Series 2019 Bonds, and (iv) the premium for a municipal bond insurance policy (a "Bond Insurance Policy"), if obtained, respecting some or all of the maturities of the Series 2019 Bonds; and

(3) the University has engaged The Frazer Lanier Company Incorporated as lead underwriter for the Series 2019 Bonds (in said capacity, the "Lead Underwriter") and Hancock Whitney Investment Services, Inc., as co-managing underwriter for the Series 2019 Bonds (together with the Lead Underwriter, the "Underwriters"), along with PFM Financial Advisors LLC as financial advisor to the University for the Series 2019 Bonds (the "Financial Advisor"); and

(4) the University has engaged the Underwriters and the Financial Advisor to work with officers and representatives of, and counsel to, the University to cause the Series 2019 Bonds to be sold at such time as the President and the Vice President for Finance and Administration, on the advice of the Financial Advisor and the Underwriters, determine to be in the best interest of the University, and has determined to authorize and approve the sale and delivery of the Series 2019 Bonds at a future time upon satisfaction of certain conditions and requirements hereinafter set forth.

(b) Series 2019 Bonds to be Issued as Additional Bonds Under the Indenture; Special Findings Under Section 8.2(b) of the Indenture. The Series 2019 Bonds shall be issued as additional parity bonds under Article VIII of the Indenture hereinafter referred to. In accordance with the provisions of Section 8.2(b) of the Indenture, the Board hereby finds and declares as follows:

(1) the University is not now in default under the Indenture, and no such default is imminent;

(2) the Series 2019 Bonds shall be designated "Series 2019" if issued in only one series, "Series 2019-A" and "Series 2019-B", if issued in two series, and "Series 2019-A", "Series 2019-B" and Series "2019-C", if issued in three series;

(3) the persons to whom the Series 2019 Bonds are to be delivered are set forth in Section 6 hereof;

(4) the Series 2019 Bonds are to be issued by sale in accordance with, and at the sale price determined as set forth in, Section 2 and Section 10 hereof;

(5) (a) the only bonds that have previously been issued by the University under the Indenture are its (i) $31,680,000 original principal amount 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 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 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, 1999, (iv) $51,080,000 original principal amount Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004 (herein called the "Series 2004 Bonds"), which were issued under and pursuant to the Fourth Supplemental Trust Indenture dated March 15, 2004, (v) $100,000,000 original principal amount University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, dated December 1, 2006 (herein called the "Series 2006 Bonds"), which were issued under and pursuant to the Fifth Supplemental Trust Indenture dated as of December 1, 2006, (vi) $112,885,000 original principal amount University Facilities Revenue Capital Improvement Bonds, Series 2008, dated September 1, 2008 (herein called the "Series 2008 Bonds"), which were issued under and pursuant to the Sixth Supplemental University Facilities Revenue Trust Indenture dated as of September 1, 2008, (vii) $29,750,000 original principal amount 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, (viii) $25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012 (herein called the "Series 2012-A Bond"), which was issued under and pursuant to an Eighth Supplemental University Facilities Revenue Trust Indenture dated as of January 4, 2012 (herein called the "Eighth

Supplemental Indenture"), (ix) $7,740,000 original principal amount 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, (x) $32,000,000 original principal amount 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"), (xi) $8,000,000 original principal amount 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, (xii) $10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013 (herein called the "Series 2013-C Bond"), which was issued under and pursuant to the Ninth Supplemental Indenture, (xiii) $41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014 (herein called the "Series 2014-A Bond"), which was issued under and pursuant to the Tenth Supplemental University Facilities Revenue Trust Indenture dated March 14, 2014, (xiv) $6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015 (herein called the "Series 2015 Bond"), which was issued under and pursuant to the Eleventh Supplemental University Facilities Revenue Trust Indenture dated June 15, 2015, (xv) $85,605,000 original principal amount University Facilities Refunding Revenue Bonds, Series 2016, dated September 14, 2016 (herein called the "Series 2016 Bonds"), which were issued under and pursuant to the Twelfth Supplemental University Facilities Revenue Trust Indenture dated as of September 1, 2016, (xvi) $20,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-B, dated December 7, 2016 (herein called the "Series 2016-B Bond"), which was issued under and pursuant to a Thirteenth Supplemental University Facilities Revenue Trust Indenture dated December 7, 2016 (herein called the "Thirteenth Supplemental Indenture"), (xvii) $35,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-C, dated December 7, 2016 (herein called the "Series 2016-C Bond"), which was issued under and pursuant to the Thirteenth Supplemental Indenture, (xviii) $45,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-D, dated December 7, 2016, which was issued under and pursuant to the Thirteenth Supplemental Indenture (herein called the "Series 2016-D Bond") and (xix) $38,105,000 original principal amount University Facilities Revenue Bonds, Series 2017, dated June 15, 2017, which were issued under and pursuant to the Fourteenth Supplemental Indenture dated June 15, 2017 (herein called the "Series 2017 Bonds" and, together with the Series 1999 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, the Series 2013-C Bond, the Series 2014-A Bond, the Series 2015 Bond, the Series 2016 Bonds, the Series 2016-B Bond, the Series 2016-C Bond, and the Series 2016-D Bond, the "Outstanding Bonds"); 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;

(6) the Outstanding Bonds are the only bonds heretofore issued under the Indenture that are at this time and upon issuance of the Series 2019 Bonds outstanding under the Indenture; and

(7) the Series 2019 Bonds will be issued for the purposes described in in paragraph (2) of Section 1 hereof.

The Trustee is hereby requested to authenticate and deliver the Series 2019 Bonds to the purchasers specified in Section 6 hereof upon payment of the purchase price designated therein.

Section 2. Authorization of the Series 2019 Bonds. For the purposes specified in Section 1 of this resolution, the Board does hereby authorize to be issued by the University up to three series of its University Facilities Revenue Bonds to be dated their date of initial issuance (herein collectively called the "Series 2019 Bonds"), under such terms, conditions and provisions to be set out in the Fifteenth Supplemental University Facilities Revenue Trust Indenture dated the date of issuance of the Series 2019 Bonds (herein called the "Fifteenth Supplemental Indenture"), 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 Fifteenth Supplemental Indenture, herein called the "Indenture"), which terms, conditions and provisions shall be in accordance with the following (herein called the "Plan of Finance"):

(a) The Series 2019 Bonds shall bear interest at fixed rates, payable semiannually.

(b) The aggregate principal amount of the Series 2019 Bonds allocable to the payment of the costs of the 2019 Improvements may not exceed the sum of $75,000,000. Such maximum principal amount includes estimated amounts for the following components of the plan of financing:

Estimated 2019 Improvements costs funded with proceeds	$67,560,000
Costs of issuance (including, without limitation, legal, financial advisory, rating fees, Bond Insurance Policy, if any, printing, and other costs)	$1,500,000

Contingency (includes potential original issue discount of up to 1.5% of principal issued and general contingency ($1,125,000), along with capitalized interest through not later than October 1, 2020)	$5,940,000
Total	**$75,000,000**

(c) The amount for each cost component specified in Section 2(b) above may vary so long as the maximum principal amount allocable to the 2019 Improvements is not exceeded by more than ten percent (10%).

(d) No maturity of the Series 2019 Bonds may bear interest at a rate exceeding 6.0%.

(e) The true interest cost on the Series 2019 Bonds (taking into account any original issue discount or original issue premium) may not exceed 5.6%.

(f) The Series 2019 Bonds shall be sold at a price not less than 98.5% of the total principal amount thereof.

(g) The Series 2019 Bonds shall have a final maturity not later than October 1, 2049, and shall have a weighted average maturity of not longer than 23.0 years.

(h) The Series 2019 Bonds shall be sold to the Underwriters as described in Section 6 hereof.

(i) The Series 2019 Bonds shall be sold by March 15, 2019, and issued and delivered not later than April 15, 2019.

(j) Any period of time during which interest on the Series 2019 Bonds is paid from proceeds of the Series 2019 Bonds (otherwise known as a "capitalized interest period") may not be for longer than from the issuance of the Series 2019 Bonds through October 1, 2020.

Section 3. Source of Payment of the Series 2019 Bonds. The principal of and the interest on the Series 2019 Bonds shall be payable from Pledged Revenues as defined in the Indenture. The Series 2019 Bonds shall not represent or constitute obligations of any nature whatsoever of the State of Alabama (herein called 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 2019 Bonds and in the Indenture do not and shall never constitute or give rise to any personal or pecuniary liability or charge against the general credit of the University, and in the event of a breach of any such agreement, covenant or representation, no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the University shall arise therefrom. Neither the Series 2019 Bonds nor the pledge or any agreement contained in the Indenture or in this resolution shall be or constitute an

obligation of any nature whatsoever of the State, and neither the Series 2019 Bonds nor any obligations 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 2019 Bonds Payable at Par. All remittances of principal of and interest on the Series 2019 Bonds to the holders thereof shall be made at par without any deduction or exchange or other cost, fees or expenses. The bank at which the Series 2019 Bonds shall at any time be payable shall be considered by acceptance of its duties under the Indenture to have agreed that it will make or cause to be made remittances of principal of and interest on the Series 2019 Bonds, out of the moneys provided for that purpose, in bankable funds at par without any deduction for exchange or other cost, fees or expenses. The University will pay to such bank all reasonable charges made and expenses incurred by it in making such remittances in bankable funds at par.

Section 5. Authorization of Fifteenth Supplemental Indenture. In connection with the issuance of the Series 2019 Bonds, the Board does hereby authorize and direct the 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, the Fifteenth Supplemental Indenture 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), updated to reflect the final pricing terms of, and the final number of series of, the Series 2019 Bonds as reflected in the Certificate of Compliance (hereinafter defined) and as also herein permitted and, further, to contain provisions required by the provider of any Bond Insurance Policy if bond insurance is procured by the University for some or all of the Series 2019 Bonds, and does hereby authorize and direct the Secretary of the Board, the Vice Chair of the Board and the Chair Pro Tempore of the Board to affix to the Fifteenth Supplemental Indenture the corporate seal of the University and to attest the same.

Section 6. Sale of the Series 2019 Bonds. (a) The Series 2019 Bonds shall be sold to The Frazer Lanier Company Incorporated and to Hancock Whitney Investment Services, Inc., as underwriters for the Series 2019 Bonds. In connection with the sale of the Series 2019 Bonds to the Underwriters, the Board does hereby authorize and direct the President and the Vice President for Finance and Administration of the University to execute and deliver, for and in the name and behalf of the University, a Bond Purchase Agreement with the Underwriters, the form of which is presented to the meeting at which this resolution is adopted and attached as Exhibit II to the minutes of said meeting (which such Bond Purchase Agreement is hereby adopted in all respects as if set out in full in this resolution), updated to reflect the final pricing terms of, and the final number of series of, the Series 2019 Bonds as reflected in the Certificate of Compliance and as also herein permitted. The Series 2019 Bonds shall bear such date, shall mature at such times and in such manner, shall bear such rate or rates of interest, shall be payable at such place, shall be in such denomination, shall be in such number of series, shall bear such numbers, and shall be in such form and contain such provisions as shall be set out in the said Bond Purchase Agreement and the Fifteenth Supplemental Indenture authorized in Section 5 above.

(b) The Vice President for Finance and Administration is hereby authorized to cause the University to obtain a Bond Insurance Policy for some or all of the maturities of the Series 2019 Bonds if such officer or the Financial Advisor determines, at or around the sale of the Series 2019 Bonds, that the estimated present value of the premium of such policy will be less than the present value of the estimated or expected interest savings on the Series 2019 Bonds as a result of such policy.

Section 7. Preliminary Official Statement; Official Statement. (a) The Board does hereby authorize and direct the President and the Vice President for Finance and Administration to cause to be finalized and circulated by the Underwriters a Preliminary Official Statement respecting the Series 2019 Bonds, the form of which is attached hereto as Exhibit III, with such modifications to reflect (i) material information concerning the University and its operations as of the time the said document is to be circulated for consideration by prospective investors in the Series 2019 Bonds, (ii) preliminary principal amounts and relevant preliminary pricing information for the Series 2019 Bonds, (iii) information respecting a Bond Insurance Policy and the provider thereof if bond insurance is procured by the University for some or all of the maturities of the Series 2019 Bonds, and (iv) such other material information concerning the Series 2019 Bonds, all as such officers, either independently or upon consultation with the Underwriters, bond counsel to the University and/or the Financial Advisor, shall determine necessary or desirable for inclusion in the Preliminary Official Statement. The President and the Vice President for Finance and Administration are hereby authorized to cause the Preliminary Official Statement to be "deemed final" as of its date within the meaning of Rule 15c2-12(b)(1) promulgated by the U.S. Securities Exchange Commission (the "Rule") and thereafter circulated to prospective investors in the Series 2019 Bonds.

(b) The Board does hereby authorize and direct the President and the Vice President for Finance and Administration to execute, for and in the name and behalf of the University, an Official Statement with respect to the Series 2019 Bonds dated the date of sale of the Series 2019 Bonds, in substantially the form of the Preliminary Official Statement circulated to prospective investors in the Series 2019 Bonds in connection with the sale of the Series 2019 Bonds, with such changes as shall be necessary to conform to the provisions of this resolution and reflect the final pricing terms of the Series 2019 Bonds, to include information respecting a Bond Insurance Policy and the provider thereof if bond insurance is procured by the University for some or all of the maturities of the Series 2019 Bonds (if not included in the Preliminary Official Statement circulated by the Underwriters prior to sale of the Series 2019 Bonds), and the other terms approved in accordance with the provisions of this resolution, and to reflect such other changes as shall be approved by the President or the Vice President for Finance and Administration and acceptable to the Underwriters. The Board does hereby declare that the Official Statement so executed by the President or the Vice President for Finance and Administration shall be the Official Statement of the University with respect to the Series 2019 Bonds.

Section 8. Authorization of Continuing Disclosure Agreement. The President of the University is hereby authorized and directed to execute and deliver, on behalf of the University, a Continuing Disclosure Agreement for the benefit of the beneficial owners of the

Series 2019 Bonds, in substantially the form presented to the meeting at which this resolution is adopted (which form shall be attached as Exhibit IV to the minutes of said meeting and which is hereby adopted in all respects as if set out in full in this resolution). The said Continuing Disclosure Agreement is to be entered into contemporaneously with the issuance of the Series 2019 Bonds in order to assist the Underwriters of the Series 2019 Bonds in complying with the Rule. The rights of enforcement of the said Continuing Disclosure Agreement shall be as provided therein, and in no event shall a default by the University thereunder constitute a default hereunder or under the Indenture.

Section 9. Execution and Delivery of the Series 2019 Bonds. If the Series 2019 Bonds are successfully sold and delivered as herein contemplated, the Board does hereby authorize the President of the University to execute the Series 2019 Bonds, in the name and on behalf of the University, by manually signing each said bond, and does hereby authorize the Secretary of the Board, the Vice Chair of the Board and the Chair Pro Tempore of the Board to cause the corporate seal of the University to be imprinted or impressed on each of the Series 2019 Bonds and to attest the same by signing the Series 2019 Bonds, and the President of the University is hereby authorized and directed to deliver the Series 2019 Bonds, subsequent to their execution as provided herein and in the Indenture, to the Trustee under the Indenture, and to direct the Trustee to authenticate all the Series 2019 Bonds and to deliver them to the Underwriters, upon payment to the University of the purchase price therefor.

Section 10. Designated Officials. Each of the President of the University and the Vice President for Finance and Administration is herein designated a “Designated Officer”. Each of the following members of the Board is hereby designated as a "Designated Board Member" for purposes of this resolution:

Name	Office
Kenneth O. Simon	Chair Pro Tempore
James H. Shumock	Vice Chair
E. Thomas Corcoran	Chairman of the Budget and Finance Committee

Any Designated Board Member, together with any Designated Officer, are hereby authorized to approve the remaining details of the Plan of Finance. When the details of the Plan of Finance have been approved by a Designated Board Member and a Designated Officer, the designees shall execute, in the name and on behalf of the Board and the University, respectively, a certificate evidencing such approval (herein called the "Certificate of Compliance") in substantially the form set forth on Exhibit V hereto, and shall file a copy of such certificate with the Secretary of the Board, and such certificate shall be maintained in the records of the Board by the Secretary of the Board. The Certificate of Compliance may be executed in counterparts.

Section 11. Application of Proceeds. The entire proceeds derived by the University from the sale of the Series 2019 Bonds, less and except the underwriter’s discount to be retained by the Underwriters and the premium for any Bond Insurance Policy obtained for the Series 2019 Bonds to be wired directly by the Underwriters to the provider thereof, shall be paid

to the Trustee under the Indenture, which is thereupon authorized and directed to apply and disburse such moneys for the purposes herein described and as shall be specified in Section 1.6 of the Fifteenth Supplemental Indenture once updated to reflect the terms of the Certificate of Compliance, or as otherwise directed pursuant to a written order from the President or the Vice President for Finance and Administration.

Section 12. Resolution Constitutes Contract; Severability. The provisions of this resolution shall constitute a contract between the University and the holders of the Series 2019 Bonds. 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 13. General Authorization. The President of the University, the Vice President for Finance and Administration of the University, the Secretary of the Board, the Vice Chair of the Board and the Chair Pro Tempore of the Board are hereby authorized to execute such further agreements, certifications, instruments or other documents, containing such terms as such officer shall approve (subject to the limitations described in this resolution and the Certificate of Compliance executed and filed as provided in Section 10 hereof), 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 and to the end that the Series 2019 Bonds may be executed, issued and delivered. The Secretary of the Board, the Vice Chair of the Board and the and the Chair Pro Tempore of the Board are hereby authorized and directed to affix the official seal of the Board to such instruments and to attest the same.

EXHIBIT I
FORM OF FIFTEENTH SUPPLEMENTAL INDENTURE

FIFTEENTH SUPPLEMENTAL UNIVERSITY FACILITIES REVENUE TRUST INDENTURE

between

UNIVERSITY OF SOUTH ALABAMA

and

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

Dated [_____]

TABLE OF CONTENTS

Page

ARTICLE I SERIES 2019 BONDS 3

Section 1.1 Authorization and Description of the Series 2019 Bonds 3

Section 1.2 Redemption Provisions 5

Section 1.3 Payments into Bond Fund; Method of Payment 6

Section 1.4 Form of Series 2019 Bonds 7

Section 1.5 Execution and Delivery of the Series 2019 Bonds 12

Section 1.6 Application of Proceeds from Sale of Series 2019 Bonds 12

ARTICLE II BOOK-ENTRY ONLY SYSTEM 14

ARTICLE III CAPITALIZED INTEREST ACCOUNT 17

Section 3.1 Capitalized Interest Account 17

ARTICLE IV CERTAIN PROVISIONS REGARDING THE INSURER 17

Section 4.1 Applicability of this Article 17

Section 4.2 Requirements of the Insurer 18

ARTICLE V MISCELLANEOUS 24

Section 5.1 Concerning the Code 24

Section 5.2 Confirmation of Indenture 25

Section 5.3 Confirmation of Pledges 25

Section 5.4 Construction of Fifteenth Supplemental University Facilities Revenue Trust Indenture 25

Section 5.5 Severability 25

Section 5.6 No Broker Confirmations 25

Section 5.7 Electronic Communications 26

[EXHIBIT A - Specimen Municipal Bond Insurance Policy]

FIFTEENTH SUPPLEMENTAL UNIVERSITY FACILITIES REVENUE TRUST INDENTURE between the **UNIVERSITY OF SOUTH ALABAMA**, public body corporate under the laws 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 University Facilities Revenue Trust Indenture 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 original principal amount University Tuition Revenue Refunding Bonds, Series 1996B, dated October 15, 1996, which are no longer outstanding, (iii) $40,130,000.70 original principal amount University Tuition Revenue Bonds, Series 1999, dated March 1, 1999 (the "Series 1999 Bonds"), (iv) $51,080,000 original principal amount Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004, which are no longer outstanding, (v) $100,000,000 original principal amount University Tuition Refunding and Capital Improvement Bonds, Series 2006, dated December 1, 2006 (the "Series 2006 Bonds"), which are no longer outstanding, (vi) $112,885,000 original principal amount University Facilities Revenue Capital Improvement Bonds, Series 2008, dated September 1, 2008 (the "Series 2008 Bonds"), which are no longer outstanding, (vii) $29,750,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2010, dated June 16, 2010 (the "Series 2010 Bond"), (viii) $25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012 (the "Series 2012-A Bond"), (ix) $7,740,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-B, dated January 4, 2012 (the "Series 2012-B Bond"), (x) $32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013 (the "Series 2013-A Bond"), (xi) $8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013 (the "Series 2013-B Bond"), (xii) $10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013 (the "Series 2013-C Bond"), (xiii) $41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014 (the "Series 2014-A Bond"), (xiv) $6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015 (the "Series 2015 Bond"), (xv) $85,605,000 original principal amount University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016 (the "Series 2016 Bonds"), (xvi) $20,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-B, dated December 7, 2016 (the "Series 2016-B Bond"), (xvii) $35,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-C, dated December 7, 2016 (the "Series 2016-C Bond"), (xviii) $45,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-D, dated December 7, 2016 (the "Series 2016-D Bond"), and (xix) $38,105,000 original principal amount

University Facilities Revenue Bonds, Series 2017, dated June 15, 2017 (the "Series 2017 Bonds").

(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 2010 Bond, the Series 2012-A Bond, the Series 2012-B Bond, the Series 2013-A Bond, the Series 2013-B Bond, the Series 2013-C Bond, the Series 2014-A Bond, the Series 2015 Bond, the Series 2016 Bonds, the Series 2016-B Bond, the Series 2016-C Bond, the Series 2016-D Bond and the Series 2017 Bonds (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 (i) pay the costs of various capital improvements at the University hereinafter defined as the 2019 Improvements, and (ii) cover a deposit into the Capitalized Interest Account hereinafter described, with the issuance of Additional Bonds [in multiple series] in the aggregate principal amount of $[_____]. The University has duly adopted a resolution authorizing the issuance of such Additional Bonds and this Fifteenth Supplemental University Facilities Revenue Trust Indenture is executed in order to specify the details with respect to such Additional Bonds.

(d) This Fifteenth Supplemental University Facilities Revenue Trust Indenture is being executed to provide for the issuance of the Series 2019 Bonds (hereinafter referred to) as Additional Bonds under the Indenture.

Additional Definitions

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

"**Authorized University Officer"** means the President of the University, the Vice President for Finance and Administration, or such other officer of the University as either of the foregoing officers shall have designated in writing to serve as an Authorized University Officer hereunder.

"**Capitalized Interest Period**" shall mean the period of time from the issuance of the Series 2019 Bonds through and including the earlier of [_____] or such time as no funds are on deposit in the Capitalized Interest Account.

["**Insurance Policy**" means the municipal bond insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Insured Series 2019 Bonds as provided therein.]

["**Insured Series 2019 Bonds**" means those of the Series 2019 Bonds maturing _____].

["**Insurer**" means _____], or any successor thereto or assignee thereof.

"**Interest Payment Date**" means, with respect to the Series 2019 Bonds, each [_____] 1 and [_____] 1, commencing [_____].

"**Record Date**" as used in the Indenture shall be, with respect to the Series 2019 Bonds, the [_____] 15 and [_____] 15 preceding each Interest Payment Date.

"**Series 2019 Bonds**" means, collectively, the Series 2019-A Bonds [, the Series 2019-B Bonds and the Series 2019-C Bonds].

"**Series 2019-A Bonds**" means the University Facilities Revenue Bonds, Series 2019-A, authorized to be issued in the aggregate principal amount of $[_____] and dated [_____].

["**Series 2019-B Bonds**" means the Taxable University Facilities Revenue Bonds, Series 2019-B, authorized to be issued in the aggregate principal amount of $_____ and dated _____].

["**Series 2019-C Bonds**" means the University Facilities Revenue Bonds, Series 2019-C, authorized to be issued in the aggregate principal amount of $_____ and dated _____].

"**Tax-Exempt Series 2019 Bonds**" means the [_____].

"**2019 Improvements**" means the design, acquisition, construction, installation, furnishing and equipping of a new football stadium, practice field and related capital improvements, equipment and assets on the campus of the University.

NOW, THEREFORE, THIS FIFTEENTH SUPPLEMENTAL UNIVERSITY FACILITIES REVENUE TRUST INDENTURE

WITNESSETH:

It is hereby agreed among the University, the Trustee and its successors in trust under the Indenture and the holders at any time of the Series 2019 Bonds hereinafter referred to and the Outstanding Bonds each with each of the others, as follows:

ARTICLE I
SERIES 2019 BONDS

Section 1.1 Authorization and Description of the Series 2019 Bonds. (a) There is hereby authorized to be issued by the University under the Indenture a series of Bonds entitled "University Facilities Revenue Bonds, Series 2019-A", dated [_____, 2019], which shall be issued in the aggregate principal amount of $[_____]. The Series 2019-A Bonds shall mature and become payable on [_____] 1 in the years and amounts shown below. Interest shall be payable on [_____], and on each Interest Payment Date thereafter, and the Series 2019-A Bonds shall bear interest at the per annum rates set forth below, computed on the basis of a 360-day year of twelve consecutive 30-day months:

Maturity ([_____]1)	Principal Amount	Interest Rate

[(b) There is hereby authorized to be issued by the University under the Indenture a series of Bonds entitled "Taxable University Facilities Revenue Bonds, Series 2019-B", dated [_____, 2019], which shall be issued in the aggregate principal amount of $[_____]. The Series 2019-B Bonds shall mature and become payable on [_____] 1 in the years and amounts shown below. Interest shall be payable on [_____], and on each Interest Payment Date thereafter, and the Series 2019-B Bonds shall bear interest at the per annum rates set forth below, computed on the basis of a 360-day year of twelve consecutive 30-day months:

Maturity ([_____]1)	Principal Amount	Interest Rate

[(c) There is hereby authorized to be issued by the University under the Indenture a series of Bonds entitled "University Facilities Revenue Bonds, Series 2019-C", dated [_____, 2019], which shall be issued in the aggregate principal amount of $[_____]. The Series 2019-C Bonds shall mature and become payable on [_____] 1 in the years and amounts shown below. Interest shall be payable on [_____], and on each Interest Payment Date

thereafter, and the Series 2019-C Bonds shall bear interest at the per annum rates set forth below, computed on the basis of a 360-day year of twelve consecutive 30-day months:

Maturity ([_____]1)	Principal Amount	Interest Rate

(d) The Series 2019 Bonds shall be issued in denominations of $5,000 or any multiple thereof. The Series 2019 Bonds shall be initially issued in the Authorized Denominations and registered in the names of the Holders as shall be designated by the underwriters for the Series 2019 Bonds.

Section 1.2 Redemption Provisions.

(a) Optional Redemption. (i) *Series 2019-A Bonds*. Those of the Series 2019-A Bonds having stated maturities in [____] and thereafter shall be subject to redemption prior to their respective maturities, at the option of the University, in whole or in part (but, if in part, in multiples of $5,000 with those of the maturities to be redeemed to be selected by the University at its discretion, and if less than all the Series 2019-A Bonds having the same maturity are to be redeemed, those to be redeemed to be selected by the Trustee by lot), on [_____], and on any date thereafter, at and for a redemption price for each Series 2019-A Bond redeemed equal to the par or face amount thereof plus accrued interest thereon to the date fixed for redemption.

(ii) *Series 2019-B Bonds*. Those of the Series 2019-B Bonds having stated maturities in [____] and thereafter shall be subject to redemption prior to their respective maturities, at the option of the University, in whole or in part (but, if in part, in multiples of $5,000 with those of the maturities to be redeemed to be selected by the University at its discretion, and if less than all the Series 2019-B Bonds having the same maturity are to be redeemed, those to be redeemed to be selected by the Trustee by lot), on [_____], and on any date thereafter, at and for a redemption price for each Series 2019-B Bond redeemed equal to the par or face amount thereof plus accrued interest thereon to the date fixed for redemption.

(iii) *Series 2019-C Bonds*. Those of the Series 2019-C Bonds having stated maturities in [____] and thereafter shall be subject to redemption prior to their respective maturities, at the option of the University, in whole or in part (but, if in part, in multiples of $5,000 with those of the maturities to be redeemed to be selected by the University at its discretion, and if less than all the Series 2019-C Bonds having the same maturity are to be redeemed, those to be redeemed to be selected by the Trustee by lot), on [_____], and on any date thereafter, at and for a redemption price for each Series 2019-C Bond redeemed equal to the par or face amount thereof plus accrued interest thereon to the date fixed for redemption.

(b) Mandatory Redemption. (i) [____] Term Series 2019-[A/B/C] Bonds. Those of the Series 2019-[A/B/C] Bonds having a stated maturity in [___] are subject to mandatory redemption (with those to be redeemed to be selected by the Trustee by lot) in the following principal amounts on [_____] 1 in the following years at a redemption price with respect to each Series 2019-[A/B/C] Bond (or portion thereof) redeemed equal to the principal amount so redeemed:]

Year	Principal Amount to be Redeemed
____	
____	
____	
____ (maturity)	

In the event that the University shall have partially redeemed the [__] Term Series 2019-[A/B/C] Bonds or shall have provided for a partial redemption of such [__] Term Series 2019-[A/B/C] Bonds in such a manner that the [__] Term Series 2019-[A/B/C] Bonds for the redemption of which provision is made are considered as fully paid, the University may elect to apply all or any part (but only in integral multiples of $5,000) of the principal amount of such [__] Term Series 2019-[A/B/C] Bonds so redeemed or to be redeemed to the reduction of the principal amount of [__] Term Series 2017 Bonds required to be redeemed pursuant to the schedule set forth immediately above on any [_____] 1 coterminous with or subsequent to the date such optional redemption actually occurs.]

Section 1.3 Payments into Bond Fund; Method of Payment.

(a) The University will pay into the Bond Fund created in the Indenture, in addition to all other payments required to be paid therein, an amount sufficient to pay the principal of and interest on the Series 2019 Bonds when due. The principal of the Series 2019 Bonds shall be payable at maturity at the designated office of the Trustee in the City of Birmingham, Alabama. Interest on the Series 2019 Bonds shall be payable by check or draft mailed or otherwise delivered by the Trustee to the respective Holders thereof at their addresses as they appear on the registry books of the Trustee pertaining to the registration of the Series 2019 Bonds; provided, that the final payment of such interest shall be made only upon surrender of the appropriate Series 2019 Bond to the Trustee. The principal and the interest on the Series 2019 Bonds shall be payable only upon maturity and only upon surrender of such Series 2019 Bonds to the Trustee. All installments of principal of and interest on each Series 2019 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 such Series 2019 Bond.

(b) Issued in Book-Entry Form. The Series 2019 Bonds shall be initially issued in book-entry only form, registered in the name of Cede & Co., the nominee of The Depository Trust Company, New York, NY ("DTC") as further described in Article II hereof. So long as the said book-entry only system remains in effect, the provisions of this Fifteenth Supplemental Indenture, including the provisions governing the registration and exchange of Series 2019 Bonds, places and manner of payment of Series 2019 Bonds, and requirements for presentment of Series 2019 Bonds shall be subject to the standard procedures of DTC.

Section 1.4 Form of Series 2019 Bonds. The form of Series 2019 Bonds and the Trustee's Authentication Certificate applicable thereto shall be in substantially the following form, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof and to the final Plan of Finance (as defined and described in the Authorizing Resolution):

> Unless this certificate is presented by an authorized representative of The Depository Trust Company ("DTC"), to the University or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of DTC or the DTC Nominee (as defined in the Indenture referenced in this certificate), as the case maybe, or in such other name as is requested by an authorized representative of DTC (and any payment is made to DTC or the DTC Nominee or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, DTC or the DTC Nominee, as the case may be, has an interest herein No.

UNITED STATES OF AMERICA
STATE OF ALABAMA
UNIVERSITY OF SOUTH ALABAMA
[Taxable] University Facilities Revenue Bonds
Series 2019-[A/B/C]

Interest Rate	**Maturity Date**	**CUSIP Number**

Subject to the provisions as herein stated

For value received, **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 **CEDE & CO.**, or registered assigns, the principal sum of

_____DOLLARS

on the date specified above, with interest thereon from the date hereof until the maturity hereof at the per annum rate of interest specified above, payable on [_____], and semiannually thereafter on each [_____] 1 and [_____] 1 until and at the maturity hereof. Interest shall be computed on the basis of a 360-day year with 12 months of 30 days each. The principal of this bond is payable only upon presentation and surrender of this bond at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., in the City of Birmingham, Alabama, or its successor as trustee under the Indenture hereinafter referred to. Interest on this bond is payable by check or draft mailed by the Trustee on the interest payment date to the registered holder hereof and at the address shown on the registry books of the Trustee pertaining to the Series 2019 Bonds as of the close of business on the [_____] 15 or [_____] 15, as the case may be, next preceding the date of payment of such interest.

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 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 person in whose name a Bond is registered shall to the extent thereof fully discharge and satisfy all liability for the same. Any transferee of this bond takes it subject to all payments of principal and interest in fact made with respect hereto.

This bond is one of a duly authorized issue of bonds (herein called the "Series 2019-[A/B/C] Bonds") issuable in series without express limit as to principal amount under a Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended and as further supplemented and amended by a Fifteenth Supplemental University Facilities Revenue Trust Indenture dated [_____] (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., as trustee (herein called the "Trustee"). The principal of and the interest on the Series 2019-[A/B/C] Bonds 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, (c) additional fees and revenues, if any, that may be subjected to the lien of the Indenture pursuant to a Supplemental Indenture, and (d) 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 (I) the University's (a) $40,130,000.70 original principal amount University Tuition Revenue Bonds, Series 1999, dated March 1, 1999, (b) $29,750,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2010, dated June 16, 2010, (c) $25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012, (d) $7,740,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-B, dated January 4, 2012, (e) $32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013, (f) $8,000,000 original principal amount University

Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013, (g) $10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013, (h) $41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014, (i) $6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015, (j) $85,605,000 original principal amount University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016, (k) $20,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-B, dated December 7, 2016, (l) $35,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-C, dated December 7, 2016, and (m) $45,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-D, dated December 7, 2016, (n) $38,105,000 original principal amount University Facilities Revenue Bonds, Series 2017, dated June 15, 2017[, (o) $_____ original principal amount Taxable University Facilities Revenue Bonds, Series 2019-[A/B/C], dated _____, $_____ original principal amount University Facilities Revenue Bonds, Series 2019-[A/B/C], dated _____] and (II) 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 holders of the Series 2019-[A/B/C] Bonds and the terms and conditions on which additional series of Bonds may be issued. 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 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 or 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 series of Bonds of which this is one is designated Series 2019-[A/B/C] and is authorized to be issued in the aggregate principal amount of $[_____].

Those of the Series 2019-[A/B/C] Bonds having a stated maturity on [_____], and thereafter shall be subject to redemption and payment by the University, at the option of the University, as a whole or in part on [_____], and on any date thereafter (but if redeemed in part, (i) of such maturity or maturities as the University shall designate, and if less than all the Series 2019-[A/B/C] Bonds of a single maturity are to be redeemed, those to be redeemed to be selected by the Trustee by lot, and (ii) only in installments of $5,000 or any integral multiple thereof), at and for a redemption price equal to the par or face amount thereof plus accrued interest to the date fixed for redemption.

[The Series 2019-[A/B/C] are also subject to mandatory redemption prior to maturity on such terms and as set forth in the Fifteenth Supplemental Indenture hereinabove described].

The Series 2019-[A/B/C] Bonds are not general obligations 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. The Series 2019-[A/B/C] Bonds are not obligations or debts 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 said bonds 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 Series 2019-[A/B/C] Bonds are issuable only as fully registered bonds in the denomination of $5,000 or any integral multiple thereof. Provision is made in the Indenture for the exchange of Bonds for a like aggregate principal amount of Bonds of the same maturity and interest rate and in an authorized denomination, all as may be requested by the holder surrendering the Bond or Bonds to be so exchanged and upon the terms and conditions specified in the Indenture.

This bond is transferable by the registered holder hereof in person, or by duly authorized attorney, only on the registry books of the Trustee pertaining to the Bonds and only upon surrender of this bond to the Trustee for cancellation, and upon any such transfer a new Bond of like tenor herewith will be issued to the transferee in exchange therefore, all as more particularly provided in the Indenture. Each holder, by receiving and accepting this bond, shall consent and agree and shall be estopped to deny that, insofar as the University and the Trustee are concerned, this bond may be transferred only in accordance with the provisions of the Indenture. 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 President, has caused a facsimile of its corporate seal to be hereunto imprinted, has caused this bond to be attested by the signature of the Chairman Pro Tempore of its Board of Trustees, and has caused this bond to be dated [_____].

UNIVERSITY OF SOUTH ALABAMA

By:_____
President

[SEAL]

Attest:

_____
Chairman Pro Tempore
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

Form of Assignment

For value received, the undersigned hereby sell(s), assign(s) and transfer(s) unto _____ the within bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, with full power of substitution in the premises, to transfer this bond on the books of the within-mentioned Trustee.

DATED this ____ day of _____, ____.

NOTE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within bond in every particular, without alteration, enlargement or change whatsoever.

Signature guaranteed:

(Bank, Broker or Firm)*

By _____

(Authorized Officer)

Its Medallion Number: _____

* Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

Section 1.5 Execution and Delivery of the Series 2019 Bonds. The Series 2019 Bonds 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, 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 Sale of Series 2019 Bonds. (a) The entire proceeds derived by the University from the sale of the Series 2019-[A/B/C] Bonds (less the underwriting discount to be retained by the Underwriters for the Series 2019-[A/B/C] Bonds [and less the sum of $[_____] to be paid directly by the Underwriters for the Series 2019-[A/B/C] Bonds to the Insurer for the premium for the Insurance Policy referable to the Series 2019-[A/B/C] Bonds) shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order

(i) the sum of $[_____] shall be deposited into the Capitalized Interest Account;

(ii) the sum of $[_____] shall be deposited into a special fund or account of the University and used to pay the costs of the 2019 Improvements (the "2019 Construction Fund"); and

(iii) the balance ($[_____]) shall be deposited by the Trustee into a special clearing account herein authorized for the Trustee to create and establish, and applied by the Trustee for payment of those costs of issuing the Series 2019-[A/B/C] Bonds identified in a written directive from an Authorized University Officer to the Trustee on the date of issuance of the Series 2019-[A/B/C] Bonds, with any funds remaining in said clearing account following the date of issuance of the Series 2019-[A/B/C] Bonds to be remitted by the Trustee to the 2019 Construction Fund.

[(b) The entire proceeds derived by the University from the sale of the Series 2019-[A/B/C] Bonds (less the underwriting discount to be retained by the Underwriters for the Series 2019-[A/B/C] Bonds [and less the sum of $[_____] to be paid directly by the Underwriters for the Series 2019-[A/B/C] Bonds to the Insurer for the premium for the Insurance Policy referable to the Series 2019-[A/B/C] Bonds) shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order

(i) the sum of $[_____] shall be deposited into the Capitalized Interest Account;

(ii) the sum of $[_____] shall be deposited into the 2019 Construction Fund and used to pay the costs of the 2019 Improvements; and

(iii) the balance ($[_____]) shall be deposited by the Trustee into a special clearing account herein authorized for the Trustee to create and establish, and applied by the Trustee for payment of those costs of issuing the Series 2019-[A/B/C] Bonds identified in a written directive from an Authorized University Officer to the Trustee on the date of issuance of the Series 2019-[A/B/C] Bonds, with any funds remaining in said clearing account following the date of issuance of the Series 2019-[A/B/C] Bonds to be remitted by the Trustee to the 2019 Construction Fund.]

[(c) The entire proceeds derived by the University from the sale of the Series 2019-[A/B/C] Bonds (less the underwriting discount to be retained by the Underwriters for the Series 2019-[A/B/C] Bonds [and less the sum of $[_____] to be paid directly by the Underwriters for the Series 2019-[A/B/C] Bonds to the Insurer for the premium for the Insurance Policy

referable to the Series 2019-[A/B/C] Bonds) shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order

(i) the sum of $[_____] shall be deposited into the Capitalized Interest Account;

(ii) the sum of $[_____] shall be deposited into the 2019 Construction Fund and used to pay the costs of the 2019 Improvements; and

(iii) the balance ($[_____]) shall be deposited by the Trustee into a special clearing account herein authorized for the Trustee to create and establish, and applied by the Trustee for payment of those costs of issuing the Series 2019-[A/B/C] Bonds identified in a written directive from an Authorized University Officer to the Trustee on the date of issuance of the Series 2019-[A/B/C] Bonds, with any funds remaining in said clearing account following the date of issuance of the Series 2019-[A/B/C] Bonds to be remitted by the Trustee to the 2019 Construction Fund.]

ARTICLE II
BOOK-ENTRY ONLY SYSTEM

The Series 2019 Bonds will be issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Series 2019 Bonds. Purchasers of such Series 2019 Bonds will not receive physical delivery of Series 2019 Bond certificates. For purposes of this Fifteenth Supplemental Indenture, so long as all of the Series 2019 Bonds are in the custody of DTC, references to Series 2019 Bondholders or Owners shall mean DTC or its nominee.

DTC will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2019 Bond will be issued for each maturity of each series of the Series 2019 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 7A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct

Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2019 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2019 Bond documents. For example, Beneficial Owners of Series 2019 Bonds may wish to ascertain that the nominee holding the Series 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2019 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2019 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE UNIVERSITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2019 BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2019 BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2019 BONDHOLDERS UNDER THE FIFTEENTH SUPPLEMENTAL INDENTURE, THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF PARTIAL REDEMPTION OF THE SERIES 2019 BONDS WITH RESPECT TO LESS THAN ALL OF THE SERIES 2019 BONDS, OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED SERIES 2019 BONDHOLDER.

For every transfer and exchange of the Series 2019 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto, and any reasonable fees and expenses of the Trustee and the costs incurred in preparing Series 2019 Bond certificates.

DTC may discontinue providing its services as securities depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the University. In the event of the discontinuance of the book-entry system for the Series 2019 Bonds, Series 2019 Bond certificates will be printed and delivered and the following provisions of the Indenture will apply: (i) principal of the Series 2019 Bonds will be payable upon surrender of the Series 2019 Bonds at the designated office of the Trustee; (ii) Series 2019 Bonds may be transferred or exchanged for other Series 2019 Bonds of authorized denominations as set forth in the next succeeding two paragraphs; and (iii) Series 2019 Bonds will be issued in denominations as described in the front portion of the Official Statement under "THE SERIES 2019 BONDS".

In the event of the discontinuance of the use of the system of book-entry-only transfers through DTC (or a successor depository), Series 2019 Bond certificates will be printed and delivered to DTC.

The information in this article concerning DTC and DTC's book-entry system has been obtained from sources that the University believes to be reliable, but the University takes no responsibility for the accuracy thereof.

ARTICLE III
CAPITALIZED INTEREST ACCOUNT

Section 3.1 Capitalized Interest Account. There is hereby created a special account, the full name of which shall be the "2019 Capitalized Interest Account". The Trustee shall be and remain the depository, custodian and disbursing agent for the 2019 Capitalized Interest Account. Contemporaneously with the issuance of the Series 2019 Bonds, there shall be deposited into the Capitalized Interest Account the amount required pursuant to Section 1.6(a)(i) [, 1.6(b)(i) and 1.6(c)(i) hereof. During the Capitalized Interest Period, the Trustee shall apply amounts in the Capitalized Interest Account to the payment of interest on the Series 2019 Bonds, as and when the same becomes due and payable by withdrawing from said account funds to cover such interest (or, if less than the amount of interest then due is on deposit in said account, all funds then in such account) and depositing the same into the Bond Fund created in the Indenture on at least the day immediately prior to the Interest Payment Date when due. Amounts in the Capitalized Interest Account may be invested by the Trustee in the same manner as funds in the Bond Fund of the Indenture. Any amounts in the Capitalized Interest Account remaining after the Capitalized Interest Period shall be deposited into the Bond Fund of the Indenture and used to cover interest on the Series 2019 Bonds.

The provisions in the following Article IV, or provisions similar or relating thereto as shall be required by the Insurer and approved by the President or the Vice President for Finance and Administration, shall be included upon the sale of the Series 2019 Bonds if any are to be insured:

ARTICLE IV
CERTAIN PROVISIONS REGARDING THE INSURER

Section 4.1 Applicability of this Article. Notwithstanding anything to the contrary contained in the Indenture, so long as the Insurance Policy remains in full force and effect and the insurer is not then in payment default under the Insurance Policy, the provisions of this

Article 4 shall apply for the benefit of the Insurer; provided that to the extent that the Insurer has made any payment of principal of or interest on the Insured Series 2019 Bonds, it shall retain its rights of subrogation hereunder and under the insurance Policy.

Section 4.2 Requirements of the University.

(a) Notice and Other Information to be given to Insurer. The University will provide Insurer with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Agreement and (ii) to the holders of Insured Obligations or the Trustee under the Security Documents. The notice address of Insurer is: [_____]. In each case in which notice or other communication refers to an event of default or a claim on the Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at [_____] and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(b) Defeasance. The investments in the defeasance escrow relating to Insured Obligation shall be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise maybe authorized under State law and approved by Insurer. At least (three) 3 Business Days prior to any defeasance with respect to the Insured Obligations, the University shall deliver to Insurer draft copies of an escrow agreement, an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Insured Obligations, a verification report (a "Verification Report") prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and Verification Report shall be addressed to Insurer and shall be in form and substance satisfactory to Insurer. In addition, the escrow agreement shall provide that:

(i) Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Insured Obligations is excludable) from gross income of the holders of the Insured Obligations of the interest on the Insured Obligations for federal income tax purposes and the prior written consent of Insurer, which consent will not be unreasonably withheld.

(ii) The University will not exercise any prior optional redemption of Insured Obligations secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(iii) The University shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of Insurer.

(c) Trustee and Paying Agent.

(i) Insurer shall receive prior written notice of any name change of the trustee (the "Trustee") or, if applicable, the paying agent (the "Paying Agent") for the Insured Obligations or the resignation or removal of the Trustee or, if applicable, the Paying Agent. Any Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least $250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least $1 billion of assets, or (C) otherwise approved by Insurer in writing.

(ii) No removal, resignation or termination of the Trustee or, if applicable, the Paying Agent shall take effect until a successor, acceptable to Insurer, shall be qualified and appointed.

(d) Amendments, Supplements and Consents. Insurer's prior written consent is required for all amendments and supplements to the Security Documents, with the exceptions noted below. The University shall send copies of any such amendments or supplements to Insurer and the rating agencies which have assigned a rating to the Insured Obligations.

(i) *Consent of Insurer*. Any amendments or supplements to the Security Documents shall require the prior written consent of Insurer with the exception of amendments or supplements:

(1) To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or

(2) To grant or confer upon the holders of the Insured Obligations any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Insured Obligations, or

(3) To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Security Documents other conditions, limitations and restrictions thereafter to be observed, or

(4) To add to the covenants and agreements of the University in the Security Documents other covenants and agreements thereafter to be observed by the University or to surrender any right or power therein reserved to or conferred upon the University.

(5) To issue additional parity debt in accordance with the requirements set forth in the Security Documents.

(ii) *Consent of Insurer in Addition to Bondholder Consent*. Any amendment, supplement, modification to, or waiver of, any of the Security Documents that requires

the consent of holders of the Insured Obligations or adversely affects the rights or interests of Insurer shall be subject to the prior written consent of Insurer.

(iii) *Insolvency*. Any reorganization or liquidation plan with respect to the University must be acceptable to Insurer. The Trustee and each owner of the Insured Obligations hereby appoint Insurer as their agent and attorney-in-fact with respect to the Insured Obligations and agree that Insurer may at any time during the continuation of any proceeding by or against the University or Obligor under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each owner of the Insured Obligations delegate and assign to Insurer, to the fullest extent permitted by law, the rights of the Trustee and each owner of the Insured Obligations with respect to the Insured Obligations in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(iv) *Control by Insurer Upon Default*. Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Obligations or the Trustee or Paying Agent for the benefit of the holders of the Insured Obligations under any Security Document. No default or event of default may be waived without Insurer's written consent.

(v) *Insurer as Owner*. Upon the occurrence and continuance of a default or an event of default, Insurer shall be deemed to be the sole owner of the Insured Obligations for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

(vi) *Consent of Insurer for acceleration.* Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration of the Insured Obligations.

(vii) *Grace Period for Payment Defaults*. No grace period shall be permitted for payment defaults on the Insured Obligations. No grace period for a covenant default shall exceed 30 days without the prior written consent of Insurer.

(viii) *Special Provisions for Insurer Default*. If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs (d)(i)-(v) above to the contrary, (1) if at any time prior to or following an Insurer Default, Insurer has made payment under the Policy, to the extent of such payment Insurer shall be treated like any other holder of the Insured Obligations for all purposes, including giving of consents, and

(2) if Insurer has not made any payment under the Policy, Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or Insurer makes a payment under the Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) Insurer has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of Insurer (including without limitation under the New York Insurance Law).

(e) Insurer As Third Party Beneficiary. Insurer is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

(f) Payment Procedure Under the Policy.

In the event that principal and/or interest due on the Insured Obligations shall be paid by Insurer pursuant to the Policy, the Insured Obligations shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the University, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the University to the registered owners shall continue to exist and shall run to the benefit of Insurer, and Insurer shall be subrogated to the rights of such registered owners.

In the event that on the second (2^{nd}) business day prior to any payment date on the Insured Obligations, the Paying Agent or Trustee has not received sufficient moneys to pay all principal of and interest on the Insured Obligations due on such payment date, the Paying Agent or Trustee shall immediately notify Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent or Trustee shall so notify Insurer or its designee.

In addition, if the Paying Agent or Trustee has notice that any holder of the Insured Obligations has been required to disgorge payments of principal of or interest on the Insured Obligations pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Paying Agent or Trustee shall notify Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of Insurer.

The Paying Agent or Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Insured Obligations as follows:

(i) If there is a deficiency in amounts required to pay interest and/or principal on the Insured Obligations, the Paying Agent or Trustee shall (1) execute and deliver to Insurer, in form satisfactory to Insurer, an instrument appointing Insurer as agent and attorney-in-fact for such holders of the Insured Obligations in any legal proceeding related to the payment and assignment to Insurer of the claims for interest on the Insured Obligations, (2) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from Insurer with respect to the claims for interest so assigned, (3) segregate all such payments in a separate account (the "Insurer Policy Payment Account") to only be used to make scheduled payments of principal of and interest on the Insured Obligation, and (4) disburse the same to such respective holders; and

(ii) If there is a deficiency in amounts required to pay principal of the Insured Obligations, the Paying Agent or Trustee shall (i) execute and deliver to Insurer, in form satisfactory to Insurer, an instrument appointing Insurer as agent and attorney-in-fact for such holder of the Insured Obligations in any legal proceeding related to the payment of such principal and an assignment to Insurer of the Insured Obligations surrendered to Insurer, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefore from Insurer, (iii) segregate all such payments in the Insurer Policy Payment Account to only be used to make scheduled payments of principal of and interest on the Insured Obligation, and (iv) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on Insured Obligations paid by Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Obligations registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Obligation to Insurer, registered in the name directed by Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Obligation shall have no effect on the amount of principal or interest payable by the University on any Insured Obligation or the subrogation or assignment rights of Insurer.

Payments with respect to claims for interest on and principal of Insured Obligations disbursed by the Paying Agent or Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the University with respect to such Insured Obligations, and Insurer shall become the owner of such unpaid Insured Obligations and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. The Security Documents shall not be discharged or terminated unless all amounts due or to become due to Insurer have been paid in full or duly provided for. Irrespective of whether any such assignment is executed and delivered, the University, and the Paying Agent and Trustee agree for the benefit of Insurer that:

(i) they recognize that to the extent Insurer makes payments directly or indirectly (*e.g.*, by paying through the Paying Agent or Trustee), on account of principal of or interest on the Insured Obligations, Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the University/Obligor, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Insured Obligations; and

(ii) they will accordingly pay to Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Insured Obligations, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Insured Obligations to holders, and will otherwise treat Insurer as the owner of such rights to the amount of such principal and interest.

(g) Additional Payments. The University agrees unconditionally that it will pay or reimburse Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that Insurer may pay or incur, including, but not limited to, fees and expenses of Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Security Documents ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of Insurer spent in connection with the actions described in the preceding sentence. The University agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to Insurer until the date Insurer is paid in full.

Notwithstanding anything herein to the contrary, the University agrees to pay to Insurer (i) a sum equal to the total of all amounts paid by Insurer under the Policy ("Insurer Policy Payment"); and (ii) interest on such Insurer Policy Payments from the date paid by Insurer until payment thereof in full by the University, payable to Insurer at the Late Payment Rate per annum (collectively, "Insurer Reimbursement Amounts") compounded semi-annually. The University hereby covenants and agrees that the Insurer Reimbursement Amounts are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Insured Obligations on a parity with debt service due on the Insured Obligations.

(h) Exercise of Rights by Insurer. The rights granted to Insurer under the Security Documents to request, consent to or direct any action are rights granted to Insurer in consideration of its issuance of the Policy. Any exercise by Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Insured Obligations and such action does not evidence any position of Insurer, affirmative or negative, as to whether the consent of the holders of the Insured Obligations or any other person is required in addition to the consent of Insurer.

(i) Entitlement to Pay Debt Service. Insurer shall be entitled to pay principal or interest on the Insured Obligations that shall become Due for Payment but shall be unpaid by

reason of Nonpayment by the University (as such terms are defined in the Policy) and any amounts due on the Insured Obligations as a result of acceleration of the maturity thereof in accordance with the Security Documents, whether or not Insurer has received a claim upon the Policy.

(j) No Contract. No contract shall be entered into or any action taken by which the rights of Insurer or security for or source of payment of the Insured Obligations may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of Insurer; provided, this provision shall not be interpreted to require consent from Insurer to the execution of a supplemental indenture for the issuance of Additional Bonds under the Indenture.

(k) Definitions. For purposes of this Article IV, the following terms have the following meanings:

"Insurer" shall mean [_____], or any successor thereto.

"Insured Obligations" shall mean those of the Series 2019 Bonds maturing [_____].

"Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

"Policy" shall mean the Municipal Bond Insurance Policy issued by Insurer that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

"Security Documents" shall mean the Indenture.

ARTICLE V
MISCELLANEOUS

Section 5.1 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 Tax-Exempt Series 2019 Bonds. 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 Tax-Exempt Series 2019 Bonds. With respect to any question arising under this Section 5.1, the University may rely upon an opinion of nationally recognized bond counsel acceptable to it.

(b) **Tax Exempt Series 2019 Bonds not to be "Private Activity Bonds"**. The University will not apply the proceeds of the Tax-Exempt Series 2019 Bonds in any manner that would cause the Tax-Exempt Series 2019 Bonds to be "private activity bonds" 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 Tax-Exempt Series 2019 Bonds from being considered "arbitrage bonds" within the meaning of Section 148 of the Code.

(d) **Provisions Respecting Registration of Tax-Exempt Series 2019 Bonds to Comply with Provisions of Code**. The University and the Trustee recognize that the provisions of the Code require that the Tax-Exempt Series 2019 Bonds be in "registered form" and that, in general, the Tax-Exempt Series 2019 Bonds must be registered as to both principal and interest and any transfer of the Tax-Exempt Series 2019 Bonds 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 Tax-Exempt Series 2019 Bonds.

Section 5.2 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 Capitalized Interest Account during any time when the Trustee is not the depository thereof or respecting any other construction funds established under the Indenture for which the Trustee is not the depository.

Section 5.3 Confirmation of Pledges. The provisions of the Indenture, wherein the Pledged Revenues are pledged for payment of all Bonds issued under the Indenture, are hereby ratified and confirmed.

Section 5.4 Construction of Fifteenth Supplemental University Facilities Revenue Trust Indenture. No provisions of this Fifteenth 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 Fifteenth 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 Holders of any Series 2019 Bonds.

Section 5.5 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.

Section 5.6 No Broker Confirmations. The University agrees that broker confirmations of investments in connection with the Series 2019 Bonds are not required to be issued by the Trustee for each month in which a monthly statement is rendered by the Trustee.

Section 5.7 Electronic Communications. The Trustee shall have the right to accept and act upon directions or instructions given by the University and delivered using Electronic Means (defined below); provided, however, that the University shall provide to the Trustee an incumbency certificate listing Authorized Officers with the authority to provide such directions or instructions (each an "Authorized Officer") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the University elects to give the Trustee directions or instructions using Electronic Means and the Trustee in its discretion elects to act upon such directions or instructions, the Trustees' understanding of such directions or instructions shall be deemed controlling. The University understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions or instructions and that the Trustee shall conclusively presume that directions or instructions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The University shall be responsible for ensuring that only Authorized Officers transmit such directions or instructions to the Trustee and that all Authorized Officers treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such directions or instructions notwithstanding such directions or instructions conflict or are inconsistent with a subsequent written direction or written instruction. The University agrees: (i) to assume all risks arising out of the use of Electronic Means to submit directions or instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized directions or instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions or instructions to the Trustee and that there may be more secure methods of transmitting directions or instructions; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions or instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. "Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

[Signature page follows]

IN WITNESS WHEREOF, the University has caused this Fifteenth Supplemental University Facilities Revenue Trust Indenture to be executed in its name and behalf by the President of the University, has caused its corporate seal to be hereunto affixed, and has caused this Fifteenth Supplemental University Facilities Revenue Trust Indenture to be attested by the Chairman Pro Tempore of its Board of Trustees, and the Trustee has caused this Fifteenth 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 Fifteenth Supplemental University Facilities Revenue Trust Indenture to be attested, all by its duly authorized officers, and the University and the Trustee have caused this Fifteenth 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 Fifteenth Supplemental University Facilities Revenue Trust Indenture to be dated [_____].

UNIVERSITY OF SOUTH ALABAMA

By:_____
President

[SEAL]

Attest:

_____
Secretary
Secretary of the Board of Trustees

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

By:_____

Its: _____

[SEAL]

Attest:

By: _____

Its:_____

STATE OF ALABAMA)

COUNTY OF MOBILE)

I, _____ a Notary Public in and for said county in said state, hereby certify that Tony Waldrop, whose name as the 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 _____ day of [_____].

[NOTARIAL SEAL]

_____
Notary Public

STATE OF ALABAMA)

COUNTY OF JEFFERSON)

I, _____, a Notary Public in and for said county in said state, hereby certify that Stuart Statham, whose name as Vice President of **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,** in its capacity as Trustee under that certain Trust Indenture dated as of February 15, 1996, between it and the University of South Alabama, as supplemented, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, as such officer and with full authority, executed the same voluntarily for and as the act of said bank, in its capacity as trustee as aforesaid.

GIVEN under my hand and official seal of office, this _____ day of [_____].

[NOTARIAL SEAL]

_____
Notary Public

EXHIBIT A

Specimen Municipal Bond Insurance Policy

EXHIBIT II
FORM OF BOND PURCHASE AGREEMENT

BOND PURCHASE AGREEMENT

University of South Alabama
$_____
University Facilities Revenue Bonds
Series 2019-A

University of South Alabama
$_____
Taxable University Facilities Revenue Bonds
Series 2019-B

_____, 2019

University of South Alabama
Mobile, Alabama

Ladies and Gentlemen:

The Frazer Lanier Company Incorporated and

The Frazer Lanier Company Incorporated (the "Representative") and Hancock Whitney Investment Services, Inc., (together with the Representative, the "Underwriters"), offers to enter into the following agreement (this "Bond Purchase Agreement") with University of South Alabama (the "University"), which upon the University's acceptance of this offer, will be binding upon the Underwriters and upon the University. This offer is made subject to the University's acceptance on or before 2:00 p.m., Mobile, Alabama time, on [_____], and if not so accepted, will be subject to withdrawal by the Representative upon notice to the University at any time prior to the acceptance hereof by the University.

1. **Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations and agreements set forth herein, the Underwriters hereby agree to purchase from the University for offering to the public, and the University hereby agrees to sell and deliver to the Underwriters for such purpose, all of the University's $[_____] University Facilities Revenue Bonds, Series 2019-A (the "Series 2019-A Bonds") and $[_____] Taxable University Facilities Revenue Bonds, Series 2019-B (the "Series 2019-B Bonds" and, together with the Series 2019-A Bonds, the "Series 2019 Bonds"). The Series 2019-A Bonds shall be dated their date of initial delivery and shall be issued in such principal amounts, mature on such dates, bear such rates of interest and be subject to redemption as set forth in Exhibit A attached hereto, and the Series 2019-B Bonds shall be dated their date of initial delivery and shall be issued in such principal amounts, mature on such dates, bear such rates of interest and be subject to redemption as set forth in Exhibit B attached hereto. Interest on the Series 2019 Bonds shall be payable on [_____] and [_____] in each year to maturity or earlier redemption, commencing [_____]. The Series 2019-A Bonds shall be paid for by the Underwriters by wire transfer on the Closing Date (as hereinafter defined) at the purchase price of $[_____] (which takes into account [net] original issue [premium/discount] of $[_____] and an Underwriters' discount of $[_____]) and the Series 2019-B Bonds shall be paid for by the Underwriters by wire transfer on the Closing Date (as hereinafter defined) at the purchase price of $[_____] (which takes into account [net] original issue [premium/discount] of $[_____] and an Underwriters' discount of $[_____]). The

Series 2019 Bonds shall be issued pursuant to the Constitution and the laws of the State of Alabama, and pursuant to the provisions of a University Facilities Revenue Trust Indenture, dated as of February 15, 1996, between the University and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as previously supplemented and as further supplemented by a Fifteenth Supplemental University Facilities Revenue Trust Indenture to be dated the date of the Series 2019 Bonds (as so supplemented, the "Indenture"). The Series 2019 Bonds are being issued for the purposes of (i) paying the costs of a new football stadium and intramural field improvements and other related improvements and assets on the campus of the University; (ii) paying for capitalized interest for the Series 2019 Bonds; (iii) paying the costs and expenses of issuing the Series 2019 Bonds; [and (iv) paying the premium for a financial guaranty insurance policy with respect to certain of the Series 2019 Bonds]. The Series 2019 Bonds are limited obligations of the University, payable solely from, and secured by a pledge of, the "Pledged Revenues," as more fully described in the Preliminary Official Statement described below.

2. **Offering.** Subject to the terms and conditions set forth herein, the Underwriters agree to make a public offering of the Series 2019 Bonds at the initial offering prices or yields and subject to the redemption terms set forth in Exhibit A attached hereto (respecting the Series 2019-A Bonds) and Exhibit B attached hereto (respecting the Series 2019-B Bonds) prior to 1:00 p.m. on the Closing Date; provided, however, the Underwriters reserve the right to change such initial offering prices or yields as the Underwriters shall deem necessary in connection with the marketing of the Series 2019 Bonds and to offer and sell the Series 2019 Bonds to certain dealers (including dealers depositing the Series 2019 Bonds into investment trusts) and others at prices lower than the initial offering prices or higher yields than set forth on the inside cover page of the Official Statement (as hereinafter defined).

With respect to each series of the Series 2019 Bonds it shall be a condition of the University's obligation to sell and deliver such series to the Underwriters, and the obligation of the Underwriters to purchase and accept delivery of such series, that the entire aggregate initial principal amount of such series shall be sold and delivered by the University and accepted and paid for by the Underwriters on the Closing Date on the terms herein provided unless otherwise agreed to by the University by formal official action and by the Representative in writing.

3. **Official Statement and Other Documents.** The University hereby ratifies the use and distribution of the Preliminary Official Statement with respect to the Series 2019 Bonds, dated [_____] (the "Preliminary Official Statement"), and certifies that the Preliminary Official Statement, as of its date, was deemed final by the University for purposes of Rule 15c2-12 ("Rule 15c2-12") of the Securities and Exchange Commission (the "SEC"), except for the omission of certain information permitted by Rule 15c2-12.

The final Official Statement with respect to the Series 2019 Bonds (the "Official Statement") shall be provided for distribution, at the expense of the University, in such quantity as may be requested by the Underwriters no later than the earlier of (i) seven (7) business days after the date of this Bond Purchase Agreement or (ii) one (1) business day prior to the Closing Date, in order to permit the Underwriters to comply with Rule 15c2-12, and the applicable rules of the Municipal

Securities Rulemaking Board (the "MSRB"), with respect to distribution of the Official Statement. The University shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriters no later than one (1) business day prior to the Closing Date to enable the Underwriters to comply with MSRB Rule G-32.

The Underwriters agree to file the Official Statement with the MSRB as required by the applicable SEC or MSRB Rule. The filing with the MSRB shall be in accordance with the procedures of the Electronic Municipal Market Access System ("EMMA").

The Underwriters agree that they will not confirm the sale of any Series 2019 Bonds unless a final written confirmation of the sale is accompanied or preceded by the delivery of a copy of the Official Statement, either directly or by notice that it is available through EMMA.

In order to assist the Underwriter in complying with Rule 15c2-12, the University has covenanted for the benefit of the owners of the Series 2019 Bonds to provide certain financial and operating information on an annual basis and to provide notices of the occurrence of certain events within ten (10) business days of their occurrence, all pursuant to a Continuing Disclosure Agreement, dated the date of the Series 2019 Bonds (the "Continuing Disclosure Agreement").

4. **Representations and Agreements.** The University hereby represents and agrees as follows:

(a) The University is duly created and existing under the constitution and laws of the State of Alabama.

(b) Except for the statements and information contained under the captions ["BOND INSURANCE,"] "RATINGS," "FINANCIAL ADVISOR" and "UNDERWRITING" and in Appendix D – DTC PROCEDURES (collectively, the "Excluded Sections"), the statements and information contained in the Preliminary Official Statement, as of its date and as of the Closing Date, and in the Official Statement, as of the date hereof and as of the Closing Date, were and will be true and correct in all material respects and did not and will not contain any misstatement of any material fact and did not and will not omit any statement and information that is necessary to make the statements and information contained therein not misleading in any material respect.

(c) The University has full legal right, power and authority to: (i) enter into this Bond Purchase Agreement, (ii) execute and deliver the Fourteenth Supplemental University Facilities Revenue Trust Indenture, the Continuing Disclosure Agreement, the Tax Certificate and Agreement (as hereinafter defined) respecting the Series 2019-A Bonds and such other documents as shall be contemplated hereby and thereby for execution by the University (collectively, the "University Documents"), (iii) sell, issue and deliver the Series 2019 Bonds to the Underwriters as provided herein, and (iv) carry out and

consummate the obligations and transactions contemplated by this Bond Purchase Agreement, the University Documents and the Official Statement, and on the Closing Date will be in compliance with the obligations on its part in connection with the issuance of the Series 2019 Bonds contained in the Indenture, the University Documents, the Series 2019 Bonds and this Bond Purchase Agreement.

(d) The resolution of the Board of Trustees of the University authorizing the issuance and sale of the Series 2019 Bonds (the "Authorizing Resolution"), a copy of which has been furnished to the Representative, was duly adopted on December 7, 2018, has not been amended or rescinded, and remains in full force and effect on the date hereof.

(e) The University is not now, and will not on the Closing Date be, in breach of or in default under any law, judgement, decree, order, regulation, agreement, indenture, mortgage, lease, sublease or other instrument to which it is a party or by which it is bound, and no event has occurred or is continuing that, with the passage of time or the giving of notice, or both, would constitute a default or an event of default thereunder, except in either case for such breaches, defaults, or potential defaults or events of default, if any, which individually or in the aggregate would have no material adverse effect on the performance by the University under this Bond Purchase Agreement, the Indenture, the University Documents or the Series 2019 Bonds.

(f) When delivered to and paid for by the Underwriters on the Closing Date in accordance with the provisions of this Bond Purchase Agreement, the Series 2019 Bonds will have been duly authorized, executed, issued and delivered and will constitute valid and limited obligations of the University, payable from Pledged Revenues.

(g) The University has neither encumbered nor made a prior pledge of the Pledged Revenues other than to the holders of the Bonds heretofore issued under the terms of the Indenture.

(h) The adoption of the Authorizing Resolution and the authorization, execution and delivery of this Bond Purchase Agreement, the University Documents and compliance with the provisions hereof and thereof, and issuance of the Series 2019 Bonds, will not conflict with, or constitute a breach of or default under, any law, administrative regulation, consent decree or resolution.

(i) On the Closing Date, the University will be in compliance in all respects with the covenants and agreements contained in the Indenture.

(j) All approvals, consents, authorizations and orders of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the issuance of the Series 2019 Bonds, the performance by the University of its obligations hereunder and under the Indenture and the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement have been

obtained and are in full force and effect, except for such approvals, consents and orders as may be required under the Blue Sky or securities law of any state in connection with the offering and sale of the Series 2019 Bonds or in connection with the registration of the Series 2019 Bonds under the federal securities laws.

(k) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body pending with respect to which service or notice on the University has been perfected or given or, to the best knowledge of the University, threatened against or affecting the University, which would (i) restrain or enjoin the issuance or delivery of the Series 2019 Bonds or the collection of Pledged Revenues, (ii) in any way contest or affect any authority for the issuance of the Series 2019 Bonds or the validity, due authorization and execution of the Series 2019 Bonds, the University Documents or this Bond Purchase Agreement, (iii) limit, enjoin or prevent the University from paying the debt service on the Series 2019 Bonds as and when due, or (iv) in any way contest the corporate existence or powers of the University;

(l) During the period from the date hereof to and including a date which is 25 days following "the end of the underwriting period" (as hereinafter defined) for the Series 2019 Bonds:

(1) the University will not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter shall reasonably object in writing, unless the University has obtained an opinion of counsel stating that such amendment or supplement is necessary in order to make the Official Statement as then supplemented or amended, not contain any untrue statement of a material fact or not omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading at the time that they are delivered to a purchaser of a Series 2019 Bond;

(2) if any event relating to or affecting the University or the Series 2019 Bonds shall occur which would or might cause the information contained in the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the University shall so notify the Representative, and, if as a result of which it is necessary in the opinion of the University or counsel to the Underwriters to amend or supplement the Official Statement in order to make the Official Statement not misleading, the University shall forthwith prepare and furnish to the Underwriters (at the expense of the University) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriters and the University) which will amend or supplement the Official Statement so that such Official Statement, as amended or supplemented, will not contain an untrue statement

of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in any material respect;

(3) for the purpose of this section, the University will furnish to the Underwriters through the end of the underwriting period such information to confirm the truth, accuracy and completeness of the statements and information contained in the Official Statement as the Underwriters may from time to time reasonably request. The "end of the underwriting period" for purposes of Rule 15c2-12 shall mean the Closing Date unless the Representative notifies the University in writing, on or prior to the Closing Date, that the Closing Date will not be the "end of the underwriting period." In the event such notice is given in writing by the Representative to the University, the "end of the underwriting period" for the Series 2019 Bonds as used in this Bond Purchase Agreement shall mean the earlier to occur of (i) 65 days from the Closing Date or (ii) the date on which the Underwriters no longer have any of the Series 2019 Bonds for sale to the public.

(m) The University shall cooperate with the Underwriters in any endeavor to qualify the Series 2019 Bonds for offering and sale under the securities laws of such jurisdictions of the United States of America as the Underwriters may request and to continue such qualifications in effect as long as may be required for the distribution of the Series 2019 Bonds; provided, however, the University shall not be required to consent to service of process in any such jurisdiction.

5. **Closing.** At [____] a.m., local time, on [_____], or at such time on such earlier or later date as shall be agreed upon by the University and the Representative (the "Closing Date"), the activities relating to the execution and delivery of certain documents and the delivery of the certificates, opinions and other instruments as described in Section 6(e) hereof shall occur at the offices of the University, 307 University Boulevard, Administrative Building, Mobile, Alabama, or such other location as shall be mutually agreed upon by the University and the Representative. Such simultaneous execution and delivery of such documents, certificates, opinions and other instruments are herein referred to as the "Closing." On the Closing Date:

(a) The University shall deliver to the Underwriters (i) the Series 2019 Bonds, duly authorized, executed and authenticated, and (ii) the other instruments and documents required to be delivered to the Underwriters pursuant to Section 6 hereof.

(b) The purchase price for the Series 2019-A Bonds and the Series 2019-B Bonds shall be paid to the University by wire transfer or by such other method as may be agreeable to the University and the Underwriters.

6. **Underwriters' Closing Conditions.** The Underwriters have entered into this Bond Purchase Agreement in reliance upon the representations of the University herein contained and the performance by the University of its obligations hereunder, both as of the date hereof and as of the Closing Date. The obligations of the Underwriters under this Bond Purchase Agreement are and

shall be subject to the following conditions:

(a) The representations and agreements of the University contained herein shall be true and correct and complied with as of the date hereof and as of the Closing Date.

(b) At the time of the Closing, the Indenture shall be in full force and effect in accordance with its terms and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except to the extent that such amendments have been agreed to by the Underwriters.

(c) At the time of the Closing, all official action of the University relating to this Bond Purchase Agreement, the Indenture and the Series 2019 Bonds, and all other documents contemplated hereby and thereby, shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented in any material respect, except in each case as may have been agreed to by the Representative.

(d) At any time on or prior to the Closing Date, the Representative shall have the right to cancel the agreement contained herein to purchase the Series 2019 Bonds by notifying the University in writing of their intention to do so if between the date hereof and the Closing Date:

(i) legislation shall have been enacted by the Congress of the United States, or recommended to the Congress for passage by the President of the United States, or favorably reported for passage to either House of Congress by any Committee of such House, or passed by either House of Congress, or a decision shall have been rendered by a court of the United States or the United States Tax Court, or a ruling shall have been made or a regulation shall have been proposed or made by the Treasury Department of the United States or the Internal Revenue Service, with respect to the federal taxation of interest received on obligations of the general character of the Series 2019-A Bonds, which, in the opinion of counsel for the Underwriters or Bond Counsel, has or will have the effect of making such interest subject to inclusion in gross income for purposes of federal income taxation, except to the extent such interest shall be includable in gross income on the date hereof; or

(ii) legislation shall be enacted or any action shall be taken by the United States Securities and Exchange Commission which, in the opinion of counsel for the Underwriters, has the effect of requiring the contemplated issuance or distribution of the Series 2019 Bonds to be registered under the Securities Act of 1933, as amended; or

(iii) in the opinion of the Representative, payment for and delivery of the Series 2019 Bonds is rendered impracticable or inadvisable because (A) trading in securities generally shall have been suspended on the New York Stock Exchange, Inc., or (B) a general banking moratorium shall have been established by federal,

New York or Alabama authorities, or (C) there shall have occurred any outbreak of hostilities or other local, national or international calamity or crisis on the financial markets of the United States which, in the Representative's reasonable judgment, renders it impracticable for the Underwriters to market the Series 2019 Bonds or to enforce contracts for the sale of the Series 2019 Bonds; or

(iv) any order, decree or injunction of any court of competent jurisdiction, or any order, ruling, regulation or administrative proceeding by any governmental body or board, shall have been issued or commenced, or any legislation enacted, with the purpose or effect of prohibiting the issuance, offering or sale of the Series 2019 Bonds as contemplated hereby or by the Official Statement or prohibiting the entering or performance of the Indenture; or

(v) the President of the United States, the Office of Management and Budget, the Department of Treasury, the Internal Revenue Service or any other governmental body, department, agency or commission of the United States or the State of Alabama shall take or propose to take any action or implement or propose regulations, rules or legislation which, in the reasonable judgment of the Representative, materially adversely affects the market price of the Series 2019 Bonds or causes any material information in the Official Statement, in light of the circumstances under which it appears, to be misleading in any material respect; or

(vi) any executive order shall be announced, or any legislation, ordinance, rule or regulation shall be proposed by or introduced in, or be enacted by any governmental body, department, agency or commission of the United States or the State of Alabama, having jurisdiction over the subject matter, or a decision by any court of competent jurisdiction within the United States or within the State of Alabama, shall be rendered which, in the reasonable judgment of the Representative, materially adversely affects the market price of the Series 2019 Bonds or causes any information in the Official Statement to be misleading in any material respect; or

(vii) any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance, sale or delivery of the Series 2019 Bonds or in any way contesting or affecting any authority for or the validity of the Series 2019 Bonds, the Indenture or this Bond Purchase Agreement, or any of the proceedings of the University taken with respect to the issuance or sale of the Series 2019 Bonds or the execution of and performance of this Bond Purchase Agreement, the Indenture or the University Documents; or

(viii) there shall have occurred or any notice shall have been given of any intended downgrading, suspension, withdrawal or negative change in credit watch status by any national rating service to any of the University's obligations; or

(ix) the marketability of the Series 2019 Bonds or the market price thereof,

in the opinion of the Representative, has been materially and adversely affected by disruptive events, occurrences or conditions in the securities or debt markets; or

(x) any event shall have occurred or shall exist which, in the reasonable opinion of the Representative, would cause the information contained in the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading as of such time and which would materially adversely affect the marketability of the Series 2019 Bonds; or

(xi) there shall have been any materially adverse change in the financial condition of the University that is not contemplated in the Official Statement, as then amended and supplemented, which in the reasonable opinion of the Representative, materially and adversely affects the market price or marketability of the Series 2019 Bonds;

(e) On or prior to the Closing Date, the Underwriters shall receive the following documents:

(i) the Official Statement, and any supplements, amendments or modifications, if any, thereto, executed on behalf of the University by the President or the Vice President for Finance and Administration of the University;

(ii) the Fifteenth Supplemental University Facilities Revenue Trust Indenture, certified by the Secretary of the University under seal as having been duly executed by the President or the Vice President for Finance and Administration of the University and such modifications or amendments as may have been agreed to by the Underwriters;

(iii) a certified copy of the Authorizing Resolution;

(iv) an opinion of Bradley Arant Boult Cummings LLP, Birmingham, Alabama, Bond Counsel to the University ("Bond Counsel"), in substantially the form included in the Official Statement as Appendix B;

(v) an opinion of Jean W. Tucker, Senior University Counsel, addressed to Bond Counsel and the Underwriters, and dated the date of the Closing, in form and substance reasonably satisfactory to the Representative;

(vi) A Tax Certificate and Agreement of the University (the "Tax Certificate and Agreement"), prepared by Bond Counsel and executed by an authorized officer of the University, dated as of the Closing Date, setting forth facts, estimates and circumstances concerning the use or application of the Series 2019-A

Bonds proceeds, in form and substance reasonably satisfactory to Bond Counsel;

(vii) evidence of an underlying rating of (i) ["___"] issued by Moody's Investors Service, Inc. with respect to the Series 2019 Bonds and (ii) ["___"] by Standard & Poor's Rating Services with respect to the Series 2019 Bonds;

(viii) the Continuing Disclosure Agreement executed by an authorized officer of the University;

(ix) A certificate of the University, dated the date of the Closing, signed by the President or the Vice President for Finance and Administration of the University and in form and substance reasonably satisfactory to the Representative to the effect that:

(1) since the date hereof no material and adverse change has occurred in the financial condition of the University or results of operations of the University, except as set forth in the Official Statement;

(2) the University has not, since September 30, 2017, incurred any material liabilities other than in the ordinary course of business or as set forth in the Official Statement;

(3) no litigation or proceeding is pending with respect to which service or notice on the University has been perfected or given or, to their knowledge, threatened which would (i) restrain or enjoin the issuance or delivery of the Series 2019 Bonds or the collection of Pledged Revenues, (ii) in any way contest or affect any authority for the issuance of the Series 2019 Bonds or the validity, due authorization and execution of the Series 2019 Bonds, the University Documents or this Bond Purchase Agreement, (iii) limit, enjoin or prevent the University from paying the debt service on the Series 2019 Bonds as and when due, or (iv) in any way contest the corporate existence or powers of the University;

(4) the Preliminary Official Statement (except for omissions permitted by Rule 15c2-12) did not as of its date and as of the date hereof does not, and the Official Statement, as of its date and at all times through the date of the Closing, will not, contain any misstatement of a material fact or omit to state any material fact required to be stated therein in order for the statements made therein, in the light of the circumstances under which they were made, not to be misleading;

(5) the representations of the University contained herein are true and correct in all material respects as of the date of the Closing, as if made on the date of the Closing; and

(6) none of the proceedings or authority for the execution and

delivery of the Series 2019 Bonds and the transactions related thereto have been modified, amended or repealed;

(x) [an insurance policy issued by _____ (the "Bond Insurer") guaranteeing the scheduled payment when due of the principal of and interest on those of the Series 2019 Bonds maturing _____ (the "Insured Bonds")];

(xi) [an opinion of counsel to the Bond Insurer, dated the date of Closing, in form and substance satisfactory to the Representative;]

(xii) [evidence of a rating of (i) "__" issued by Moody's Investors Service, Inc. with respect to the Insured Bonds and (ii) "__" by Standard & Poor's Rating Services with respect to the Insured Bonds; and]

(xiii) such additional consents or certificates as Bond Counsel or the Underwriters may reasonably request to evidence compliance by the University with legal requirements, the truth and accuracy, as of the Closing Date, of the representations of the University herein and the due performance or satisfaction by the University at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the University.

If the University shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, accept delivery of and pay for the Series 2019 Bonds contained in this Bond Purchase Agreement and the Representative does not waive such inability in writing, or if the obligations of the Underwriters to purchase, accept delivery of and pay for the Series 2019 Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, including the exercise of the Representative's right to cancel this Bond Purchase Agreement as provided in Section 6(d) hereof, this Bond Purchase Agreement shall terminate and neither the Underwriters nor the University shall be under any further obligation hereunder, except that the respective obligations of the University and the Underwriters set forth in Section 8 hereof shall continue in full force and effect.

7. **Expenses**. The Underwriters shall be under no obligation to pay, and the University shall pay, any expense incident to the performance of the University's obligations hereunder including, but not limited to: (a) the cost of preparation, printing and delivery of the Series 2019 Bonds, the Fifteenth Supplement University Facilities Revenue Trust Indenture, this Bond Purchase Agreement and all other instruments, agreements and other documents contemplated thereby and hereby; (b) the costs of preparation and the fees and disbursements of Bond Counsel and other legal counsel to the University; (c) fees for bond ratings; (d) the fees and expenses of the Trustee; (e) the costs of preparing, printing and delivering the Official Statement and any supplements or amendments thereto; and (f) such other expenses as may be agreed to in writing at a later date.

The University shall reimburse the Underwriters for actual expenses incurred or paid for by the Underwriters on behalf of the University for the University's employees and representatives,

including, but not limited to, transportation, lodging, and meals in connection with the marketing, issuance, and delivery of the Series 2019 Bonds; provided, however, that (i) reimbursement for such expenses shall not exceed an ordinary and reasonable amount for such expenses and (ii) such expenses are not related to the entertainment of any person and not prohibited from being reimbursed from the proceeds of an offering of municipal securities under MSRB Rule G-20. Such reimbursement may be in the form of inclusion in the expense component of the Underwriter's discount, or direct reimbursement as a cost of issuance.

The Underwriters shall pay: (a) all advertising expenses in connection with a public offering of the Series 2019 Bonds, (b) all fees and disbursements of any counsel retained by the Underwriters, and (c) any fees of the MSRB or the Securities Industry and Financial Markets Association. In the event that either party shall have paid obligations of the other as set forth in this Section 7, adjustment shall be made at the time of the Closing.

8. Establishment of Issue Price

(a) The Representative, on behalf of the Underwriters, agrees to assist the University in establishing the issue price of the Series 2019-A Bonds and shall execute and deliver to the University on the Closing Date an "issue price" or similar certificate substantially in the form attached hereto as Exhibit C, together with the supporting pricing wires or equivalent communications, and with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the University and Series 2019-A Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series 2019-A Bonds.

(b) [Except for the maturities forth in Schedule [I] attached hereto,][1] the University will treat the first price at which 10% of each maturity of the Series 2019-A Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test).

(c) [The Representative confirms that the Underwriters have offered the Series 2019-A Bonds to the public on or before the date of this Bond Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth for the Series 2019-A Bonds in the final official statement. Schedule [I] sets forth, as of the date of this Bond Purchase Agreement, the maturities, if any, of the Series 2019-A Bonds for which the 10% test has not been satisfied and for which the University and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the University to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Series 2019-A Bonds, the Underwriters will neither offer nor sell unsold Series 2019-A Bonds of that maturity to any person at a price that is

[1] Include if 10% test has not been satisfied for any maturity(ies) as of the sale date.

higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(i) the close of the fifth (5^{th}) business day after the sale date; or

(ii) the date on which the Underwriters have sold at least 10% of that maturity of the Series 2019-A Bonds to the public at a price that is no higher than the initial offering price to the public.

The Representative shall promptly advise the University or the Financial Advisor when the Underwriters have sold 10% of that maturity of the Series 2019-A Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The University acknowledges that, in making the representation set forth in this subsection, the Representative will rely on (i) the agreement of each Underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Series 2019-A Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Series 2019-A Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The University further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its agreement regarding the hold-the-offering-price rule as applicable to the Series 2019-A Bonds.][2]

(d) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the Series 2019-A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Series 2019-A Bonds of each maturity allotted to it until it is notified by the Representative that either the 10% test has been satisfied as to the Series 2019-A Bonds of that maturity or all Series 2019-A Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and and for so long as directed by the Representative and as set forth in the related pricing wires, and

2 Include if 10% test has not been satisfied for any maturity(ies) as of the sale date.

(ii) any agreement among underwriters relating to the initial sale of the Series 2019-A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Series 2019-A Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Series 2019-A Bonds of each maturity allotted to it until it is notified by the Representative or the Underwriter that either the 10% test has been satisfied as to the Series 2019-A Bonds of that maturity or all Series 2019-A Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriter and as set forth in the related pricing wires.

(e) The Underwriters acknowledge that sales of any Series 2019-A Bonds to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the University (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2019-A Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2019-A Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2019-A Bonds to the public),

(iii) a purchaser of any of the Series 2019-A Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date of execution of this Series 2019-A Bond Purchase Agreement by all parties.

9. **Notices**. Any notice or other communications to be given to the University under this Bond Purchase Agreement may be given by mailing the same to University of South Alabama, Attention: Vice President for Finance and Administration, 307 University Boulevard, Administrative Building, Suite 170, Mobile, Alabama 36688, with a copy to Phil Dotts, PFM Financial Advisors

LLC 116 Jefferson Street South, Suite 301, Huntsville, Alabama 35801 and any such notice or other communication to be given to the Underwriters may be mailed to The Frazer Lanier Company Incorporated, Attention: Bob Young, 300 Water St, Montgomery, AL 36104.

10. **Parties in Interest**. This Bond Purchase Agreement is made solely for the benefit of the University and the Underwriters and no other party or person shall acquire or have any right hereunder or by virtue hereof. All representations and agreements in this Bond Purchase Agreement shall remain operative and in full force and effect and shall survive the delivery of the Series 2019 Bonds.

11. **Waiver**. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the University hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriters may be waived by the Underwriters, in their sole discretion, and the approval of the Underwriters when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing, signed by an appropriate officer or officers of the Underwriters and delivered to the University.

12. **Limitations of Liability**. The obligations of the University hereunder shall be limited obligations, and shall be payable only from Pledged Revenues or other funds legally available therefor. No officer, agent or employee of the University shall be charged personally by the Underwriters with any liability, or held liable to the Underwriters under any term or provision of this Bond Purchase Agreement because of its execution or attempted execution, or because of any breach or attempted breach thereof.

13. **Counterparts**. This Bond Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

14. **Governing Law**. This Bond Purchase Agreement, and the terms and conditions herein, shall constitute the full and complete agreement between the University and the Underwriters with respect to the purchase and sale of the Series 2019 Bonds. This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Alabama.

15. **No Advisory or Fiduciary Role**. The University acknowledges and agrees that: (i) the transactions contemplated by this Bond Purchase Agreement are arm's length, commercial transactions between the University and the Underwriters; (ii) in connection with such transaction, including the process leading thereto, the Underwriters are acting solely as principals and not as agents or a fiduciaries of the University; (iii) the Underwriters have neither assumed an advisory or fiduciary responsibility in favor of the University with respect to the offering of the Series 2019 Bonds or the process leading thereto (whether or not the Underwriters or any affiliate of any Underwriter has advised or is currently advising the University on other matters) nor has it assumed any other obligation to the University except the obligations expressly set forth in this Bond Purchase Agreement, (iv) the Underwriters have financial and other interests that differ from those of the University; and (v) the University has consulted with its own legal and financial advisors to the

extent it deemed appropriate in connection with the offering of the Series 2019 Bonds.

[Signature page follows.]

Very truly yours,

The Frazer Lanier Company Incorporated,
on behalf of itself and the other underwriter
named herein

By: _____
As Its: _____

Accepted this ____ day of ____, _____.

UNIVERSITY OF SOUTH ALABAMA

By:_____

As its _____

EXHIBIT A

UNIVERSITY OF SOUTH ALABAMA
University Facilities Revenue Bonds, Series 2019-A

EXHIBIT B

UNIVERSITY OF SOUTH ALABAMA
Taxable University Facilities Revenue Bonds, Series 2019-B

EXHIBIT C

Issue Price Certificate

This certificate is being delivered by The Frazer Lanier Company Incorporated (the "Representative") in connection with the issuance by the University of South Alabama (the "University") of its $[_____] University Facilities Revenue Bonds, Series 2019-A (the "Series 2019-A Bonds"). The Series 2019-A Bonds have been purchased from the University by the underwriters (the "Underwriters") identified in the Bond Purchase Agreement dated _____ (the "Bond Purchase Agreement") between the University and the Representative, on behalf of the Underwriters. Capitalized terms not otherwise defined in this certificate have the meaning assigned in the Bond Purchase Agreement.

The Representative, on behalf of the Underwriters, hereby certifies with respect to the sale and issuance of the Series 2019-A Bonds:

1. **Pricing Wire.** Attached to this certificate as ***Appendix 1*** is the pricing wire or equivalent communication establishing the Initial Offering Prices of the Series 2019-A Bonds as of the Sale Date. The offering prices in the pricing wire are the same as the Initial Offering Prices identified in Exhibit A to the Bond Purchase Agreement.

2. **Offering at the Initial Offering Prices.** The Underwriters offered the Series 2019-A Bonds to the Public for purchase at the Initial Offering Prices identified in Exhibit A to the Bond Purchase Agreement.

3. **Sale of the General Rule Maturities.** Exhibit A to the Bond Purchase Agreement correctly identifies each Maturity of the Series 2019-A Bonds for which the 10% Test was satisfied as of the Sale Date.

3. **Sale of the Exception Maturities.** Exhibit A to the Bond Purchase Agreement correctly identifies each Hold-the-Issue-Price Maturity as of the Sale Date. The Underwriters agreed in the Bond Purchase Agreement that (i) for each Hold-the-Issue-Price Maturity they would neither offer nor sell any of the Series 2019-A Bonds of that Hold-the-Issue-Price Maturity to any person at a price that is higher than the Initial Offering Price for such Hold-the-Issue-Price Maturity during the Holding Period for such Hold-the-Issue-Price Maturity (the "hold-the-offering price-rule") and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Hold-the-Issue-Price Maturity at a price that is higher than the respective Initial Offering Price for that Hold-the-Issue-Price Maturity during the Holding Period.

4. **Defined Terms.** In addition to the terms defined elsewhere in this certificate, the following definitions apply for purposes of this certificate:

(a) *General Rule Maturity* means each Maturity of the Series 2019-A Bonds identified in Exhibit A to the Bond Purchase Agreement for which the 10% test was satisfied as of the Sale Date.

(b) *Hold-the-Issue-Price Maturity* means each Maturity of the Series 2019-A Bonds identified in Exhibit A to the Bond Purchase Agreement for which the 10% test was not satisfied as of the Sale Date.

(c) *Holding Period* means, with respect to a Hold-the-Issue-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of business on the fifth business day after the Sale Date or (ii) the date on which the Underwriters sold at least 10% of such Hold-the-Issue-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Issue-Price Maturity.

(d) *Maturity*, when used with respect to the Series 2019-A Bonds, means Series 2019-A Bonds with the same credit and payments terms. Series 2019-A Bonds with different maturity dates, or Series 2019-A Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to the Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) *Sale Date* means the date of execution of the Bond Purchase Agreement by all parties.

(g) *Underwriter* means (i) any person that agrees pursuant to a written contract with the University (or with the lead underwriter for form an underwriting syndicate) to participate in the initial sale of the Series 2019-A Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly of indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Series 2019-A Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2019-A Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The Representative understands that the forgoing information will be relied upon the University with respect to certain of the representations set forth in the Tax Certificate and Agreement executed by them and with respect to compliance with the federal income tax rules affecting the Series 2019-A Bonds, and by bond counsel (Bradley Arant Boult Cummings, L.L.P. in connection with rendering its opinion that interest on the Series 2019-A Bonds is excluded from gross income for federal income tax purposes, the preparation of Form 8038-G, and other federal income tax advice that it may give to the University from time to time relating to the Series 2019-A Bonds.

Dated: _____.

The Frazer Lanier Company Incorporated, as
Representative of the Underwriters

By: _____
(signature)

Name: _____
(print name)

Title: _____

Appendix 1

EXHIBIT III
FORM OF PRELIMINARY OFFICIAL STATEMENT

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor any offers to buy be accepted prior to the time that the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT

RATINGS:

	Underlying	Insured Series 2019 Bonds
Moody's:	**[__]**	**[__]**
S&P:	**[__]**	**[__]**

NEW ISSUE - BOOK-ENTRY ONLY **See ''RATINGS" herein**

In the opinion of Bond Counsel to the University, under existing law and assuming the accuracy of certain representations and certifications and compliance by the University with certain tax covenants, interest on the Series 2019-A Bonds will be excluded from gross income for federal income tax purposes. Bond Counsel to the University is of the further opinion that, under existing law, interest on the Series 2019-A Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" herein for further information and certain other federal tax consequences arising with respect to the Series 2019-A Bonds. Bond Counsel to the University is also of the opinion that, under existing law, interest on the Series 2019-A Bonds and the Series 2019-B Bonds is exempt from Alabama income taxation.

University of South Alabama
$_____*_
University Facilities Revenue Bonds
Series 2019-A

University of South Alabama
$_____*_
Taxable University Facilities Revenue Bonds
Series 2019-B

Dated: Date of Delivery **Due: [____] 1, as shown on inside cover**

FOR MATURITY SCHEDULE, INTEREST RATES, PRICES/YIELDS AND CUSIPS, SEE INSIDE COVER

The $_____* University Facilities Revenue Bonds, Series 2019-A (the "Series 2019-A Bonds") and the $_____* Taxable University Facilities Revenue Bonds, Series 2019-B (the "Series 2019-B Bonds" and, together with the Series 2019-A Bonds, the "Series 2019 Bonds") will be issued as fully registered bonds without coupons in denominations of $5,000 and any integral multiple thereof pursuant to a book-entry only system to be administered by The Depository Trust Company ("DTC") and, when issued, will be registered in the name of and held by Cede & Co., as nominee. Purchases of beneficial interests in the Series 2019 Bonds will be made in book-entry form only and purchasers of a beneficial interest in the Series 2019 Bonds ("Beneficial Owners") will not receive physical delivery of the certificates representing their interests in the Series 2019 Bonds. The principal of and interest on the Series 2019 Bonds will be paid directly to DTC, so long as DTC or its nominee is the registered owner of the Series 2019 Bonds. The final disbursements of such payments to the Beneficial Owners of the Series 2019 Bonds will be the responsibility of the DTC Participants and the Indirect Participants, all as defined and more fully described in this Official Statement under the caption "THE SERIES 2019 BONDS - General Description" and in Appendix D hereto.

The Series 2019 Bonds are being issued by the University of South Alabama (the "University") pursuant to that certain University Facilities Revenue Trust Indenture between The Bank of New York Mellon Trust Company, N.A., as trustee, and the University dated as of February 15, 1996 (as heretofore supplemented and amended and as further supplemented and amended by a Fifteenth Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2019 Bonds, the "Indenture") to (i) pay the costs of various capital improvements at the University hereafter described as the 2019 Improvements, (ii) make a deposit into the Capitalized Interest Account under the Indenture, and (iii) pay the costs of issuing the Series 2019 Bonds and of the Municipal Bond Insurance Policy hereinafter described. The principal of and interest on the Series 2019 Bonds are limited obligations of the University payable from and secured solely by the Pledged Revenues, as defined and further described herein.

[The scheduled payment of principal of and interest on the Series 2019 Bonds maturing [_____] (collectively, the "Insured Series 2019 Bonds"), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Series 2019 Bonds by [_____]. [Certain Series 2019 Bonds are subject to redemption prior to maturity on such terms and as more fully described herein.]

The Series 2019 Bonds are not obligations or debts of the State of Alabama (the "State") nor will any principal of or interest on the Series 2019 Bonds be paid out of any moneys provided for or appropriated to the University by the State of Alabama. The Series 2019 Bonds are special and limited obligations of the University, secured by a pledge of and payable solely from certain fees and revenues of the University as described herein and in the Indenture. Neither the Series 2019 Bonds nor the pledge of the said fees and revenues and other agreements provided in the Indenture shall be or constitute a general obligation of the University or an obligation of any nature whatsoever of the State, or be payable out of any moneys appropriated by the State to the University.

The Series 2019 Bonds are offered when, as and if issued by the University and received by the Underwriters, subject to prior sale, to withdrawal or modifications of the offer without notice, and to the approval of legality of the Series 2019 Bonds by Bradley Arant Boult Cummings LLP, Bond Counsel to the University. It is expected that the Series 2019 Bonds in definitive form will be available for delivery through DTC on or about [_____].

THE FRAZER LANIER COMPANY INCORPORATED

HANCOCK WHITNEY INVESTMENT SERVICES, INC.

Dated: [_____, 2019]

(1) Preliminary; subject to change

MATURITIES, AMOUNTS, RATES, PRICES/YIELDS & CUSIPS

$_____*
UNIVERSITY OF SOUTH ALABAMA
University Facilities Revenue Bonds, Series 2019-A

Maturity ([_____] 1,)	Principal Amount	Interest Rate	Yield	CUSIPs[(1)]

$_____*
UNIVERSITY OF SOUTH ALABAMA
Taxable University Facilities Revenue Bonds, Series 2019-B

Maturity ([_____] 1,)	Principal Amount	Interest Rate	Yield	CUSIPs[(1)]

* Preliminary; subject to change.

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the University and are included solely for the convenience of the registered owners of the Series 2019 Bonds. The University and the Underwriters are not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness by the University on the Series 2019 Bonds and by the Underwriters on the Series 2019 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2019 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2019 Bonds.

UNIVERSITY OF SOUTH ALABAMA

MEMBERS OF THE BOARD OF TRUSTEES
Kay Ivey, Ex Officio
Katherine Alexis Atkins
Scott A. Charlton
E. Thomas Corcoran
Steven P. Furr
William Ronald Graham
Robert D. Jenkins, III
Arlene Mitchell
Lenus M. Perkins
James H. Shumock
Kenneth O. Simon
Chandra Brown Stewart
Steven H. Stokes
Margie Malone Tuckson
Michael P. Windom
James A. Yance

PRESIDENT
Dr. Tony G. Waldrop

VICE PRESIDENT FOR FINANCE AND ADMINISTRATION
G. Scott Weldon

BOND COUNSEL
Bradley Arant Boult Cummings LLP
Birmingham, Alabama

FINANCIAL ADVISOR
PFM Financial Advisors LLC
Huntsville, Alabama

UNDERWRITERS
The Frazer Lanier Company Incorporated
Hancock Whitney Investment Services, Inc.

Certain information contained in or incorporated by reference in this Official Statement has been obtained by the University from DTC and other sources that are deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the Underwriters or the University.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriters. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

No dealer, broker, salesperson or any other person has been authorized by the University or the Underwriters to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the inside cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2019 Bonds.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information based on the University's beliefs as well as assumptions made by and information currently available to the University. See "FORWARD LOOKING STATEMENTS" herein.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2019 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2019 BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC rule 15c2-12.

TABLE OF CONTENTS

INTRODUCTORY STATEMENT 1
THE SERIES 2019 BONDS 2
BOND INSURANCE 4
SECURITY AND SOURCE OF PAYMENT 4
ANNUAL DEBT SERVICE REQUIREMENTS 6
THE PLAN OF FINANCING 10
ESTIMATED SOURCES AND USES OF PROCEEDS 11
CERTAIN GENERAL INFORMATION RESPECTING THE UNIVERSITY OF SOUTH ALABAMA 11
GOVERNING BODY 18
HEALTH CARE SYSTEM 19
ACADEMIC MEDICAL CENTERS 21
USA TECHNOLOGY & RESEARCH PARK 21
FACILITIES 21
SUMMARY INFORMATION RESPECTING STATE AND PRIVATE FUNDING 22
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE 24
RATINGS 29
LITIGATION 29
LEGAL MATTERS 30
TAX MATTERS 30
CONTINUING DISCLOSURE 31
STATE NOT LIABLE ON SERIES 2019 BONDS 32
FINANCIAL INFORMATION 32
FORWARD LOOKING STATEMENTS 33
SPECIAL CONSIDERATIONS RESPECTING THE SERIES 2019 BONDS 33
FINANCIAL ADVISOR 39
UNDERWRITING 39
MISCELLANEOUS 40

Appendix A - Audited Financial Statements for the Fiscal Year Ended September 30, 2018
Appendix B - Proposed Form of Approval Opinion of Bond Counsel to the University
Appendix C - Form of Continuing Disclosure Agreement
Appendix D - DTC Procedures
[Appendix E - Specimen Municipal Bond Insurance Policy]

OFFICIAL STATEMENT

pertaining to

UNIVERSITY OF SOUTH ALABAMA

$_____*	**$_____***
University Facilities Revenue Bonds Series 2019-A	**Taxable University Facilities Revenue Bonds Series 2019-B**

INTRODUCTORY STATEMENT

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to provide information in connection with the issuance by the University of South Alabama of the above-referenced Series 2019-A Bonds (the "Series 2019-A Bonds") and Series 2019-B Bonds (the "Series 2019-B Bonds" and, together with the Series 2019-A Bonds, the "Series 2019 Bonds"), dated their date of initial delivery and issued as additional parity bonds under a University Facilities Revenue Trust Indenture dated as of February 15, 1996, between the University of South Alabama and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as previously supplemented and amended (the "Base Indenture") and as further supplemented and amended by a Fifteenth Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2019 Bonds (the Base Indenture, as so supplemented and amended, the "Indenture").

Definitions of certain words and terms having initial capital letters used herein are defined in the Indenture or in the instrument or document in the description of which such word or term is used. Reference is hereby made to the full text of the documents and instruments briefly described herein which may be obtained from the Underwriters or from the University during the period of the offering.

The Governor, the State Superintendent of Education and the appointed trustees together constitute a public body corporate under the name University of South Alabama (the "University"). The University is located in the City of Mobile, Alabama.

Purpose of the Issue

Proceeds of the Series 2019 Bonds will be applied: (i) to pay the costs of certain public capital improvements on the campus of the University more particularly described herein as the 2019 Improvements, (ii) to make a deposit into the Capitalized Interest Account of the Indenture, and (iii) to pay the costs of issuing the Series 2019 Bonds [including without limitation the premium for the Municipal Bond Insurance Policy]..

Security

The Series 2019 Bonds are limited obligations of the University payable from, and secured solely by a pledge of, the Pledged Revenues, as more fully described below under "SECURITY AND SOURCE OF PAYMENT - Sources of Payment and Pledged Revenues." The Pledged Revenues include a pledge of the General Fees levied against students enrolled at the University and any additional fees and revenues that may in the future be subjected to the lien of the Indenture pursuant to a Supplemental Indenture, a pledge of the gross revenues derived from certain auxiliary enterprises services furnished by the University, and 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, each as described herein. See "SECURITY AND SOURCE OF PAYMENT - Sources of Payment and Pledged Revenues."

* Preliminary; subject to change.

The Series 2019 Bonds will not constitute a charge against the general credit of the University, and will not be payable from moneys appropriated to the University by the State of Alabama. The University has no taxing power. The State of Alabama will not be liable in any manner for the payment of the principal and interest on the Series 2019 Bonds. Holders of the Series 2019 Bonds shall never have the right to demand payment of the Series 2019 Bonds from the University from any source other than the special funds established under the Indenture and the Pledged Revenues and shall be entitled to payment from such sources only on a parity basis with all other bonds outstanding under the Indenture.

Existing and Additional Parity Bonds

The Indenture permits the University to issue additional bonds that will be secured by and be payable from Pledged Revenues on parity of lien with the Outstanding Bonds (defined below), the Series 2019 Bonds and any Additional Bonds (defined below) issued hereafter. For a description of the Outstanding Bonds (i.e., Bonds already outstanding under the Indenture that are secured by and payable from Pledged Revenues on parity of lien with the Series 2019 Bonds), see "SECURITY AND SOURCE OF PAYMENT - General". For a description of the terms of the Indenture for the issuance of Additional Bonds in the future, see "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Bonds."

THE SERIES 2019 BONDS

General Description

The Series 2019 Bonds will be dated their initial date of delivery, and will bear interest (payable on [_____], and on each [_____] 1 and [_____] 1 thereafter until maturity) at the rates and will mature on [_____] 1 in the years and in the amounts set forth on the inside cover page of this Official Statement. The Series 2019 Bonds will be issuable only as fully registered bonds without coupons in the denomination of $5,000 or any integral multiple thereof.

The Series 2019 Bonds will be initially issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Series 2019 Bonds. Purchasers of such Series 2019 Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the Series 2019 Bonds are in the custody of DTC, references to Bondholders or Owners shall mean DTC or its nominee. DTC will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issued as fully-registered securities in the name of Cede & Co., DTC's partnership nominee Cede or such other nominee as may be requested by an authorized representative of DTC. One fully-registered Series 2019 Bond certificate will be issued for each maturity of each series of the Series 2019 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. See Appendix D hereto for DTC payment and other related provisions.

During any period in which the Series 2019 Bonds are not held in the Book-Entry System, principal of the Series 2019 Bonds will be payable at the designated corporate trust office of the Trustee upon presentation and surrender of the Series 2019 Bonds as they mature. Interest on Series 2019 Bonds will be paid by the Trustee by check or draft mailed to the persons who are the registered owners of record as of the close of business on the [_____] 15 or [_____] 15 immediately preceding each interest payment date by check or draft mailed to such owners at their addresses shown on the registry books of the Trustee pertaining to the Series 2019 Bonds.

No charge will be made for any exchange or transfer of the Series 2019 Bonds, but the registered owners thereof shall be responsible for paying all taxes and other governmental charges relating to such transfer or exchange. In the event a Series 2019 Bond is lost, stolen, destroyed or mutilated, the University and the Trustee may require satisfactory indemnification for the replacement thereof and may charge the holder or owner of such bond with their fees and expenses in connection with the replacement thereof.

Optional Redemption of the Series 2019 Bonds

Series 2019-A Bonds. Those of the Series 2019-A Bonds having a stated maturity on [_____], and thereafter, will be subject to redemption prior to their respective maturities, at the option of the University, as a whole or in part, on [_____], and on any date thereafter (and if in part, in such maturities as the University shall select, and if less than all of a single maturity is to be redeemed those to be redeemed to be selected by the Trustee by lot) at and for a redemption price with respect to each Series 2019-A Bond (or principal portion thereof redeemed) equal to the par or face amount of each Series 2019-A Bond redeemed plus accrued interest to the date fixed for redemption.

Series 2019-B Bonds. Those of the Series 2019-B Bonds having a stated maturity on [_____], and thereafter, will be subject to redemption prior to their respective maturities, at the option of the University, as a whole or in part, on [_____], and on any date thereafter (and if in part, in such maturities as the University shall select, and if less than all of a single maturity is to be redeemed those to be redeemed to be selected by the Trustee by lot) at and for a redemption price with respect to each Series 2019-B Bond (or principal portion thereof redeemed) equal to the par or face amount of each Series 2019-B Bond redeemed plus accrued interest to the date fixed for redemption.

Mandatory Redemption of the Series 2019 Bonds

Series 2019-A Bonds. Those of the Series 2019-A Bonds maturing on [_____] 1, 20__ shall be subject to mandatory redemption and payment, and the University shall redeem and pay such Series 2019-A Bonds, at and for a redemption price, with respect to each such Series 2019-A Bonds or portion thereof redeemed, equal to the principal amount thereof plus accrued interest to the date fixed for redemption (those to be redeemed to be selected by the Trustee by lot) but only in the following aggregate principal amounts on [_____] 1 in the following years:

Year ([_____]1)	Amount Required to be Redeemed

In the event that the University shall have partially redeemed Series 2019-A Bonds having a stated maturity in 20__ or shall have provided for a partial redemption of such Series 2019-A Bonds in such a manner that the Series 2019-A Bonds for the redemption of which provision is made are considered as fully paid, the University may elect to apply all or any part (but only in integral multiples of $5,000) of the principal amount of such Series 2019-A Bonds so redeemed or to be redeemed to the reduction of the principal amount of Series 2019-A Bonds required to be redeemed pursuant to the schedule set forth immediately above on any [_____] 1 coterminous with or subsequent to the date such optional redemption actually occurs.

Series 2019-B Bonds. Those of the Series 2019-B Bonds maturing on [_____] 1, 20__ shall be subject to mandatory redemption and payment, and the University shall redeem and pay such Series 2019-B Bonds, at and for a redemption price, with respect to each such Series 2019-B Bonds or portion thereof redeemed, equal to the principal amount thereof plus accrued interest to the date fixed for redemption (those to be redeemed to be selected by the Trustee by lot) but only in the following aggregate principal amounts on [_____] 1 in the following years:

Year ([_____]1)	Amount Required to be Redeemed

In the event that the University shall have partially redeemed Series 2019-B Bonds having a stated maturity in 20__ or shall have provided for a partial redemption of such Series 2019-B Bonds in such a manner that the Series 2019-B Bonds for the redemption of which provision is made are considered as fully paid, the University may elect to apply all or any part (but only in integral multiples of $5,000) of the principal amount of such Series 2019-B Bonds so redeemed or to be redeemed to the reduction of the principal amount of Series

2019-B Bonds required to be redeemed pursuant to the schedule set forth immediately above on any [_____] 1 coterminous with or subsequent to the date such optional redemption actually occurs.

Notice of Redemption

Notice of redemption (other than mandatory redemption) is required to be mailed by United States registered or certified mail to the registered owner of each Series 2019 Bond to be redeemed not more than sixty (60) nor less than thirty (30) days prior to the date fixed for redemption at the address shown on the registry books of the Trustee. No further interest will accrue after the date fixed for redemption on the principal of any Series 2019 Bond called for redemption upon notice duly given as provided in the Indenture and if payment therefor has been duly provided and in such event, any Series 2019 Bond (or portion thereof) called for redemption will no longer be protected by the provisions of the Indenture.

In the event that less than all of the outstanding principal of any Series 2019 Bond is to be redeemed, the registered owner thereof shall surrender the Series 2019 Bond that is to be prepaid in part to the Trustee in exchange, without expense to the owner, for a new Series 2019 Bond of like tenor except in a principal amount equal to the unredeemed portion of the Series 2019 Bond.

BOND INSURANCE

[The following information has been supplied by [_____] (as defined below) for inclusion in this Official Statement. No representation is made by the University as to the accuracy or completeness of such information.

Bond Insurance Policy]

SECURITY AND SOURCE OF PAYMENT

General

The University has previously issued various series of Bonds under the Indenture, of which fourteen series of Bonds are currently outstanding before giving effect to the issuance of the Series 2019 Bonds. Those fourteen series of Bonds consist of the following:

(a) $40,130,000.70 original principal amount University Tuition Revenue Bonds, Series 1999, dated March 1, 1999 (the "Series 1999 Capital Appreciation Bonds");

(b) $29,750,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2010, dated June 16, 2010 (the "Series 2010 Bond");

(c) $25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012 (the "Series 2012-A Bond");

(d) $7,740,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-B, dated January 4, 2012 (the "Series 2012-B Bond");

(e) $32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013 (the "Series 2013-A Bond");

(f) $8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013 (the "Series 2013-B Bond");

(g) $10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013 (the "Series 2013-C Bond");

(h) $41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014 (the "Series 2014-A Bond");

(i) $6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015 (the "Series 2015 Bond");

(j) $85,605,000 University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016 (the "Series 2016 Bonds");

(k) $20,000,000 University Facilities Revenue Refunding Bond, Series 2016-B, dated December 7, 2016 (the "Series 2016-B Bond");

(l) $35,000,000 University Facilities Revenue Refunding Bond, Series 2016-C, dated December 7, 2016 (the "Series 2016-C Bond");

(m) $45,000,000 University Facilities Revenue Refunding Bond, Series 2016-D, dated December 7, 2016 (the "Series 2016-D Bond"); and

(n) $38,105,000 University Facilities Revenue Bonds, Series 2017, dated June 15, 2017 (the "Series 2018 Bonds").

The Series 1999 Capital Appreciation Bonds, the Series 2010 Bond, Series 2012-A Bond, Series 2012-B Bond, the Series 2013-A Bond, the Series 2013-B Bond, the Series 2013-C Bond, Series 2014-A Bond, the Series 2015 Bond, the Series 2016 Bonds, the Series 2016-B Bond, the Series 2016-C Bond, the Series 2016-D Bond and the Series 2017 Bonds are herein collectively referred to as the "Outstanding Bonds." The Outstanding Bonds, the Series 2019 Bonds, and any Additional Bonds hereafter issued are referred to herein collectively as the "Bonds."

Sources of Payment and Pledged Revenues

The Series 2019 Bonds will be issued under the Indenture, as supplemented and amended by a Fifteenth Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2019 Bonds (the "Fifteenth Supplemental Indenture") between the University and the Trustee, and will constitute limited obligations of the University payable solely from and secured by a lien on and a pledge of the Pledged Revenues (hereinafter defined) levied and collected by the University. The Series 2019 Bonds are secured pro rata and on an equal lien basis one with the other, with the Outstanding Bonds and with any Additional Bonds that may be hereafter issued under and subject to the terms and conditions of the Indenture, by a pledge of the Pledged Revenues.

The Series 2019 Bonds shall never be payable from any funds at any time provided for or appropriated by the State of Alabama, and shall not be a charge on the general credit or tax revenues of the State of Alabama. Neither the State of Alabama nor the University shall be obligated, directly or indirectly, to contribute any funds, property or resources to the payment of the Series 2019 Bonds except the Pledged Revenues.

The Series 2019 Bonds are payable solely out of the Pledged Revenues as defined in the Indenture, as amended, on a parity of lien with the Outstanding Bonds and any Additional Bonds at any time issued under the Indenture. Pledged Revenues is defined in the Indenture as follows:

"*Pledged Revenues*" means the Auxiliary Enterprises Revenues, the Children's and Women's Hospital Revenues, the General Fees, and additional fees and revenues, if any, that may be subjected to the lien of the Indenture pursuant to a Supplemental Indenture.

"*Auxiliary Enterprises Revenues*" means the gross revenues derived from auxiliary enterprises services furnished by the University, including, without limitation, 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.

"*Children's and Women's Hospital Revenues*" means 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.

"*General Fees*" means all fees now or hereafter levied as a general tuition fee against students enrolled at the University.

Additional Bonds

In the Indenture, the University has reserved the right to issue and deliver from time to time and at any time Bonds ("Additional Bonds") secured by a pledge of the Pledged Revenues on a parity with the Outstanding Bonds, the Series 2019 Bonds, and any other Additional Bonds then outstanding for any purpose permitted by law and upon compliance with certain requirements set forth under the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" below.

ANNUAL DEBT SERVICE REQUIREMENTS

Debt Service Requirements of the Series 2019 Bonds

Series 2019-A Bonds. The following sets forth the scheduled debt service requirements of the Series 2019-A Bonds on a fiscal year basis:

Fiscal Year Ending September 30,	Principal*	Interest*	Total*

Series 2019-B Bonds. The following sets forth the scheduled debt service requirements of the Series 2019-B Bonds on a fiscal year basis:

Fiscal Year Ending September 30,	Principal*	Interest*	Total*

Debt Service Requirements – Outstanding Bonds and the Series 2019 Bonds

The following table sets forth the estimated debt service requirements on all Outstanding Bonds (assuming no exercise of Put Rights for the Series 2016 Put Bonds as more particularly described below) and the Series 2019 Bonds on a fiscal year basis:

Fiscal Year Ending Sept. 30	Series 1999[1]	Series 2010	Series 2012[2]	Series 2013[3]	Series 2014-A[4]	Series 2015	Series 2016	Series 2016-B[5]	Series 2016-C[5]	Series 2016-D[5]	Series 2017 Bonds	Series 2019 Bonds*	Total Debt Service*
2017	$ 7,550,000	$ 2,162,186	$3,066,566	$3,470,942	$2,795,724	$506,476	$2,628,786	$ 528,767	$ 933,800	$1,213,650	-		
2018	7,545,000	2,169,342	3,078,894	3,470,942	2,787,674	497,085	3,992,400	1,094,000	1,932,000	2,511,000	$2,142,857		
2019	7,545,000	2,176,364	1,699,485	3,470,942	2,775,530	487,694	6,512,775	1,094,000	1,932,000	2,511,000	2,973,725		
2020	-	2,183,177	1,702,121	3,470,942	8,828,680	478,586	6,505,400	1,094,000	1,932,000	2,511,000	2,979,125		
2021	-	2,189,703	1,702,516	3,470,942	8,796,308	468,911	6,511,275	1,094,000	1,932,000	2,511,000	2,975,625		
2022	-	2,197,867	1,704,928	3,470,942	8,764,048	459,520	6,509,900	1,094,000	1,932,000	2,511,000	2,978,875		
2023	-	2,207,517	1,707,871	3,470,942	8,730,663	450,129	6,511,025	1,094,000	1,932,000	2,511,000	2,978,625		
2024	-	2,214,499	1,709,000	3,470,941	8,685,545	440,918	6,509,275	1,094,000	1,932,000	2,511,000	2,979,750		
2025	-	2,224,815	1,708,589	3,470,941	-	431,347	6,509,275	2,183,368	3,837,904	4,960,692	2,977,125		
2026	-	2,234,235	1,711,363	3,470,942	-	421,956	6,515,400	2,177,545	3,826,709	4,944,748	2,981,688		
2027	-	2,242,683	1,714,520	3,470,942	-	412,565	6,507,050	2,172,495	3,816,814	4,930,396	2,973,250		
2028	-	2,254,083	1,716,929	3,470,942	-	403,251	6,510,200	2,166,053	3,804,431	4,912,760	2,980,375		
2029	-	2,264,207	1,718,505	2,646,549	-	393,782	6,509,575	2,160,056	3,792,768	4,895,964	2,977,875		
2030	-	1,388,978	1,717,616	2,646,549	-	384,391	6,513,325	2,153,312	3,779,738	4,877,317	2,975,750		
2031	-	-	1,723,729	2,646,548	-	-	6,506,075	2,146,629	3,766,753	4,858,631	2,978,625		
2032	-	-	925,002	2,646,548	-	-	6,507,325	2,138,817	3,751,725	4,837,216	2,981,125		
2033	-	-	-	2,646,548-	-	-	6,506,325	2,131,656	3,737,767	4,817,069	2,978,125		
2034	-	-	-	-	-	-	6,507,450	2,123,900	3,722,695	4,795,377	2,979,375		
2035	-	-	-	-	-	-	6,505,075	2,115,331	3,706,121	4,771,636	2,974,625		
2036	-	-	-	-	-	-	6,508,950	2,105,729	3,687,661	4,745,344	2,978,500		
2037	-	-	-	-	-	-	6,511,050	2,096,821	3,670,330	4,720,374	2,975,625		
2038	-	-	-	-	-	-	6,501,075	-	-	-	1,640,000		

* Preliminary; subject to change.

[1] The accrued interest on the Series 1999 Capital Appreciation Bonds is not recognized or payable until each prospective maturity date.

[2] Includes the Series 2012-A Bond and the Series 2012-B Bond

[3] Includes the Series 2013-A Bond, the Series 2013-B Bond and the Series 2013-C Bond

[4] Interest on the Series 2014-A Bond is calculated at the net swap rate of 5.4553% under the 2014 Swap described herein.

[5] Interest on the Series 2016-B Bond, the Series 2016-C Bond and the Series 2016-D Bond is calculated at the net swap rate for each such bond of 5.47%, 5.52% and 5.58%, respectively, under the 2016 Swap described herein. The amortization shown for each of the 2016-B Bond, the 2016-C Bond, and the 2016-D Bond assumes no exercise of a Put Right prior to maturity, or that such indebtedness is refinanced on any Put Date so as to achieve the same current principal amortization and same net swap rate. *See* "Put Rights Respecting Certain Outstanding Bonds" below.

Variable Rate Bonds

Each series of Outstanding Bonds bears interest at a fixed rate, except the Series 2014-A Bond and the Series 2016-B Bond, the Series 2016-C Bond and the Series 2016-D Bond (collectively, the "Series 2016 Put Bonds"). The Series 2014-A Bond and the Series 2016 Put Bonds bear interest at variable rates. These variable rates are computed based on 68% of the one-month London Interbank Offered Rate ("LIBOR"), plus a set number of basis points that differs for each series. The University has entered into an interest rate exchange agreement respecting the Series 2014-A Bond and an interest rate exchange agreement respecting the Series 2016 Put Bonds. *See* "Derivatives" below for a discussion of these interest rate swap agreements.

Derivatives

The University has entered an interest rate swap (the "2014 Swap") with Wells Fargo Bank, N.A., as successor to Wachovia Bank, N.A., (the "Counterparty"), respecting the Series 2014-A Bond. The notional amount of the 2014 Swap will at all times match the outstanding scheduled principal amount of the Series 2014-A Bond, and the 2014 Swap will mature on March 15, 2024. Under the 2014 Swap, the University pays a fixed rate of 4.9753% and receives 68% of one-month LIBOR plus 0.25%.

The University also has entered an interest rate swap (the "2016 Swap") with the Counterparty respecting the Series 2016 Put Bonds. Under the 2016 Swap, the University pays a fixed rate of 5.0% and receives 68% of one-month LIBOR, plus 0.25%. The 2016 Swap matures on December 1, 2036. The combined principal amortization of the Series 2016 Put Bonds matches the notional amount on the 2016 Swap through its maturity; however, each of these Series 2016 Put Bonds contains a right exercisable at the sole discretion of the bondholder to cause such Bond to mature and become due and payable prior to its final maturity. See "Put Rights Respecting Certain Outstanding Bonds" below for a discussion of these put rights.

Put Rights Respecting Certain Outstanding Bonds

Each of the Series 2016 Put Bonds has principal amortized from December 1, 2024 through and including December 1, 2036. However, each Series 2016 Put Bond contains a feature (a "Put Right") permitting its holder to cause all outstanding principal on such Bond to mature and become due and payable by the University on a date (such date, a "Put Date") before scheduled maturity.

The earliest Put Date for the Series 2016-B Bond is December 1, 2021, the earliest Put Date for the Series 2016-C Bond is December 1, 2023, and the earliest Put Date for the Series 2016-D Bond is December 1, 2026. For each Series 2016 Put Bond, the Put Right must be exercised at least 210 days before the applicable Put Date, and if not timely exercised such right extends immediately to the succeeding bond year until timely exercised or such Bond reaches final maturity, whichever occurs first.

The University intends to refinance any Series 2016 Put Bond for which a Put Right is exercised so as to maintain the Bond's then current principal amortization. While the University is not aware of any existing obstacles to its ability to refinance the Series 2016 Put Bonds, should Put Rights be exercised, market conditions, the financial condition of the University or the State of Alabama, and various other factors in existence at the time such rights are exercised could hamper or even prevent the University from refinancing Series 2016 Put Bonds as presently intended.

Pledged Revenues

The following is a summary of the amount of General Fees, Auxiliary Enterprises Revenues, and Children's and Women's Hospital Revenues collected by the University for the fiscal years ended September 30, 2014 through September 30, 2018:

	2014	2015	2016	2017	2018
General Fees[1]	$139,089,000	$155,175,000	$172,253,000	$177,547,000	$171,429,000
Auxiliary Enterprises Revenues[1]	21,055,000	22,857,000	30,008,000	29,413,000	26,996,000
Children's & Women's Hospital Revenues[2]	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total	$170,144,000	$188,032,000	$212,261,000	$216,960,000	$208.425,000

[1]General Fees and Auxiliary Enterprises Revenues include amounts allocated to scholarship allowances for accounting purposes. General Fees and Auxiliary Enterprises Revenues net of scholarship allowances for fiscal year 2016 were approximately $137,074,000 and $28,861,000, respectively, for fiscal year 2017 were approximately $141,949,944 and $28,347,000, respectively, and for fiscal year 2018 were approximately $136,222,000 and $25,907,000, respectively.

[2] Only $10,000,000 of the gross revenues from the USA Children's and Women's Hospital, in any fiscal year of the University, are pledged to payment of all the Bonds (*i.e.*, the Outstanding Bonds, the Series 2019 Bonds and any Additional Bonds hereafter issued). See "HEALTH CARE SYSTEM" below for total gross revenues from USA Children's and Women's Hospital for the years shown.

Tuition increases were placed into effect for each of the years shown above. Auxiliary fee increases were also placed into effect for all of the years shown above. Reference is hereby made to the audited financial statements of the University for the fiscal year ended September 30, 2018, appearing as Appendix A hereto, and the audited financial statements of the University for the other periods which are available on EMMA (as defined herein). See "CONTINUING DISCLOSURE" below for a description of EMMA.

Subsequent to the issuance of the Series 2019 Bonds, the total principal amount (including the current compounded amount of Series 1999 Capital Appreciation Bonds) of indebtedness of the University payable from Pledged Revenues is estimated to be approximately $[_____].

Maximum Annual Debt Service Requirement

The Maximum Annual Debt Service Requirement respecting the Series 2019 Bonds and the Outstanding Bonds, based on the amortization schedule set forth above under "Debt Service Requirements – Outstanding Bonds and the Series 2019 Bonds", occurring in the fiscal year of the University ending [September 30, ____] ($[_____]), is covered [_____] times by Pledged Revenues referable to the fiscal year of the University ended September 30, 2018 ($[_____]). *See* "Pledged Revenues" above. This coverage is based on the assumption that the Series 2016 Put Bonds mature in accordance with their scheduled principal amortization and without the exercise of Put Rights by any of the holders of those Bonds. See "Put Rights Respecting Certain Outstanding Bonds" above.

Assuming the exercise of the Put Right for each of the Series 2016-B Bond, the Series 2016-C Bond, and the Series 2016-D Bond on the earliest date permitted (*i.e.*, December 1, 2021 for the Series 2016-B Bond, December 1, 2023 for the Series 2016-C Bond, and December 1, 2026 for the Series 2016-D), the estimated annual debt service for the University's fiscal years ending September 30, 2022, September 30, 2024 and September 30, 2027 would be $[_____], $[_____], and $[_____], respectively, and the estimated maximum annual debt service requirement for the Series 2019 Bonds and the Outstanding Bonds would occur in the fiscal year of the University ending September 30, [____] ($[_____]), and would be covered approximately [___] times by Pledged Revenues referable to the fiscal year of the University ended September 30, 2018 ($[_____]).

Other University Debt; Future Debt

Compass Line of Credit. On March 27, 2015, the University obtained a $5,000,000 revolving line of credit facility (the "Compass Line of Credit") with Compass Bank ("Compass"). The University is permitted

to borrow funds from Compass from time to time under the Compass Line of Credit so long as its outstanding principal balance does not exceed $5,000,000. The Compass Line of Credit initially provided that principal amounts drawn thereunder would not become due until its April 14, 2018 maturity date. Earlier this year, the University amended the Compass Line of Credit so that (i) the principal balance (currently $3,433,789) was fixed, (ii) additional draws would not be permitted, (iii) interest would be computed at a fixed rate of 3.85% and (iv) principal was amortized to become due and payable in annual installments over a period from 2018 through 2023. This obligation is not secured by Pledged Revenues, and Compass is not entitled to any rights or benefits under the Indenture respecting this obligation.

The Compass Line of Credit is a general obligation of the University and is not secured by Pledged Revenues under the Indenture.

RCA Lease. On December 7, 2016, the University entered a Secured Equipment Financing Lease (the "RCA Lease") with Regions Capital Advantage, Inc. to finance a linear accelerator for use at USA Mitchell Cancer Institute. The principal component of this lease totals $2,089,690 and interest is calculated at a fixed per annum rate of 1.88%. This lease reaches final maturity on October 7, 2022. The RCA Lease is subject to annual appropriation by the University, and on each payment date debt service is payable solely out of then-current funds of the University. Such payments are not secured by Pledged Revenues under the Indenture.

Med One Capital Lease. The University has entered a capital lease agreement with Med One Capital Funding, LLC for certain medical equipment to be used at University Hospital. Under this arrangement, the University makes monthly lease payments, over a period of 60 months, aggregating just under $4,000,000, and pays a nominal price to acquire title to the equipment at conclusion of the lease. Payments under this lease will not be secured by Pledged Revenues under the Indenture or other special funds or assets of the University.

The University is completing a campus master plan upon which future borrowings and debt service requirements will be based. The University, through the University of South Alabama Health Care Authority (USAHCA), is considering the development of approximately 38 acres near the main campus for use as a medical office park. If this plan proceeds as expected, it is possible (and prospective investors in the Series 2019 Bonds should assume) that indebtedness likely secured by and payable from Pledged Revenues under the Indenture will be issued by the University within the next 12-24 months to finance construction.

THE PLAN OF FINANCING

The Series 2019 Bonds are being issued for the purpose of (i) designing, developing, constructing, acquiring, equipping and installing a football stadium and intramural field improvements on the campus of the University, along with various public capital improvements and assets in connection therewith (the "2019 Improvements"), [(ii) paying for capitalized interest on a portion of the Series 2019 Bonds], and (iii) paying the costs and expenses of issuing the Series 2019 Bonds (including without limitation the premium for the Municipal Bond Insurance Policy].

ESTIMATED SOURCES AND USES OF PROCEEDS

The estimated sources and uses of funds for the plan of financing with respect to the issuance of the Series 2019 Bonds are as follows:

Sources of Funds	**Series 2019-A Bonds**	**Series 2019-B Bonds**	**Total**
Principal amount of Series 2019 Bonds			
[Net] Original issue [premium/discount]			
Total Sources			
Uses of Funds			
2019 Improvements			
Capitalized Interest Account deposit			
Expenses of issuance[1]			
Total Uses			

[1] Includes Underwriters' discount, municipal bond insurance policy premium, legal and accounting fees, printing costs, rating agency fees, financial advisory fees and other expenses of issuance.

CERTAIN GENERAL INFORMATION RESPECTING THE UNIVERSITY OF SOUTH ALABAMA

General

The University of South Alabama is a public body corporate of the State of Alabama existing under provisions of Act No. 157, Acts of Alabama, Second Special Session 1963, and Chapter 55 of Title 16 of the Code of Alabama 1975, as amended. The University is a comprehensive, coeducational, state-assisted institution, which serves as a major center of undergraduate, graduate, and professional education for Alabama, the Gulf Coast region, and the southeastern United States.

The University's mission encompasses the three traditional academic functions of teaching, research, and public service through which it pursues the discovery, preservation, and communication of knowledge. The University was admitted to membership in the Southern Association of Colleges and Schools on December 4, 1968. Total enrollment for Fall 2017 was 15,569. Of those students, 10,975 were classified as undergraduate students, 4,581 were enrolled in graduate or professional programs, and 13 were unclassified. For the academic year ended May 31, 2018, the University awarded 3,906 degrees and certificates, of which 2,080 were Baccalaureate Degrees, 1,209 were Masters Degrees, 73 were M.D. Degrees, 21 were Ph.D. Degrees, 11 were Au.D. Degrees, 40 were D.P.T. Degrees, 185 were D.N.P. Degrees, and 273 were Para-Professional Certificates. Twelve degree programs and over four hundred and fifty courses are offered by the University online.

The University of South Alabama main campus, located in a section of Mobile called Springhill, consists of 1,200 wooded acres. The primary instructional buildings are contained on this campus, as well as the medical college and dormitory facilities. A 750-acre municipal park is adjacent to the main campus.

The University of South Alabama Baldwin County Campus was established as a branch campus in 1984 to better meet the needs of students located in Baldwin County, Alabama, and offers graduate courses, upper-level undergraduate courses, and non-credit courses/public service programs. The University of South Alabama Springhill Avenue Campus is a multi-purpose facility of approximately 454,000 square feet located in Midtown Mobile, and houses various academic and health-related programs of the University. The U.S. Department of Veterans Affairs also leases about 48,000 square feet in the Springhill Avenue Campus that it uses as an outpatient clinic.

The University of South Alabama health system, known as USA Health, is composed of the USA Medical Center, the USA Children & Women's Hospital, the USA Mitchell Cancer Institute, and Ambulatory Services. USA Health provides primary and tertiary care for a multi-county service area. The USA Medical Center ("USAMC") is a 406-Licensed bed hospital which includes a level one trauma center, a burn unit, and state-of-the-art facilities for internal medicine, surgery and cardiovascular diagnostic and treatment techniques. The USA Children's & Women's Hospital ("USACW") is a 152-Licensed bed facility specializing in pediatric, obstetric and gynecological services. The USACW includes neonatal and pediatric intensive care nurseries, progressive care nurseries, and other facilities for dealing with high risk deliveries. In 2015, the 195,000 square foot expansion of USACW was placed into service. The USA Mitchell Cancer Institute ("MCI") is an academic cancer treatment and research enterprise housed in a state-of-the-art 125,000 square foot integrated clinical and research building. Ambulatory Services ("Ambulatory Services") is a 160-physician multi-specialty faculty practice dedicated to delivering leading-edge care to patients and supporting the mission of the USA College of Medicine in the education and training of students and resident physicians and in the advancement of medical care through medical research. The Strada Patient Care Center, a 133,000 square foot building located near USACW, was placed in service in December 2016 and provides 153 patient exam rooms, 16 nurses stations, and 7 educational conference rooms for use by University physicians.

For the 2017-2018 academic year, the University employed 845 full-time faculty persons. Approximately 31.7% of faculty members are tenured. The University employs 5,866 persons in all categories.

The main campus in Mobile, Alabama, consists of 143 major buildings, including hospital and medical related facilities. Those facilities include buildings providing 2,114 beds available for student residency on campus.

For its fiscal year ended September 30, 2018, the University reported grants and contracts revenue from Federal, State and private sources of approximately $34,093,000, and an additional $108,268,000 from direct State of Alabama legislative appropriations. Tuition and fees revenues reported during the fiscal year ended September 30, 2018 (net of scholarship allowances) were approximately $136,222,000, and net patient service revenues from USA Health during such period were approximately $416,034,000. See Appendix A.

Summary Enrollment Profile - Fall 2017
(excluding Medical Residents)

	Fall 2017	
	Number	Percent
College of Arts and Sciences	3,398	21.8%
College of Education	2,068	13.3%
College of Engineering	1,637	10.5%
College of Medicine	341	2.2%
College of Nursing	4,227	27.2%
Covey College of Allied Health Professions	1,855	11.9%
Graduate School	41	0.3%
Mitchell College of Business	1,371	8.8%
School of Computing	631	4.0%
Total*	15,569	100.0%

* Excludes [____] medical residents.

Through its ten colleges and schools, the University awards the bachelor's degree in fifty-four majors or areas, the master's degree in thirty-four majors or areas and the doctorate degree in fourteen majors or areas. In addition, post-secondary certificates are offered in eleven areas. In addition to the traditional on-campus

course offerings, the University offers over four hundred and fifty online courses to fit the needs of a diverse student body. Twelve degree programs are also offered online, with four of those being offered only online.

Financial

The following section contains certain financial information for the University, including a comparison of the revenues, expenses and changes in net position for the fiscal years 2014 through 2018.

Condensed Schedules of Revenues, Expenses, and Changes in Net Position (in thousands)

	2014	2015	2016	2017	2018
Operating revenues:					
Tuition and fees	$104,448	$120,265	$137,074	$142,024	$136,222
Net patient service revenue	268,449	271,655	360,657	390,931	416,034
Federal, state and private grants and contracts	76,719	85,756	38,187	36,853	34,093
Other	54,010	78,845	88,943	92,674	66,730
Total	503,626	556,521	624,861	662,482	653,079
Operating expenses:					
Salaries and benefits	419,966	433,679	460,219	483,113	486,156
Supplies and other services	158,615	169,873	198,518	219,362	255,145
Other	55,397	57,476	65,530	64,942	78,081
Total	633,978	661,028	724,267	767,417	819,382
Operating loss	(130,352)	(104,507)	(99,406)	(104,935)	(166,303)
Nonoperating revenues (expenses):					
State appropriations	103,695	103,974	105,024	107,332	108,268
Investment income (loss)	8,206	(10,718)	2,631	18,398	17,857
Other, net	14,475	13,259	8,135	20,613	22,674
Net nonoperating revenues	126,376	106,515	115,790	146,343	148,799
Income (loss) before capital appropriations, capital contributions, grants, and additions to endowment	(3,976)	2,008	16,384	41,408	(17,504)
Capital appropriations, capital contributions, grants and additions to endowment	10,536	7,231	9,521	6,417	16,770
Change in net position	6,560	9,239	25,905	47,825	(734)
Beginning net position, before cumulative effect of change in accounting principle	492,990	499,550	195,052	217,994	265,819
Cumulative effect of change in accounting principle	-	(313,737)[1]	(2,963)	-	(229,687)[2]
Beginning net position- as adjusted	492,990	185,813	192,089	217,994	36,132
Ending net position	$499,550	$195,052	$217,994	$265,819	$35,398

[1] Reflects the University's share of unfunded pension liability as required to be reported pursuant to GASB 68.

[2] Active and retired employees of the University are covered by the Public Education Employees Health Insurance Plan ("PEEHIP"), which is a cost sharing multiple-employer defined benefit other post-employment benefit ("OPEB") plan administered by the Teachers Retirement System of Alabama. Alabama law requires the Public Education Employees Health Insurance Board to create an irrevocable trust to fund OPEB benefits to retirees participating in PEEHIP. In 2018, the University adopted the provisions of GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* ("GASB 75"). GASB 75 requires that the University recognize its proportional share of net OPEB liability, based on an actuarial valuation, and the OPEB expense, in the University's financial statements. See Appendix A – Note 1(bb) and Note 13.

The University's audited financial statements for the year ended September 30, 2018 are attached as Appendix A.

Faculty and Staff

Faculty and staff employees for the University were as follows at September 30 for the years shown:

	2017	2016	2015	2014	2013
Full-time faculty by rank:					
Professor	187	180	182	200	200
Associate Professor	179	194	191	186	174
Assistant Professor	336	313	302	267	271
Instructor	142	145	132	121	127
Lecturer	1	1	-	2	2
TOTAL	845	833	807	776	774
Full-time faculty by length of service:					
Up to 2 years	215	205	193	152	142
3-4 years	107	102	88	80	54
5-9 years	151	163	162	186	207
10-14 years	155	147	158	135	135
15+ years	217	216	206	223	236
TOTAL	845	833	807	776	774
Percent of faculty tenured	31.7%	33.3%	33.5%	36.3%	37.9%
Part-time faculty	428	429	381	364	345
Non-faculty	4,611	4,666	4,535	4,365	4,187
Total University employees	5,866	5,911	5,723	5,505	5,306

Student Enrollment and Trends

Total student enrollment by head count was as follows for the semesters shown.

	Fall 2017	Fall 2016	Fall 2015	Fall 2014	Fall 2013
Undergraduate	10,975	11,740	11,456	11,404	11,224
Graduate/Professional	4,581	4,682	4,687	4,326	3,758
Unclassified	13	21	68	75	83
Total	15,569	16,443	16,211	15,805	15,065

Applications, acceptances and matriculations for freshmen students:

	Fall 2017	Fall 2016	Fall 2015	Fall 2014	Fall 2013
Applications	5,855	6,087	6,558	5,541	4,740
Acceptances	4,798	4,882	5,111	4,615	4,068
Matriculations[(1)]	1,843	1,904	2,038	2,000	1,804
Percent of applicants accepted	81.9%	80.2%	77.9%	83.3%	85.8%
Percent of applicants enrolled	31.5%	31.3%	31.1%	36.1%	38.1%

(1) Reflects only first-time freshmen that started in the fall semester indicated.

Total enrollment by full-time equivalent:

	Fall 2017	Fall 2016	Fall 2015	Fall 2014	Fall 2013
Undergraduate	9,804	10,400	10,064	9,838	9,577
Graduate/Professional	3,669	3,858	3,751	3,507	3,063

Total	13,473	14,258	13,815	13,345	12,640

Retention rate for full-time freshmen entering in:

	Fall 2016	Fall 2015	Fall 2014	Fall 2013	Fall 2012
Number matriculated[(1)]	1,955	2,082	2,030	1,825	1,886
Number returned	1,517	1,524	1,481	1,297	1,280
Retention rate	77.6%	73.2%	73.0%	71.1%	67.9%

[(1)] Includes first-time freshmen that started in the fall semester indicated, plus first-time freshmen that started in the immediately preceding summer semester and reenrolled in the fall semester indicated.

Graduation Rates

Cumulative Graduation Rate:

Fall	Number	Four Years		Five Years		Six Years	
Class	Matriculated	Number	Percent	Number	Percent	Number	Percent
2011	1,826	342	18.7%	599	32.8%	726	39.8%
2010	1,654	262	15.8%	493	29.8%	623	37.7%
2009	1,711	244	14.3%	494	28.9%	607	35.5%
2008	1,495	230	15.4%	430	28.8%	551	36.9%
2007	1,418	200	14.1%	381	26.9%	471	33.2%
2006	1,317	190	14.4%	392	29.8%	486	36.9%

Test Scores

Average ACT scores of matriculated students for years shown:

Fall 2017	Fall 2016	Fall 2015	Fall 2014	Fall 2013
23.4	23.5	22.8	22.9	22.9

Geographic Concentrations of Students

	Fall 2017	Fall 2016	Fall 2015	Fall 2014	Fall 2013	Fall 2012
Mobile County	5,655	6,088	6,364	6,718	6,283	6,455
Baldwin County	1,366	1,328	1,366	1,364	1,390	1,449
Other Alabama counties	3,278	3,186	3,005	2,704	2,822	2,582
Florida	1,033	1,066	1,109	1,024	920	836
Mississippi	1,147	1,217	1,241	1,297	1,424	1,331
Other states in the U.S.A.	2,353	2,363	2,243	2,030	1,770	1,457
International	737	1,195	883	668	456	526
Total	15,569	16,443	16,211	15,805	15,065	14,636

Main Schools in Competitive Group and Listed Tuition – 2017-2018 Academic Year:

	Undergraduate		Graduate	
	Resident	Non-Resident	Resident	Non-Resident
University of South Alabama	$ 7,812	$ 15,324	$ 7,578	$ 15,156
In-state reference group[3]:				
Alabama A & M University	9,857	18,236	8,379	16,758
Alabama State University	11,068	19,396	7,408	14.832
Athens State University	5,940	11,880	N/A	N/A
Auburn University	10,968	29,640	9,342	28,026
Troy University	8,692	16,276	7,506	15,012
University of Alabama	10,780	28,100	10,780	28,100
University of Alabama at Birmingham	8,328	19,032	7,866	17,910
University of Alabama in Huntsville	10,280	21,480	10,224	22,696
Mean of in-state reference group	9,489	20,505	8,663	20,476
Regional reference group[4]:				
University of Southern Mississippi	8,218	10,218	8,108	8,108
University of New Orleans	8,484	13,320	6,090	10,660
University of West Florida	6,360	19,241	7,088	22,166
Mean of regional reference group	7,687	14,260	7,095	13,645

Certain Fees and Charges

The following shows the fee schedule for Undergraduate and Graduate Arts and Sciences majors for the periods shown. The course fees for other majors are slightly higher. Except as otherwise indicated, course fees are per semester hour. Graduate School does not include the College of Medicine.

	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Application fee	$35	$35	$35	$35	$35
Registration fee (charged only if enrolled in less than 15 semester hours)	150	150	150	150	150
Late registration fee	100	100	100	50	50
In-state course fee, per semester hour					
Undergraduate	329	313	302	293	287
Graduate	442	421	407	395	387
Out-of-state course fee, per semester hour					
Undergraduate	658	626	604	586	574
Graduate	884	842	814	790	774

Source: National Center for Education Statistics

College of Medicine

Fees and certain charges for the College of Medicine were as follows for the periods indicated:

	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Application fee	$75	$75	$75	$75	$75
Resource fee	436	436	400	400	400
Course fee, academic year					
In-state	31,004	30,101	29,083	28,236	27,682
Out-of-state	62,008	60,202	58,166	56,472	55,361

Degrees Awarded

The University awarded the following degrees for the academic years ending May 31 for the years shown below:

	2018	2017	2016	2015	2014
Baccalaureate	2,080	2,066	1,996	1,815	1,848
Masters	1,209	1,253	1,080	987	748
Para-professional certificates	273	188	169	190	204
Professional:					
M.D.	73	70	73	74	63
Ph.D.	21	29	28	15	22
Au.D.	11	11	10	10	8
D.P.T.	40	40	37	33	37
D.N.P.	185	96	135	90	63
D.B.A	2	2	3	0	0
D.Sc.	2	0	1	0	0
Ed.D.	10	8	1	0	0
Total	3,906	3,763	3,533	3,214	2,993

Student Financial Aid

The University awarded and paid financial aid at the following levels for the following academic years, as follows:

	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Federal government:					
Student Loans	$128,510,503	$129,303,631	$118,370,532	$109,104,484	$101,295,448
Grants	21,855,448	20,719,720	20,258,516	19,247,942	18,592,534
Student employment	295,491	277,393	329,675	382,537	197,316
University:					
Loans	169,711	202,621	137,311	199,056	184,938
Scholarships	26,338,719	25,093,131	18,924,943	17,498,850	15,737,193
Total	$177,169,872	$175,596,496	$158,020,977	$146,432,869	$136,007,429

GOVERNING BODY

State law provides for a Board of Trustees as the governing body of the University with all of the 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, Alabama. The Board of Trustees consists of sixteen members. The Governor is the ex officio President of the Board of Trustees. Three members of the Board of Trustees are appointed from Mobile County. Five members are appointed from the State at large. Two members are appointed from the United States at large. One member is appointed from each of the following state senatorial districts, or combinations thereof, as those districts were designated at the time the University was organized: (1) Sixteenth and Seventeenth Districts; (2) Nineteenth and Twentieth Districts; (3) Twenty-first District; (4) Twenty-third, Twenty-fifth, and Thirtieth Districts; and (5) Thirty-fifth District. All Trustees except ex officio members are appointed by the Governor by and with the advice and consent of the State Senate, and hold office for a term of six years and until their successors shall be appointed and qualified. The present members of the Board of Trustees are as follows:

Name of Trustee	Occupation	Current Term Expires
Katherine Alexis Atkins	Businesswoman	September 30, 2019
Dr. Scott A. Charlton	Physician	September 30, 2021
Mr. E. Thomas Corcoran	Businessman	September 30, 2021
Dr. Steven P. Furr	Physician	September 30, 2023
William Ronald Graham	Business Administration	September 30, 2023
Mr. Robert D. Jenkins, III	Businessman	September 30, 2019
Mrs. Arlene Mitchell	Philanthropist and Civic Volunteer	September 30, 2021
Lenus M. Perkins	Business Administration	September 30, 2023
Mr. James H. Shumock	Businessman	September 30, 2021
The Honorable Kenneth O Simon	Attorney	September 30, 2019
Mrs. Chandra Brown Stewart	Business Administration	September 30, 2019
Dr. Steven H. Stokes	Physician	September 30, 2023
Margie Malone Tuckson	Business Administration	September 30, 2023
Mr. Michael P. Windom	Attorney	September 30, 2019
Mr. James A. Yance	Attorney, Retired	September 30, 2021
The Honorable Kay Ivey	Governor, State of Alabama	Ex Officio

The organization below the Board of Trustees is composed of the President and seven Vice Presidents: Executive Vice President; Provost and Senior Vice President for Academic Affairs; Vice President for Development and Alumni Relations; Vice President for Student Affairs; Vice President for Medical Affairs and Dean of the College of Medicine; Vice President for Research and Economic Development; and Vice President for Finance and Administration.

The Board of Trustees appoints the President of the University. Dr. Tony G. Waldrop has served as President of the University since April 1, 2014. Dr. Waldrop is the third President in the history of the University. Dr. Waldrop came to the University after serving four years as provost and executive vice president at the University of Central Florida, and prior roles as vice chancellor for research and economic development at the University of North Carolina and vice chancellor for research at the University of Illinois. Dr. Waldrop received his Ph.D. from University of North Carolina.

G. Scott Weldon is the Vice President for Finance and Administration. Mr. Weldon oversees the Finance and Administration Division of the University, which is collectively responsible for developing and overseeing the budget process, treasury and accounting, financial planning and analysis, facilities, human resources, internal audit, risk management and the telecommunications systems for the University. Prior to his appointment as Vice President for Finance and Administration in October 2015, Mr. Weldon served as Assistant Vice President for Finance and Administration at the University. Mr. Weldon received his B.S. from the University of Alabama.

HEALTH CARE SYSTEM

USA Health, a division of the University, is an academic medical center which consists of two academic tertiary medical centers, a cancer institute and a physician faculty practice. USA Health University Hospital ("USAUH") is a 406-Licensed bed tertiary care center with the region's only Level 1 trauma center and burn center. Recognized as a top performer on key quality measures, USAUH offers advanced treatment of stroke, cardiovascular disease and sickle cell disease. Patients treated at USAUH tend to require medically complex and extensive care and treatment. USAUH has seen a 50% increase in gastroenterology cases from 2013-2018. This growth is a result of USAUH's focus on research and services unique to the region, as well as high patient satisfaction ratings. During this same period, surgery cases at USAUH increased by 14% and the total number of patients seen in the USAUH Emergency Department increased 8%. In the last quarter of fiscal year 2018 USAUH added 20 inpatient beds and 4 additional outpatient operating rooms

Gross Revenues of USAUH for the last seven fiscal years were as follows:

Year	Gross Revenues
2018	$474,193,133
2017	470,741,917
2016	406,528,233
2015	360,250,280
2014	348,119,160
2013	328,142,373
2012	308,341,443

USACW is a 152-bed hospital dedicated to providing services to children and women. From 2013 to 2018, USACW has experienced a 2.9% increase in average daily census, a 37.8% increase in surgeries, and a 2.6% increase in deliveries. In 2017, USACW delivered 2,624 babies, which is 41% of the babies born in Mobile County. The overall birth rate for Mobile County fell 1.7% from 2014 to 2017. The services provided by USACW are among those provided by fewer than five hospitals nationwide that are dedicated solely to the provision of care for both children and women. USACW has the region's only Neonatal ICU unit, Pediatric ICU unit, 24-hour Pediatric Evaluation Unit, High-risk Obstetrics program and Pediatric Surgery Anesthesia Services. USACW also supports the teaching and research missions of the University of South Alabama. In 2015, the 195,000 square foot expansion of USACW was placed into service.

Gross Revenues of USACW for the last seven fiscal years were as follows:

Year	Gross Revenues
2018	$249,122,847
2017	243,090,525
2016	248,819,071
2015	241,114,324
2014	219,808,672
2013	203,746,723
2012	211,758,092

MCI is the only academic cancer research and treatment center in the upper Gulf Coast corridor. Providing cancer care to a catchment area of over 4.1 million persons in a 150-mile radius, MCI brings state-of-the art, research-based cancer treatment to the region, serving over 6,200 individual patients in the last year. Its capabilities span the entire continuum of cancer care, from prevention and early detection to treatment and survivorship. With over 250 employees and a highly skilled and trained team of oncologists, MCI is improving cancer outcomes for patients, particularly the most vulnerable residents of the county, state and

beyond. MCI provides cancer treatment in Mobile, Fairhope and, through Monroe County Hospital, Monroeville. For patients who are not candidates for traditional cancer therapy, MCI offers a host of clinical trials with over 200 patients enrolled in therapeutic clinical trials, approximately 35% of whom are minority patients. MCI has 20 Principal Investigators conducting research funded through the National Institutes of Health, the Department of Defense, the American Cancer Society and other foundations. As an integrated cancer treatment and research center, MCI provides innovative cancer care in a caring environment, while accelerating the research to enhance care delivery for future patients.

Gross Revenues of MCI for the last seven fiscal years were as follows:

Year	Gross Revenues
2018	$19,709,735
2017	19,933,067
2016	15,829,428
2015	18,048,802
2014	25,158,623
2013	22,038,595
2012	22,087,983

Comprised of more than 160 academic physicians on faculty at the USA College of Medicine, the Ambulatory Services physician faculty practice is the region's largest multi-specialty practice and the only academic physicians group along the central Gulf Coast. Ambulatory Services physicians practice throughout Mobile County, including at the University's hospital and clinic campuses and on the University's main campus. The Strada Patient Care Center, a 133,000 square foot building which was placed in service in December 2016 and is located near USACW, will provide 153 patient exam rooms, 16 nurses' stations, and 7 educational conference rooms. The collective mission of the Ambulatory Services health care providers is to deliver leading-edge care to patients and to support the larger mission of the USA College of Medicine in the education and training of students and resident physicians and in the advancement of medical care through medical research. Prior to July 1, 2016, Ambulatory Services was operated by the University of South Alabama Health Services Foundation (the "HSF"), a 501(c)(3) organization that has been included in the University's financial statements as a discretely presented component unit. As of July 1, 2016, Ambulatory Services activities were transferred by HSF to the University and the revenues and expenses of the faculty practice included in the University's Statement of Revenues, Expenses and Changes in Net Position. Gross charges by year from these activities were as follows:

Year	Gross Revenues
2018	$120,488,250
2017	125,686,741
2016	136,470,653

On May 2, 2017, the University formed the University of South Alabama Health Care Authority (the "HCA"). The HCA was formed pursuant to Section 16-17A-1 *et seq.*, otherwise known as the "University Authority Act." The University plans to utilize the HCA for certain administrative and personnel functions at USA Health. Medical practices conducted within HCA have generated revenues for USA. Although indebtedness issued by HCA would not be secured by Pledged Revenues under the Indenture, the University does not currently intend or expect the HCA to take title to any material health care assets of the University or to issue indebtedness.

KPMG audited and presented a 14 month report for HCA as of September 30, 2018. The report provides: The composition of patient revenue for the period of August 1, 2017 through September 30, 2018 is as follows: Gross Patient Service Revenue $27,454,776.

ACADEMIC MEDICAL CENTERS

Academic Medical Centers ("AMCs") throughout the United States face a changing dynamic healthcare environment. These changes include potential funding reductions from governmental entities and insurance companies, as well as a transition from productivity to value-based reimbursements.

As a result, AMCs are evaluating their business model and restructuring themselves in order to respond to the current and future healthcare environment. Nationwide, AMCs are evaluating partnerships with other AMCs or even non-AMC healthcare providers. Consistent with this national trend, the University, although in the very early stage, is proactively addressing its structure and governance with respect to these issues.

USA TECHNOLOGY & RESEARCH PARK

The USA Research and Technology Corporation (the "Corporation") was incorporated in 2002 as a not-for-profit corporation under the laws of the State of Alabama. The mission of the Corporation is to facilitate new and enhanced types of interaction between the University and the wider public and private sectors and to serve as a catalyst for regional development by furthering innovation and enterprise in a collaborative and principled fashion that respects and elevates the social and economic well-being of the community. The facilities of the Corporation are located on approximately 160 acres adjacent to the main campus of the University, an area known as the USA Technology & Research Park (the "Park"). The Corporation owns three buildings in the Park which together comprise approximately 222,300 square feet of space available for lease, with approximately 203,000 square feet currently under lease. Several of the achievements of the Corporation since its inception include:

- Total tenant employment (non-University) has grown to approximately 350, including approximately 50 University graduates. In addition, there were 10 student interns employed at the Park over the course of the past year.

FACILITIES

Current Facilities

The University has 5,285,340 gross square feet of inventory space presently in use, including the USA Baldwin County-Fairhop Campus, University Hospital, USA Springhill, and USA Children's and Women's Hospital. Existing main campus structures include the Administration Building; Instructional Laboratory Building; Library; Biomedical Library; Chemistry Building; Life Science Building; Health, Physical Education and Recreation Building; Student Center; Humanities Building; Medical Sciences Building; Multi-Purpose Arena; Performing Arts Building; Business Building; ; Student Services Building; Archaeology Building; Intramural Fieldhouse; Transportation Services Building; three Technology and Research buildings; Shelby Hall; Health Science; Dining Facility; Faculty Club; Academic Services; Mitchell Cancer Institute; Business Resource Center; Innovation in Learning Center; Education Services Building; Education and Outreach Building, and a variety of residence halls. The Bethel Theater, Mobile Townhouse, and Alumni Hall, all located on the campus, are renovated buildings of great historic value.

Historical details of construction, acquisition and renovations at the University campus are as follows:

Years of construction or acquisition	Gross Square Feet Constructed or Acquired	Gross Square Feet Renovated
Prior to 1960	1,091,119	207,676
1960-1969	813,280	302.671

1970-1979	1,046,420	192,963
1980-1989	595,710	81,712
1990-1999	277,443	-
2000-2009	550,333	153,575
2010-2015	714,605	502,204
2016-2018	196,430	208,402
Total	5,285,340	1,674,203

The campus is served by water, gas and electric utilities supplied by public utilities serving the greater Mobile metropolitan area.

Insurance

Claims for damages to the University's campus property are covered by the State Insurance Fund of the State of Alabama's Division of Risk Management. All buildings and contents are covered by the State Insurance Fund policy. The University uses two self-insured trust funds to pay general liability and professional liability claims. Injuries from work-related incidents to those employees covered by the University's self-insured health plan are covered by that plan. Work-related injuries to employees not covered by the health plan are reviewed by the State Board of Adjustment for final resolution.

Student Housing

With respect to on-campus student housing, 2,419 beds are available for occupancy in campus student residences. Over the last five years, occupancy rates have averaged 94%, with the Fall 2018 semester at 94%. Approximately 16% of total headcount enrollment occupied student housing for the Fall 2018 semester.

In addition to the 2,419 University-owned beds, there are four other non-University-owned, apartment-style housing complexes that focus on University students – one is located on campus, and the other two are located across major roads from campus. A fifth, non-University owned housing complex near the University has been announced. The on-campus complex was built on land leased by the University to the housing developer under a long-term lease, and the University is under no obligation to guarantee the financing or occupancy or any other revenue source with respect to the apartments. The off-campus complexes were built on land that is not owned by the University. The four complexes have a total of approximately 2,500 additional beds available for occupancy. Also, a new, 370 bed dormitory, opened on the campus of the University in the Fall of 2018.

SUMMARY INFORMATION RESPECTING STATE AND PRIVATE FUNDING

State Appropriations

The University has received appropriations from the State of Alabama for certain of its operating costs and other non-operating cash requirements, including capital expenditures. State appropriations may not lawfully be used for the payment of debt service on the Bonds, including the Series 2019 Bonds. There can be no assurance that future Legislatures will continue to make such appropriations, or, if made, that they will be timely or sufficient when added to operating revenues and General Fees, Auxiliary Enterprise Revenues, and Children's and Women's Hospital Revenues remaining after the payment of debt service, to cover in full, operating expenses of the University.

The following tabulation compiled by the University staff from University accounting records shows State appropriations to the University for the fiscal years ended September 30, 2012, through September 30, 2016:

Fiscal year ended September 30	Total Appropriations	
	Authorized	Received
2018	$107,284,718	$107,284,718
2017	107,284,717	107,284,717
2016	104,976,761	104,976,756
2015	103,973,584	103,973,584
2014	103,695,500	103,695,500

Endowment Assets

Endowment assets for the University are deposited both in the University and in the Foundation (described below). Net endowment assets in the accounts of the University at September 30, 2018 were $177,817,435. Of the net endowment assets, $ 58,078,570 are classified as restricted, nonexpendable, $62,209,715 are classified as restricted, expendable, and $ 57,529,150 are classified as unrestricted*. The Board of Trustees has an approved endowment management and investment policy that includes an established spending rate of 4.5% based on the 5-year moving average of net assets of endowments. In maintaining its endowment, it is the goal of the University to provide revenue while preserving principal to fund those projects which have been endowed for specific purposes. Net assets of endowments are allocated as follows at September 30, 2018:

Equities, Pooled direct investments and mutual funds	$81,579,404
Fixed income, pooled direct investments and mutual funds	50,370,241
Managed income alternative investments	35,428,392
Other	10,439,397
Total	$177,817,435

*

The University of South Alabama Foundation

The University of South Alabama Foundation (the "Foundation"), a legally separate entity, exists for the primary purpose of advancing the purpose of the University in furthering, improving, and expanding its properties, services, facilities, and activities. Its total assets at June 30, 2018, its most recent audited fiscal year-end, were $375,188,000, and its net assets were $374,210,000 at the same date. Assets are primarily invested in marketable securities (36%), timber and mineral properties (43%), and real estate (18%). Cash and non-cash distributions to the University over the past seven fiscal years are, as reported in the audited financial statements of the Foundation for the years ended June 30, 2012, through June 30, 2018, as follows:

2018	$9,703,000
2017	9,603,000
2016[1]	10,561,000
2015	4,731,000
2014	4,515,000

[1] In fiscal year 2010, the University and the Foundation executed a purchase and sale agreement calling for the University to sell approximately 327 acres on Mobile Bay, known as the Brookley campus, to the Foundation. The terms of the agreement required the Foundation to pay the University $20,000,000; $4,000,000 at closing and $4,000,000 annually thereafter through fiscal year 2015. The distribution for the Foundation's fiscal year ended June 30, 2016 reflects the Foundation's completion of its obligations under the purchase and sale agreement and corresponding increase in annual distributions to the University. For additional information regarding the sale of the Brookley campus, see Appendix A.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture, as heretofore amended and supplemented and as further amended and supplemented by the Fifteenth Supplemental Indenture, to which Indenture and Fifteenth Supplemental Indenture in their entirety reference is made for the detailed provisions thereof. Unless the context clearly indicates otherwise, all references herein shall be deemed to include the Series 2019 Bonds, the Outstanding Bonds, and any Additional Bonds hereafter issued under the Indenture.

As used in the following summary, the following definitions shall have the following respective meanings.

"*Annual Debt Service Requirement*" means, as of any date of determination, the amount of principal and interest maturing with respect to the then outstanding Bonds in such Bond Year; provided, (i) that the principal amount of any Bonds subject to a Mandatory Redemption Provision during such Bond Year shall, for purposes of this definition, be considered as maturing in the Bond Year during which such redemption is required and not in the Bond Year in which their stated maturity occurs; (ii) in the case of Bonds (whether outstanding or proposed to be issued) that bear interest at a variable or adjustable rate, the interest payable on such Bonds shall be calculated on the assumption that such Bonds bear interest at a fixed rate of interest estimated by a professional consulting firm or investment banking firm acceptable to the Trustee by reference to bonds of similar credit rating maturity and tax characteristics on the date such calculation is made; and (iii) for purposes of the foregoing formula, Bonds that are "deemed paid" under the Indenture shall not be deemed outstanding.

"*Bond Year*" means the period beginning November 2 in each calendar year and ending on November 1 of the next succeeding calendar year.

"*Interest Payment Date*" means (a) with respect to the Series 2019 Bonds, each [_____] 1 and [_____] 1, commencing [_____], and (b) with respect to any series of Additional Bonds, such date or dates as shall be specified in the Supplemental Indenture pertaining to such Additional Bonds as the dates for payment of interest of such Additional Bonds.

"*Mandatory Redemption Provision*" means any provisions that may be set forth in a Supplemental Indenture for mandatory redemption of any Additional Bonds at a redemption price equal to the principal amount thereof.

"*Principal Payment Date*" means (a) with respect to the Series 2019 Bonds, each [_____] 1 commencing [_____], and (b) with respect to any series of Additional Bonds, a date (which shall in every case be the first day of a Month) specified in the Supplemental Indenture pertaining to such Additional Bonds as a date for payment of principal of such Additional Bonds.

"*Supplemental Indenture*" means an agreement supplemental to the Indenture.

Special Funds

Bond Fund. The Indenture provides for the creation of a special trust fund called the "Bond Principal and Interest Fund." The University is required to pay into the Bond Fund, in addition to all other amounts required by the Indenture, the following:

(a) Contemporaneously with the issuance and sale of any of the Bonds and out of the proceeds derived from such sale, the University (or the Trustee on behalf of the University) is required to pay into the Bond Fund such part of the proceeds from the sale as is allocable to premium (if any) and accrued interest.

(b) On or before the Business Day next preceding each Interest Payment Date until the principal and the interest on the Bonds is paid in full, the University is required to pay into the Bond Fund, out of the Pledged Revenues, an amount equal to the sum of (i) the semiannual installment of interest that will mature on

the Bonds on the then next succeeding semiannual Interest Payment Date with respect thereto, plus (ii) the principal that will become due on the Bonds on the then next succeeding Principal Payment Date, plus (iii) the principal required to be redeemed on the next succeeding Principal Payment Date pursuant to any Mandatory Redemption Provision.

All moneys paid into the Bond Fund are required to be used only for payment of the principal of and the interest on the Bonds upon or after the respective maturities of such principal and interest and to redeem Bonds subject to a Mandatory Redemption Provision. If at the final maturity of the Bonds, however such Bonds may mature, there are in the Bond Fund moneys in excess of what is required to pay in full the principal of and the interest on the Bonds, then any such excess will be returned to the University.

Prior to the issuance of any Additional Bonds, there shall be executed and delivered a Supplemental Indenture containing a provision that the semiannual payments into the Bond Fund be adjusted to provide for such additional amounts as may be necessary to pay the principal of and interest on such Additional Bonds provided, however, that in making such adjustment the principal amount of any such Additional Bonds required by the terms of the Supplemental Indenture to be redeemed during any Bond Year shall be considered as maturing in the Bond Year during which such redemption is required and not in the Bond Year in which their stated maturity occurs.

Capitalized Interest Account. In the Indenture there shall be created a separate account into which capitalized interest from the sale of the Series 2019 Bonds will be deposited. The University shall use and apply funds in the Capitalized Interest Account for payment of interest on the Series 2019 Bonds prior to applying Pledged Revenues for such purpose.

Additional Bonds

The Indenture authorizes the issuance of Additional Bonds, subject to the provisions of the Indenture. Among the conditions to the issuance of any Additional Bonds are the following:

(a) Supplemental Indenture. Prior to the issuance of any Additional Bonds, there shall be executed and delivered a Supplemental Indenture containing: (i) a description of the Additional Bonds proposed to be issued, including the date, the aggregate principal amount, the series designation, the denomination or denominations, the interest rate or rates (or provisions for determining the same), the maturity or maturities and the form of such Additional Bonds, and any provisions for redemption thereof prior to their respective maturities; (ii) a statement of the purpose or purposes for which the Additional Bonds are proposed to be issued; and (iii) any other provisions that do not conflict with the provisions of the Indenture.

(b) Certificate as to Pledged Revenues. The item or items required by either of the following subparagraphs (i) or (ii):

(i) A certificate by the Vice President for Finance and Administration of the University certifying that the amount of Pledged Revenues received during the Fiscal Year next preceding the date of the issuance of the Additional Bonds then proposed to be issued was not less than 125% of the maximum Annual Debt Service Requirement with respect to the then current or any then succeeding Bond Year immediately following the issuance of the then proposed Additional Bonds, which certificate shall set forth the figures on which it is based and shall recite that the Pledged Revenues for such Fiscal Year specified therein were taken from the annual audit of the University for such Fiscal Year or, if such audit shall not have been completed for the most recent Fiscal year at the date of such certificate, were taken from the official records of the University, or

(ii) A Resolution or Resolutions adopted by the University after the commencement of the Fiscal Year next preceding the issuance of the then proposed Additional Bonds either (i) increasing the General Fees, or (ii) levying new fees and charges of a type or kind different from the General Fees, or (iii) a combination thereof, accompanied by a certificate of the Vice President for

Finance and Administration stating that if the increased General Fees or the new fees set forth in the said Resolution or Resolutions had been in effect throughout the Fiscal Year next preceding the date of issuance of the then proposed Additional Bonds, the amount of Pledged Revenues during the Fiscal Year next preceding the date of issuance of the then proposed Additional Bonds would have been not less than 125% of the maximum Annual Debt Service Require1nent during the then current or any then succeeding Bond Year with respect to Bonds that will be outstanding immediately following the issuance of the then proposed Additional Bonds; and

(c) Opinion of Independent Counsel. An opinion dated on the date of issuance of such Additional Bonds, signed by Independent Counsel acceptable to the Trustee, approving the forms of all documents required above to be delivered to the Trustee and reciting that they comply with the applicable requirements set out above.

Maintenance of Pledged Revenues

The University has covenanted in the Indenture that, so long as any of the Bonds remain outstanding and unpaid, the University will fix, levy and collect General Fees and Auxiliary Enterprises Revenues from all students attending the University during each Fiscal Year in such amounts and at such times as shall be required to produce revenues sufficient to pay the principal of, unamortized premium, if any, and interest on the Bonds during the same Fiscal Year. No covenant with respect to the Children's and Women's Hospital Revenues has been made.

Supplemental Indentures

Supplemental Indentures Without Bondholder Consent. The University and the Trustee may at any time and from time to time enter into such Supplemental Indentures (in addition to such Supplemental Indentures as are otherwise provided for in the Indenture) as shall not be inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the University contained in the Indenture other covenants and agreements thereafter to be observed and performed by the University, provided that such other covenants and agreements may not either expressly or impliedly limit or restrict any of the obligations of the University contained in the Indenture;

(b) to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provisions contained in the Indenture or in any Supplemental Indenture or to make any provisions with respect to matters arising under the Indenture or any Supplemental Indenture for any other purpose if such provisions are necessary or desirable and are not inconsistent with the provisions of the Indenture or any Supplemental Indenture and do not adversely affect the interests of the holders of the Bonds;

(c) to subject to the pledge contained in the Indenture additional revenues or to identify more precisely any of the revenues of the University subject to the Indenture;

(d) to cause the Indenture to comply with the provisions of the Trust Indenture Act of 1939 or such other federal securities laws as may hereafter be applicable to the Indenture; or

(e) to provide for the issuance of Additional Bonds in accordance with the Indenture.

Any such Supplemental Indenture will not require the consent of any bondholders.

Supplemental Indentures Requiring Bondholders Consent. In addition to those Supplemental Indentures described above, the Indenture provides that the University and the Trustee may, at any time and from time to time, with the written consent of the holders of not less than a majority in aggregate principal amount of Bonds then outstanding, enter into such Supplemental Indentures as shall be deemed necessary or desirable by the University and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the term or provisions contained in the Indenture or in any Supplemental Indenture; provided that without the written consent of the Holder of each Bond affected, no reduction in the principal amount of, rate of interest on, or the premium payable upon the redemption of, any Bond shall be made; and provided, further, that, without the written consent of the holders of all the Bonds, none of the following shall be permitted:

(a) an extension of the maturity of any installment of principal of or interest on any Bond;

(b) any change in any Mandatory Redemption Provision;

(c) the creation of a lien or charge on the Pledged Revenues ranking prior to or (except in connection with the issuance of Additional Bonds) on a parity with the lien or charge thereon contained in the Indenture;

(d) the establishment of preferences or priorities as between the Bonds (but only with respect to the security provided for all Bonds); or

(e) a reduction in the aggregate principal amount of Bonds the holders of which are required to consent to such Supplemental Indenture.

Any Supplemental Indenture that requires the consent of the holders of the Insured Series 2019 Bonds or adversely affects the rights or interests of BAM shall also be subject to the prior written consent of BAM.

Upon the execution of any Supplemental Indenture under and pursuant to the provisions described above, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the University, the Trustee and all holders of the Bonds then outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

Defaults and Remedies

Events of Default under the Indenture include the following:

(a) failure by the University to pay principal of, the interest on or the premium (if any) on any Bond as and when the same shall become due, as provided therein and in the Indenture (whether such shall become due pursuant to any Mandatory Redemption Provisions or otherwise);

(b) failure by the University to perform and observe any of the agreements and covenants on its part contained in the Indenture (other than in the manner described in (a) above) which such failure continues for a period of not less than thirty (30) days after written notice of such failure has been given to the University by the Trustee or by the holders of not less than twenty-five percent (25%) in outstanding amount of Bonds, unless during such period or any extension thereof the University has commenced and is diligently pursuing appropriate corrective action; or

(c) determination by a court having jurisdiction that the University is insolvent or bankrupt, or appointment by a court having jurisdiction of a receiver for the University or for a substantial part thereof, or approval by a court of competent jurisdiction of any petition for reorganization of the University or rearrangement or readjustment of the obligations of the University under any provisions of the bankruptcy laws of the United or the State of Alabama.

Upon the occurrence of an Event of Default the Trustee shall have the following rights and remedies:

(a) Acceleration. The Trustee may, by written notice to the University and with the consent of the bond insurer respecting any Bonds then outstanding and insured thereby (including, without limitation, consent of BAM respecting acceleration of Insured Series 2019 Bonds), declare the principal of all the Bonds forthwith due and payable, and such principal shall thereupon become and be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding. If, however, the University makes good that default and every other default under the Indenture (except for those installments of principal declared due and payable that would, absent such declaration, not be due and payable), with interest on all overdue payments of principal and interest, and made reimbursement of all of the reasonable expenses of the Trustee, then the Trustee may (and, if requested in writing by the holders of a majority in principal amount of the then outstanding Bonds, shall), by written notice to the University, waive such default and its consequences, but no such waiver shall affect any subsequent default or right relative thereto.

(b) Mandamus and Other Remedies. The Trustee shall have the right of mandamus or other lawful remedy in any court of competent jurisdiction to enforce its rights and the rights of the holders of the Bonds against the University and any officers, agents or employees of the University, including but not limited to the right to require the University and its officers, agents or employees to perform and observe all of its or their duties under Section 16-3-28 of the Code of Alabama 1975, as amended.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuation of a default or an Event of Default, BAM shall be deemed the sole holder of the Insured Series 2019 Bonds and shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Series 2019 Bonds under the Indenture, and no default or Event of Default may be waived without the prior written consent of BAM.

Concerning the Trustee

The Trustee shall be under no obligation to institute suit or to take any proceedings under the Indenture or to enter any appearance or in any way defend in any suit in which it may be made defendant or to take steps in the execution of trust created or in the enforcement of any rights or powers under the Indenture, until it shall be indemnified to its satisfaction against any and all costs and expense, outlays and counsel fees and other reasonable disbursements and against all liability.

The Trustee shall not be liable in connection with the performance of its duties under the Indenture except for its gross negligence or willful misconduct.

The University has agreed to pay to the Trustee from time to time reasonable compensation for all services rendered by it under the Indenture, including the services of bond registrar and paying agent and also all of its reasonable expenses, charges, counsel fees and other disbursements and those of its attorneys and employees incurred in and about the performance of its powers and duties under the Indenture prior to the Bonds. Nothing contained in the Indenture or any supplemental indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it believes that the repayment of such funds or the making whole in respect of such liability is not reasonably assured to it.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Service, a division of the McGraw-Hill Companies, Inc. ("S&P"), have given the Series 2019 Bonds underlying ratings of "[_____]" and "[_____]", respectively. [____] is expected to assign the Insured Series 2019 Bonds (*i.e.*, those of the Series 2019 Bonds maturing [_____]) a rating of "[_____]" with the understanding that, upon delivery of the Insured Series 2019 Bonds, [___] will deliver the Policy to the Trustee.

The underlying rating provided by each of Moody's and S&P (collectively, the "Rating Agencies") reflects that Rating Agency's rating of the creditworthiness of the University with respect to obligations payable from the Pledged Revenues. The rating provided by [____] of the Insured Series 2019 Bonds reflects [____]'s current assessment of the creditworthiness of [___] and its ability to pay claims on its policies of insurance.

Any further explanation of the significance of such ratings may be obtained only from the appropriate Rating Agency. The University furnished to the Rating Agencies the information contained in this Official Statement and certain other information respecting the University and the Series 2019 Bonds. Generally, Rating Agencies base their underlying ratings on such materials and information, as well as on their own investigations, studies and assumptions.

The ratings indicated on the cover page are not recommendations to buy, sell or hold the Series 2019 Bonds, and any such ratings may be subject to revision or withdrawal at any time by the Rating Agencies. Any downward revision or withdrawal of any or all of such rating may have an adverse effect on the market price of the affected Series 2019 Bonds. Neither the University nor the Underwriters have undertaken any responsibility either to bring to the attention of the holders of Series 2019 Bonds any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

LITIGATION

To the best of the University's knowledge, there is no litigation pending or threatened (i) restraining or enjoining the issuance or delivery of the Series 2019 Bonds, (ii) contesting or affecting the validity of the Series 2019 Bonds or the proceedings or authority under which they are to be issued, (iii) contesting the creation, organization or existence of the University or the title of any of its present officials to their respective offices, or (iv) contesting the right of the University to enter into the financing documents to which it is a party or to secure the Series 2019 Bonds in accordance with the Indenture.

The University and its hospitals are immune from suit in medical malpractice matters; however such claims may still be brought against healthcare providers employed to provide such services on behalf of the University. These providers are insured by the University's Professional Liability Trust Fund. If a final judgment were entered in any professional liability action in an amount in excess of its insurance coverage, the University would not be liable for the excess.

The University has been notified by the Equal Employment Opportunity Office ("EEOC") of charges filed with the EEOC against the University or its employees. The charges arise from alleged employment practices or policies. Should a lawsuit arise out of such charges, they would be covered by the University's General Liability Trust Fund.

Finally, the University has been notified of claims filed against it in the State Board of Adjustment. None of the aforementioned charges or claims involve any significant sums in excess of the sums otherwise provided for and would not have an impact upon the collection of the Pledged Revenues. In the opinion of the University Attorney, the aggregate exposure of the University with respect to all pending claims and suits would not be material to the University's financial position.

LEGAL MATTERS

The Series 2019 Bonds will be issued subject to the approving opinion of Bradley Arant Boult Cummings LLP, Birmingham, Alabama, Bond Counsel to the University. It is anticipated that the opinion of Bond Counsel to the University will be in substantially the form set forth in Appendix B.

The various legal opinions to be delivered concurrently with the delivery of the Series 2019 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the authoring firm or attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction, and the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

General

In the opinion of Bradley Arant Boult Cummings LLP, Bond Counsel to the University, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2019-A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Series 2019-A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel to the University has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the University and others in connection with the Series 2019-A Bonds, and Bond Counsel to the University has assumed compliance with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2019-A Bonds from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Series 2019-A Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date and assumes no obligation to update its opinion after the issue date to reflect any future action, fact

or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2019-A Bonds.

Certain Ongoing Federal Tax Requirements and Covenants. The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the 2019-A Bonds in order that interest on the Series 2019-A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2019-A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2019-A Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The University has covenanted to comply under the Indenture with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2019-A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences. The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2019-A Bonds. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of any Series 2019-A Bonds. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of Series 2019-A Bonds.

Prospective owners of the Series 2019-A Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes. Interest on the Series 2019-A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Premium. The initial public offering price to be paid for certain of the Series 2019-A Bonds (the "Original Issue Premium Series 2019-A Bonds") is greater than the principal amount thereof. Under existing law, any owner who has purchased an Original Issue Premium Series 2019-A Bond in the initial public offering of the Series 2019-A Bonds is required to reduce his basis in such Original Issue Premium Series 2019-A Bond by the amount of premium allocable to periods during which he holds such Original Issue Premium Series 2019-A Bond, and the amount of premium allocable to each accrual period will be applied to reduce the amount of interest received by the owner during each such period. All owners of Original Issue Premium Series 2019-A Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Premium Series 2019-A Bond and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Premium Series 2019-A Bond.

Bank Qualification. The Series 2019-A Bonds have not been designated as "qualified tax-exempt obligations" under Section 265 of the Code.

Post-Issuance Matters. The tax-exempt status of the Series 2019-A Bonds could be affected by post-issuance events. *See* "SPECIAL CONSIDERATIONS RESPECTING THE SERIES 2019-A BONDS – Tax-Exempt Status of Series 2019-A Bonds" herein. The Indenture does not provide for mandatory redemption of the Series 2019-A Bonds or payment of any additional interest or penalty if a determination is made that the Series 2019-A Bonds do not comply with the existing requirements of the Code, if a subsequent change in law adversely affects the tax-exempt status of the Series 2019-A Bonds or the economic benefit of investing in the Series 2019-A Bonds, or if any other event or occurrence takes place that impacts the tax status of the Series 2019-A Bonds.

CONTINUING DISCLOSURE

Under a Continuing Disclosure Agreement, dated the date of the Series 2019 Bonds (the "Continuing Disclosure Agreement"), the University has agreed to provide or cause to be provided to the Municipal Securities Rulemaking Board (the "MSRB") using its electronic municipal market access system (referred to as "EMMA"), certain updated financial information and operating data annually, and timely notice of specified events for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule").

See Appendix C for a form of the Continuing Disclosure Agreement relating to the Series 2019 Bonds.

A failure by the University to comply with the Continuing Disclosure Agreement will not constitute an event of default under the Indenture. Beneficial owners of the Series 2019 Bonds are limited to the remedies described in the Continuing Disclosure Agreement. A failure by the University to comply with the Continuing Disclosure Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2019 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2019 Bonds and their market price.

Compliance with Prior Continuing Disclosure Agreements

In connection with the prior issuance of certain of the Outstanding Bonds, the University has entered into other continuing disclosure agreements under the Rule. During the past five years, the University has failed to file information required to be filed pursuant to those previous agreements. Audited financial statements for fiscal year 2012 were filed approximately one year late as part of the fiscal year 2013 financial report. Although the audited financial statements for fiscal year 2014 were filed timely, the filing did not link such financial statements to the University's Series 1999 Capital Appreciation Bonds. Certain supplemental financial and operating data required by the prior agreements was not timely filed through EMMA for the past five years. The University has not filed notices of late filings as required by the Rule.

Effective August, 2016, the University adopted new procedures intended to improve timeliness of its required filings under the Rule. In addition, the University made remedial filings with EMMA of (i) the fiscal year 2012 audited financial statements, (ii) the fiscal year 2014 audited financial statements to link to the Series 1999 Capital Appreciation Bonds, and (iii) the required supplemental financial and operating data. The University also has prepared a template into which all financial and operating data can be compiled into a single document for future filings.

THE UNIVERSITY UNDERTAKES NO OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD LOOKING STATEMENT AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHER INFORMATION.

STATE NOT LIABLE ON SERIES 2019 BONDS

The Series 2019 Bonds are limited obligations of the University payable solely out of, and secured by a pledge of, the Pledged Revenues. Neither the principal of nor the interest on the Series 2019 Bonds nor the aforesaid pledge or any other agreement contained in the Indenture shall constitute an obligation of any nature whatsoever of the State of Alabama, and neither the Series 2019 Bonds nor any obligation arising from said pledge or agreements shall be payable out of any moneys appropriated to the University by the State of Alabama.

FINANCIAL INFORMATION

Appendix A contains audited financial statements of the University for the fiscal year ended September 30, 2016. KPMG LLP, the University's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein as Appendix A, any procedures on the financial

statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

FORWARD LOOKING STATEMENTS

Certain statements contained in this Official Statement including, without limitation, statements containing the words "estimates," "believes," "anticipates," "expects," and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the University or other entities to which the forward-looking statements relate to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the University. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The University and the Underwriters disclaim any obligation to update any such factors or to publicly announce the results of any revision to any of the forward-looking statements contained herein to reflect future events or developments.

SPECIAL CONSIDERATIONS RESPECTING THE SERIES 2019 BONDS

General

An investment in the Series 2019 Bonds involves certain risks which should be carefully considered by investors. The sufficiency of Pledged Revenues to pay debt service on the Series 2019 Bonds may be affected by events and conditions relating to, among other things, general economic conditions, population in the University's basic service area, the demand for higher education, and legislative and administrative requirements on the University's operations.

Prospective investors should carefully examine this Official Statement and their own financial condition in order to make a judgment as to their ability to bear the economic risk of such an investment and whether or not the Series 2019 Bonds are an appropriate investment for them.

Holders of the Series 2019 Bonds should be aware that their rights and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases.

Limitations on Source of Payment, Security and Remedies

Limited Source of Payment. The Series 2019 Bonds will be limited obligations of the University, payable solely from, and secured by a pledge of, the Pledged Revenues. See "SECURITY AND SOURCE OF PAYMENT".

The Series 2019 Bonds will not be debts or obligations of the State of Alabama, and debt service on the Series 2019 Bonds will not be payable out of any money provided or appropriated to the University by the State of Alabama. Holders of the Series 2019 Bonds shall never have the right to demand payment of the

Series 2019 Bonds from the University from any source other than the special funds established under the Indenture and the Pledged Revenues and shall be entitled to payment from such sources only on a parity basis with all other bonds outstanding under the Indenture.

Additional Debt. All Bonds are secured on a parity by the lien on Pledged Revenues. If the University incurs additional debt secured by the Indenture, the security interest in Pledged Revenues for the benefit of Bondholders will in effect be diluted.

Hospitals Are Limited Use Facilities. The hospitals and other health care facilities of the University, which are operating assets of the University, are limited use facilities, suitable primarily for hospital or health care purposes. Consequently, the market for sale or other disposition of such facilities is limited. In the event of a sale of such facilities, whether in a bankruptcy proceeding or otherwise, the number of potential purchasers and the sale price may be affected by the limited possible use.

Limitation on Remedies Upon Default. The Indenture does not constitute a mortgage on or security interest in any properties of the University, and no foreclosure or sale proceedings with respect to any property of the University may occur. The University is exempt from all suits under the doctrine of sovereign immunity, but state law provides that agents and employees of the University may, by mandamus, be compelled to apply the Pledged Revenues to the payment of the Series 2019 Bonds in accordance with the terms of the Indenture.

The remedies available to the registered holders of the Series 2019 Bonds upon the occurrence of a default under the Indenture are in many respects dependent upon regulatory and judicial actions, which are often subject to discretion and delay. Under existing law, the remedies provided under the Indenture may not be readily available or may be limited, and no assurance can be given that a mandamus or other legal action to enforce payment under the Indenture would be successful. The various legal opinions to be delivered concurrently with the delivery of the Series 2019 Bonds will be qualified as to enforceability of the various legal instruments, limitations imposed by bankruptcy, reorganization, insolvency or similar laws affecting the rights of creditors generally and by judicial discretion applicable to equitable remedies and proceedings generally.

Health Care Industry Factors

The health care industry is subject to a number of factors that could adversely affect the business prospects of the University. Among those factors are the following:

The Health Care Industry is Highly Regulated. The health care industry is highly regulated by the federal and state governments. These regulations relate to areas such as the required delivery of care whether or not patients have the resources for payment, the quality of care and outcomes of health care services provided, excessive re-admission of patients, accuracy of billing and collecting for services rendered, privacy of patients and their health care information, and the relationship between providers and physicians who refer patients to the provider's health care facilities. For providers organized as charitable organizations under Section 501(c)(3) of the Internal Revenue Code there are additional regulations that must be satisfied to preserve tax-exempt status. The cost of compliance with these regulations is significant.

Payment Systems. The University's Health System derives most of its revenues from Medicare, Medicaid, Blue Cross and other third party payor programs. Such programs may provide payment for services rendered to their beneficiaries in an amount that is less than actual patient charges. These payment systems are complex, subject to periodic change, and require a high degree of accuracy in the billing and collecting process. Failure to submit accurate billing may result in large financial penalties or claims or disqualification from the program. Penalties or claims may be from governmental authorities, such as the Justice Department and the Office of Inspector General, independent auditing firms under contract with the government, or from private litigants under so-called "qui tam actions".

Alternate Payment Systems. The payment systems for health care services may be expanded to cover capitation or other coverage programs in which the providers assume the risk of health care services for a

defined population. The University currently does not provide coverage on a capitated basis; however, the development of such coverage programs in the University's market could force the University to assume increased risk for the amount and cost of services it provides.

Health Care Reform. In 2010, Congress adopted extensive health reform legislation commonly referred to as the Affordable Care Act (the "ACA"). This legislation attempts to extend commercial insurance coverage and Medicaid coverage to many patients not previously covered. The State of Alabama declined the ACA option to expand the Medicaid coverage, which reduces the amount of reimbursement that might otherwise be available to the health care facilities operated by the University. This legislation also imposes numerous operating and reporting requirements on health care providers. Implementation of the various ACA initiatives will take several years and will require extensive time and expense. Implementation has been and continues to be uncertain. It is expected that governments will continue to consider various reform proposals in the health care industry. If adopted, such proposals may subject health care providers like the University to increased compliance requirements, reduced reimbursement for services, increased costs, or a combination of such results. As has been widely reported, President Donald Trump and Congressional leadership have expressed their intention, and recently attempted, to repeal some or all of the ACA and to enact related legislation in its place. The impact of such efforts on the University cannot be gauged at this time.

Trend Toward Large-Deductible Insurance Policies. Coverage provided by insurance is trending toward large deductibles or self-insurance retention for patients, which reduces the required premiums, but increases out-of-pocket expense for the insured. These large deductible policies can be expected to increase the challenge of collecting for services rendered and may result in an increase of bad debt expense for health care providers.

Budgetary Pressure for Medicare and Medicaid Funding. Medicare and Medicaid are government-sponsored programs. Funding for those programs is subject to the legislative process of federal and state governments. The spending policies or deficit reduction initiatives of those governments have resulted in significant reductions in reimbursement for health care services in the past and can be expected to apply pressure on reimbursement for the foreseeable future.

Competition from Other Providers. The health care industry is highly competitive. Other health care providers may develop competing facilities or services in the University's service area. Competing facilities or services may include, among others, new hospitals, specialty hospitals, outpatient facilities, and managed care or insurance products. Other forms of competition could also affect the University's ability to maintain or improve its market share, including increasing competition (1) between physicians who generally use hospitals and non-physician practitioners such as nurse practitioners, chiropractors, physical and occupational therapists and others who may not generally use hospitals, and (2) from nursing homes, home health agencies, ambulatory care facilities, surgical centers, outpatient radiology centers, rehabilitation and therapy centers, physician group practices, and other non-hospital providers of many services for which patients generally rely on hospitals currently.

Capital Investment and Technology. The technology for diagnosis and treatment of patients changes rapidly and requires large capital investment on an ongoing basis in order for a health system to meet the needs of its patients.

Other Factors Affecting the Health Care Industry. In addition to the factors discussed above, the following additional factors, among others, may adversely affect the operations of health care providers, including the University:

(a) Increased efforts by insurers, private employers and governmental agencies to limit the cost of hospital services, to reduce the number of hospital beds and to reduce utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety, and outpatient care.

(b) Termination of existing agreements between a provider and employed physicians who render services to the provider's patients, or alteration of referral patterns by independent physicians and physician groups.

(c) The availability and cost of insurance or self-insurance to protect against malpractice and general liability claims.

(d) Environmental and hazardous waste disposal regulations.

(e) Future legislation and regulations affecting the tax-exempt status of governmental and 501(c)(3) hospitals or imposing additional requirements on qualification.

(f) The reduced need for hospitalization or other traditional health care services as a result of medical and other scientific advances.

(g) Imposition of wage and price controls for the health care industry.

(h) The availability of or cost of retaining nursing, technical or other health care personnel.

(i) The spread of any bacteria, virus or infectious disease that is resistant to existing drugs or medical treatment.

(j) Reduction in population, increased unemployment or other adverse economic conditions in the market.

Factors Affecting Academic Medical Centers

Academic medical center hospitals, like those operated by the University, are subject to certain negative credit factors that do not affect other not-for-profit hospitals. Among those factors are the following:

Special Revenue and Expense Challenges. The research and teaching divisions at academic medical centers often operate at break-even or deficit levels. Funding these missions sometimes requires organizational subsidies that can detrimentally affect the hospital's overall operating performance. Fundraising, endowment spending and excess cash generated from patient care can be used to support the non-clinical departments at an academic medical center, but these sources of funding may not be enough to offset the drag on operating funds.

Negative Reimbursement Pressure from Medicare and Medicaid. The federal government has proposed a reduction in graduate medical education funding from CMS as one way to address federal budget challenges. Although funding cuts would impact all teaching hospitals with medical residents, academic medical centers would be disproportionately impacted due to higher numbers of residents and greater indirect cost payments for high acuity services performed. In addition, securing federal funding for research has become increasingly competitive among research institutions, primarily due to federal budget constraints. Changes in federal funding patterns could adversely affect academic medical centers and their ability to make debt service payments.

Inordinately High Exposure to Medicaid Patients. Many academic medical centers provide a disproportionate amount of charity care in their communities, which results in high exposure to Medicaid patients and receipt of Disproportionate Share Funding ("DSH"). Medicaid reimbursement cuts in recent years have disproportionately impacted academic medical centers. Additionally, reductions in DSH payments were mandated by the ACA beginning in 2016.

Increased Financial Support for Sponsoring University. Academic medical centers are increasingly facing requests for financial transfers to their associated universities to support strategic investments, program development and educational activities. These financial transfers are typically negotiated between the university and the hospital on an annual basis, and immediate needs at the university level could lead to a growing financial subsidy. These payments could adversely affect the academic medical center's operating performance.

State Proration

The State of Alabama appropriates money each year to the University for operating costs and non-operating cash requirements, including capital expenditures. Because the State is mandated by its constitution to operate with a balanced budget, the State occasionally has reduced its appropriations, through a process known as "proration", when its annual revenues are not expected to meet budgeted appropriations. It is expected that proration will be implemented from time to time in the future and, when proration does occur, the University may be required to implement various cost-saving measures in order to balance its own budget. Although proration may impact the University's budget, the Series 2019 Bonds are not payable from State appropriations.

Certain Factors Affecting Pledged Revenues

No representation can be made and no assurance can be given that receipts from the Pledged Revenues will be sufficient to make the required payment of debt service on the Series 2019 Bonds and to pay necessary operating expenses. The amount of Pledged Revenues collected by the University will be subject to a variety of factors that could adversely affect debt service coverage on the Series 2019 Bonds, including general economic conditions, population in the University's basic service area, the demand for higher education, and the impact of legislative and administrative requirements on the University's operations.

Tax-Exempt Status of Series 2019-A Bonds

It is expected that the Series 2019-A Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance. See "TAX MATTERS". It is anticipated that Bond Counsel to the University will render an opinion substantially in the form attached hereto as Appendix B, which should be read in its entirety for a complete understanding of the scope of the opinions and the conclusions expressed therein. A legal opinion expresses the professional judgment of the attorney rendering the opinion as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

The tax status of the Series 2019-A Bonds could be affected by post-issuance events. There are various requirements of the Internal Revenue Code that must be observed or satisfied after the issuance of the Series 2019-A Bonds in order for the Series 2019-A Bonds to qualify for, and retain, tax-exempt status. These requirements include appropriate use of the proceeds of the Series 2019-A Bonds, use of the facilities financed by the Series 2019-A Bonds, investment of bond proceeds, and the rebate of so-called excess arbitrage earnings. Compliance with these requirements is the responsibility of the University.

The Internal Revenue Service (the "IRS") conducts an audit program to examine compliance with the requirements regarding tax-exempt status. Under current IRS procedures, in the initial stages of an audit with respect to the Series 2019-A Bonds, the University would be treated as the taxpayer, and the owners of the Series 2019-A Bonds may have limited rights to participate in the audit process. The initiation of an audit with respect to the Series 2019-A Bonds could adversely affect the market value and liquidity of the Series 2019-A Bonds, even though no final determination about the tax-exempt status has been made. If an audit results in a final determination that the Series 2019-A Bonds do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2019-A Bonds.

In addition to post-issuance compliance, a change in law after the date of issuance of the Series 2019-A Bonds could affect the tax-exempt status of the Series 2019-A Bonds or the effect of investing in the Series 2019-A Bonds. For example, the federal government is considering various proposals to reduce federal budget deficits and the amount of federal debt, including proposals that would eliminate or reduce indirect expenditures made through various deductions and exemptions currently allowed by the income tax laws. The exemption for interest on tax-exempt bonds is one of the indirect expenditures that could be affected by a deficit reduction initiative. Some deficit-reduction proposals would eliminate the exemption for interest on

tax-exempt bonds. Other proposals would place an aggregate cap on the total amount of exemptions and deductions that may be claimed by a taxpayer, or a cap on the exemption for interest on tax-exempt bonds. Changes in the rate of the federal income tax, including so-called “flat tax” proposals, could also reduce the value of the exemption. Changes affecting the exemption for interest on tax-exempt bonds, if enacted, could apply to tax-exempt bonds already outstanding, including the Series 2019-A Bonds offered pursuant to this Official Statement, as well as bonds issued after the effective date of such legislation. It is not possible to predict whether Congress will adopt legislation affecting the exemption for tax-exempt bonds, what the provisions of such legislation may be, whether any such legislation will be retroactive in effect, or what effect any such legislation may have on investors in the Serie 2019-A Bonds. Investors should consult their own tax advisers about the prospects and possible effect of future legislation that could affect the exemption for interest on tax-exempt bonds.

The Indenture does not provide for mandatory redemption of the Series 2019-A Bonds or payment of any additional interest or penalty if a determination is made that the Series 2019-A Bonds do not comply with the existing requirements of the Code, if a subsequent change in law adversely affects the tax-exempt status of the Series 2019-A Bonds or the economic benefit of investing in the Series 2019-A Bonds, or if any other event or occurrence takes place that impacts the tax status of the Series 2019-A Bonds.

The United States Bankruptcy Code

Chapter 9 of Title 11 of the United States Code, 11 U.S.C. 101, et seq. (the "Bankruptcy Code") permits a political subdivision, public agency or instrumentality of a State to file a petition for relief in federal bankruptcy courts if the subdivision, agency or instrumentality is insolvent within the meaning of Chapter 9 and is authorized under applicable state law to seek such relief. The University, as an instrumentality of the State of Alabama, meets the initial eligibility requirement for a debtor under Chapter 9 of the United States Bankruptcy Code, as set forth at 11 U.S.C. §109(c)(1), because it is a “municipality” as defined at 11 U.S.C. §101(40), but the University is not expressly authorized by Article XIV, Section 266 of the Alabama Constitution of 1901 or by §16-48-1 et seq. of the Code of Alabama 1975, as amended, to initiate a Chapter 9 proceeding. Therefore, absent enactment of legislation by the Alabama Legislature that specifically authorizes a filing by the University, or by all instrumentalities of the State of Alabama, the University does not appear to be eligible to be a “debtor” under Chapter 9 of the United States Bankruptcy Code.

Nonetheless, Chapter 9 has been rarely used, and there is little precedent concerning its interpretation or the interpretation of related state laws, so there can be no definitive assurance that the University would be prevented from filing a petition for relief under Chapter 9, and if it did so, what relief would be provided. For example, Chapter 9 of the Bankruptcy Code provides certain protections to creditors whose debts are secured by pledged special revenues; however, because of the limited precedent available with respect to Chapter 9, it is possible that a federal bankruptcy court could reject or circumscribe certain of these provisions under the facts of a specific case.

It should be noted that Section 922(d) of Chapter 9 of the Bankruptcy Code provides that a bankruptcy petition does not operate as a stay of "application of pledged special revenues" to the payment of indebtedness secured by such revenues in a manner consistent with other provisions of the Bankruptcy Code. Without limitation, section 928 of the Bankruptcy Code provides that special revenues acquired by the debtor after commencement of a chapter 9 case remain subject to any lien resulting from any security agreement entered into by the debtor before commencement of the case, but further provides that any such lien on special revenues (other than municipal betterment assessments) derived from a project or system shall be subject to "the necessary operating expenses of such project or system." It is not clear whether the pledge of Pledged Revenues made by the University for the benefit of the Series 2019 Bonds would constitute "special revenues" as that term is defined in section 902(2) of the Bankruptcy Code. Moreover, the phrase "application of pledged special revenues" has given rise to arguments that the provisions of section 922(d) apply only to funds in possession and control of the debtholders, or their trustee. Therefore, it is uncertain whether or not the filing of a chapter 9 petition (if the University had such power under Alabama law) would affect application of Pledged Revenues for the payment of principal and interest on the Series

2019 Bonds. Similarly, it is uncertain whether section 928 of the Bankruptcy Code would control the claims of holders of the Series 2019 Bonds with respect to the Pledged Revenues.

As a "municipality" within the meaning of the United States Bankruptcy Code, the University's eligibility to be a debtor is governed solely by 11 U.S.C. §109(c). A "municipality" within the meaning of Chapter 9 of the United States Bankruptcy Code cannot seek relief as a "debtor" under other chapters of the Bankruptcy Code, including without limitation Chapters 7 and 11.

The approving legal opinion of Bond Counsel to the University will contain the customary reservation that the rights of the holders of the Series 2019 Bonds and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, sovereign immunity, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases. See the proposed form of approving legal opinion set forth in Appendix B – "Proposed Form of Approval Opinion of Bond Counsel to the University."

FINANCIAL ADVISOR

PFM Financial Advisors LLC ("PFM") is employed by the University to perform professional services in the capacity of financial advisor. In its role as financial advisor to the University, PFM has provided advice on the plan of financing and structure of the Series 2019 Bonds, and reviewed certain legal and disclosure documents, including this Official Statement, for financial matters. PFM has not independently verified the factual information contained in this Official Statement, but relied on the information supplied by the University and other sources and the University's certification as to the Official Statement.

UNDERWRITING

The Series 2019-A Bonds are being purchased for reoffering by the underwriters shown on the front cover hereof (the "Underwriters") at an aggregate purchase price of $[_____] (representing the par amount of the Series 2019-A Bonds, less an underwriting discount of $[_____], plus [net] original issue [premium/discount] of $[_____]). The public offering price of the Series 2019-A Bonds as set forth on the inside of the cover page of this Official Statement may be changed from time to time by the Underwriters and the Underwriters may allow a concession from the public offering price to certain dealers.

The Series 2019-B Bonds are being purchased for reoffering by the Underwriters at an aggregate purchase price of $[_____] (representing the par amount of the Series 2019-B Bonds, less an underwriting discount of $[_____]). The public offering price of the Series 2019-B Bonds as set forth on the inside of the cover page of this Official Statement may be changed from time to time by the Underwriters and the Underwriters may allow a concession from the public offering price to certain dealers.

MISCELLANEOUS

The references herein to statutory provisions, the Indenture and other documents and instruments are summaries of certain provisions thereof and do not purport to be complete. For full and complete statements of such provisions reference is hereby made to the specific statutory provision, document or instrument to which such summary relates.

So far as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the owners of the Series 2019 Bonds.

The information contained in this Official Statement has been compiled or prepared from information obtained from sources believed to be reliable; however, the University makes no representation as to the accuracy or completeness of such information. The information and the expressions of opinion herein are subject to change without notice. Accordingly, neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that, since the date hereof, there has been no change in the affairs of the University or any other governmental agencies or entities discussed herein.

The distribution of this Official Statement and its use in the offering and sale of the Series 2019 Bonds have been approved by the governing body of the University.

UNIVERSITY OF SOUTH ALABAMA

/s/ G. Scott Weldon
Vice President for Finance and Administration

Dated: [_____, 2019]

APPENDIX A

AUDITED FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

APPENDIX B

PROPOSED FORM OF APPROVAL OPINION OF BOND COUNSEL TO THE UNIVERSITY

[Proposed Form of Approval Opinion of Bond Counsel]

[Closing Date]

Board of Trustees of the
University of South Alabama
Mobile, Alabama

Ladies and Gentlemen:

We have examined the Constitution and laws of the State of Alabama and certified copies of proceedings of the Board of Trustees of the University of South Alabama (herein called the "University") and other documents submitted to us pertaining to the authorization, issuance and validity of:

$_____	**$_____**
University of South Alabama	**University of South Alabama**
University Facilities	**Taxable University Facilities**
Revenue Bonds	**Revenue Bonds**
Series 2019-A	**Series 2019-B**

The statements hereinafter made and the opinions hereinafter expressed are based upon our examination of said constitution, laws, proceedings, and documents, which show as follows:

(1) that the above-referenced Series 2019-A Bonds (the “Series 2019-A Bonds”) and Series 2019-B Bonds (the “Series 2019-B Bonds” and, together with the Series 2019-A Bonds, the “Series 2019 Bonds”) have been issued under a University Facilities Revenue Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended and as further supplemented by a Fifteenth Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2019 Bonds between the University and The Bank of New York Mellon Trust Company, N.A., as successor trustee (said Indenture, as so supplemented and amended, herein called the "Indenture"), wherein there has been pledged for payment of all bonds issued thereunder so much as may be necessary therefor of (a) the proceeds of the general tuition fees levied against all students attending the University, (b) the gross revenues derived from auxiliary enterprises services furnished by the University, including, without limitation, 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 (collectively herein called the "Pledged Revenues"); and

(2) that the University is authorized under the Indenture to issue, without express limit as to principal amount but only upon compliance with certain conditions precedent specified in the Indenture, Additional Bonds (as such term is defined in the Indenture) secured by a pledge of the Pledged Revenues on a parity with all other bonds issued under the Indenture and at any time outstanding.

We are of the following opinion: that the University is a public body corporate under the laws of the State of Alabama and has corporate power to issue the Series 2019 Bonds and to execute and deliver the Indenture; that the Series 2019 Bonds have been duly authorized, executed and issued in the manner provided by the applicable provisions of the Constitution and laws of the State of Alabama, are in due and legal form and evidence valid and binding limited and special obligations of the University payable, as to principal and interest, solely out of the Pledged Revenues; that the payment of the principal of and the interest on the Series 2019 Bonds is secured on a parity with all Bonds (as such term is defined in the Indenture) previously issued under the Indenture and with any

other Additional Bonds hereafter issued under the Indenture by a pledge of the Pledged Revenues pro rata and without preference or priority of the Bonds of one series over those of another; that the said pledge is valid, subject to all lawful prior charges on the Pledged Revenues; and that the Indenture has been duly authorized, executed and delivered on behalf of the University. We are of the opinion that the interest on the Series 2019 Bonds is, under existing statutes and regulations as presently construed, exempt from Alabama income taxation.

We are further of the opinion that under the Internal Revenue Code of 1986, as amended (herein called the "Code"), as presently construed and administered, and assuming compliance by the University with its covenants pertaining to certain requirements of federal tax law that are set forth in the Indenture and the proceedings authorizing the issuance of the Series 2019-A Bonds, the interest on the Series 2019-A Bonds will be excludable from gross income of the recipient thereof for federal income tax purposes pursuant to the provisions of Section 103(a) of the Code and will not be an item of tax preference included in alternative minimum taxable income for the purpose of computing the minimum tax imposed by Section 55 of the Code. We call to your attention, however, that a portion of the interest income on the Series 2019-A Bonds will be included in the alternative minimum taxable income of corporations for the purpose of computing liability for the alternative minimum tax imposed by Section 55 of the Code.

We express no opinion regarding tax consequences arising with respect to the Series 2019 Bonds other than as expressly set forth herein.

We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement of the University relating to the Series 2019 Bonds. We express no opinion with respect to the federal tax consequences to the recipient of the interest on the Series 2019 Bonds under any provision of the Code not referred to above.

The rights of the holders of the Series 2019 Bonds and the enforceability of the Series 2019 Bonds and the Indenture are subject to all applicable bankruptcy, insolvency, reorganization, sovereign immunity, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and the exercise of judicial discretion in appropriate cases.

Neither the principal of nor the interest on the Series 2019 Bonds nor the aforesaid pledge or any other agreements contained in the Indenture constitute an obligation of any nature whatsoever of the State of Alabama, and neither the Series 2019 Bonds nor any obligation arising from said pledge or other agreements are payable out of any moneys appropriated to the University by the State of Alabama. The Indenture does not constitute a mortgage on any of the property of the University and no foreclosure or sale proceedings with respect to any property of the University shall ever be had under its authority.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

The University of South Alabama, a public body corporate under the laws of the State of Alabama (the "University"), has entered into this Agreement for the benefit of the holders of its University Facilities Revenue Bonds, Series 2019-A, in the aggregate principal amount of $[_____], and its University Facilities Revenue Bonds, Series 2019-B, in the aggregate principal amount of $[_____] (together, the "Bonds"). The University is the Obligated Person with respect to the Bonds.

Recitals

A. The Bonds are being issued pursuant to a University Facilities Revenue Trust Indenture dated as of February 15, 1996 (the said Indenture, as heretofore supplemented and amended and as further supplemented and amended by a Fifteenth Supplemental University Facilities Revenue Trust Indenture dated the date of the Bonds (the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

B. An Official Statement dated [_____, 2018] (the "Official Statement") has been prepared for distribution to prospective purchasers of the Bonds.

C. The Bonds are subject to the provisions of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), as amended. This Agreement is being entered into pursuant to the continuing disclosure requirements of the Rule.

D. Capitalized terms not otherwise defined in this Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with definitions in the Rule, in the Official Statement.

E. There is no Obligated Person with respect to the Bonds other than the University.

NOW, THEREFORE, for and in consideration of the premises, the University hereby covenants, agrees and binds itself as follows:

1. Financial Statements; Annual Report.

(a) The University will provide to the Municipal Securities Rulemaking Board (the "MSRB") the audited financial statements of the University, prepared in accordance with generally accepted accounting principles as applicable to the University, not later than 210 days after the close of each fiscal year of the University, beginning with the fiscal year ending September 30, 2019.

(b) The University will provide, not later than 210 days after the end of each fiscal year of the University, commencing with the fiscal year ending September 30, 2019, to the MSRB the following financial and operating data, unless such information is included in the filed audited financial statements (the "Annual Report"):

(1) the revenues from the general tuition fees the proceeds of which are pledged for payment of the Bonds;

(2) the revenues from the auxiliary enterprises fees the proceeds of which are pledged for payment of the Bonds;

(3) the schedule of undergraduate and graduate fees and Medical College fees;

(4) the number of students, by geographic classification, attending the fall term commencing within the fiscal year covered by the University Annual Report;

(5) the total State appropriations authorized and received.

(c) If the University's fiscal year is changed subsequent to the execution of this Agreement, the University shall provide timely notice of the change to the MSRB stating that its fiscal year has changed and specifying the new period constituting the University's fiscal year.

2. Event Notices. The University agrees to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, as required by the Rule, to the MSRB, notice of the occurrence of any of the following events (each a "Listed Event") with respect to the Bonds:

1. principal and interest payment delinquencies.

2. non-payment related defaults, if material.

3. unscheduled draws on debt service reserves reflecting financial difficulties.

4. unscheduled draws on credit enhancements reflecting financial difficulties.

5. substitution of credit or liquidity providers, or their failure to perform.

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. modifications of the rights of holders of the Bonds, if material.

8. bond calls, if material, and tender offers.

9. defeasances.

10. release, substitution or sale of property securing repayment of the Bonds, if material.

11. rating changes.

12. bankruptcy, insolvency, receivership, or similar event of the obligated person.

13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

15. [Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material.] [This paragraph 15 is only included if closing of Series 2019 Bonds is on or after February 27, 2019]

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.] [This paragraph 15 is only included if closing of Series 2019 Bonds is on or after February 27, 2019]

3. Additional Information. Nothing in this Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in

addition to that which is required by this Agreement. If the University chooses to disseminate information in addition to that required herein, whether by including such information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement or otherwise, the University shall have no obligation under this Agreement to update or continue to provide such information or include it in any future notice of occurrence of a Listed Event.

4. Form and Method of Filing. All filings to be provided hereunder to the MSRB shall be made by posting such information in electronic format on the MSRB's Electronic Municipal Market Access ("EMMA") system at http://emma.msrb.org accompanied by identifying information as prescribed by the MSRB. All such filings shall be made in conformity with the procedures and requirements established by the MSRB in effect at the time of such filing.

5. Beneficiaries; Limitation of Remedies Hereunder. This Agreement is for the benefit of the holders of the Bonds and shall be enforceable by such holders, subject to the limitations herein. The University shall never be subject to money damages in any sum or amount, whether compensatory, punitive or otherwise, for its failure to comply with its obligations contained herein. The only remedy available to the holders of the Bonds for breach by the University of its obligations hereunder shall be the remedy of specific performance or mandamus against the appropriate officials of the University to obtain performance of the University's obligations hereunder. No failure by the University to comply with the provisions of this Agreement shall be an event of default with respect to the Bonds under the Indenture.

6. Responsibility for Compliance.

(a) No person other than the University shall have any liability or responsibility for compliance by the University with its obligations under this Agreement. The Trustee has undertaken no responsibility with respect to any reports, notices or disclosures required by this Agreement or the Rule.

(b) The University will pay all costs incurred in connection with the performance of its obligations under this Agreement, including without limitation the fees and expenses of any dissemination agent, consultants, advisers, accountants, legal counsel or other persons that may be retained by the University to assist in the performance of the University's obligations.

7. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the University may amend this Agreement and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not cause the undertakings herein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

8. Termination. The University reserves the right to terminate its obligation to provide an Annual Report, audited financial statements and notices of material events, as set forth above, if and when the University no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

9. Contract Formed. This Agreement shall constitute a contract between the University and the holders from time to time and at any time of the Bonds, but no other person, firm or corporation shall have any rights hereunder.

[Balance of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been duly authorized by the University and has been executed by and on behalf of the University by its duly authorized officer, all as of the [____] day of [____], 2019.

UNIVERSITY OF SOUTH ALABAMA

By:_____

Its: _____

APPENDIX D

DTC PROCEDURES

DTC Book-Entry Only System

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2019 Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of each series of the Securities, in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 7A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from University or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Trustee, or University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of University or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to University or Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

THE UNIVERSITY, THE UNDERWRITERS AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2019 BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2019 BONDS, (2) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2019 BONDS, OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE SERIES 2019 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC OR DIRECT OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE UNIVERSITY, THE UNDERWRITERS NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE SERIES 2019 BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (3) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR PREMIUM, IF ANY, ON THE SERIES 2019 BONDS; (4) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND INDENTURE TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2019 BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

EXHIBIT IV

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

The University of South Alabama, a public body corporate under the laws of the State of Alabama (the "University"), has entered into this Agreement for the benefit of the holders of its University Facilities Revenue Bonds, Series 2019-A, in the aggregate principal amount of $[_____], and its Taxable University Facilities Revenue Bonds, Series 2019-B, in the aggregate principal amount of $[_____] (together, the "Bonds"). The University is the Obligated Person with respect to the Bonds.

Recitals

A. The Bonds are being issued pursuant to a University Facilities Revenue Trust Indenture dated as of February 15, 1996 (the said Indenture, as heretofore supplemented and amended and as further supplemented and amended by a Fifteenth Supplemental University Facilities Revenue Trust Indenture dated the date of the Bonds (the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

B. An Official Statement dated [_____, 2019] (the "Official Statement") has been prepared for distribution to prospective purchasers of the Bonds.

C. The Bonds are subject to the provisions of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), as amended. This Agreement is being entered into pursuant to the continuing disclosure requirements of the Rule.

D. Capitalized terms not otherwise defined in this Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with definitions in the Rule, in the Official Statement.

E. There is no Obligated Person with respect to the Bonds other than the University.

NOW, THEREFORE, for and in consideration of the premises, the University hereby covenants, agrees and binds itself as follows:

1. Financial Statements; Annual Report.

(a) The University will provide to the Municipal Securities Rulemaking Board (the "MSRB") the audited financial statements of the University, prepared in accordance with generally accepted accounting principles as applicable to the University, not later than 210 days after the close of each fiscal year of the University, beginning with the fiscal year ending September 30, 2019.

(b) The University will provide, not later than 210 days after the end of each fiscal year of the University, commencing with the fiscal year ending September 30, 2019, to the MSRB the following financial and operating data, unless such information is included in the filed audited financial statements (the "Annual Report"):

(1) the revenues from the general tuition fees the proceeds of which are pledged for payment of the Bonds;

(2) the revenues from the auxiliary enterprises fees the proceeds of which are pledged for payment of the Bonds;

(3) the schedule of undergraduate and graduate fees and Medical College fees;

(4) the number of students, by geographic classification, attending the fall term commencing within the fiscal year covered by the University Annual Report;

(5) the total State appropriations authorized and received.

(c) If the University's fiscal year is changed subsequent to the execution of this Agreement, the University shall provide timely notice of the change to the MSRB stating that its fiscal year has changed and specifying the new period constituting the University's fiscal year.

2. Event Notices. The University agrees to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, as required by the Rule, to the MSRB, notice of the occurrence of any of the following events (each a "Listed Event") with respect to the Bonds:

1. principal and interest payment delinquencies.

2. non-payment related defaults, if material.

3. unscheduled draws on debt service reserves reflecting financial difficulties.

4. unscheduled draws on credit enhancements reflecting financial difficulties.

5. substitution of credit or liquidity providers, or their failure to perform.

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. modifications of the rights of holders of the Bonds, if material.

8. bond calls, if material, and tender offers.

9. defeasances.

10. release, substitution or sale of property securing repayment of the Bonds, if material.

11. rating changes.

12. bankruptcy, insolvency, receivership, or similar event of the obligated person.

13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

15. [Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material.][1]

16. [Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.][1]

3. Additional Information. Nothing in this Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the University chooses to disseminate information in addition to that required herein, whether by including such information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement or otherwise, the University shall have no obligation under this Agreement to update or continue to provide such information or include it in any future notice of occurrence of a Listed Event.

4. Form and Method of Filing. All filings to be provided hereunder to the MSRB shall be made by posting such information in electronic format on the MSRB's Electronic Municipal Market Access ("EMMA") system at http://emma.msrb.org accompanied by identifying information as prescribed by the MSRB. All such filings shall be made in conformity with the procedures and requirements established by the MSRB in effect at the time of such filing.

5. Beneficiaries; Limitation of Remedies Hereunder. This Agreement is for the benefit of the holders of the Bonds and shall be enforceable by such holders, subject to the

[1] Paragraph 15 and 16 to be included only if the Series 2019 Bonds are issued on or after February 27, 2019.

limitations herein. The University shall never be subject to money damages in any sum or amount, whether compensatory, punitive or otherwise, for its failure to comply with its obligations contained herein. The only remedy available to the holders of the Bonds for breach by the University of its obligations hereunder shall be the remedy of specific performance or mandamus against the appropriate officials of the University to obtain performance of the University's obligations hereunder. No failure by the University to comply with the provisions of this Agreement shall be an event of default with respect to the Bonds under the Indenture.

6. Responsibility for Compliance.

(a) No person other than the University shall have any liability or responsibility for compliance by the University with its obligations under this Agreement. The Trustee has undertaken no responsibility with respect to any reports, notices or disclosures required by this Agreement or the Rule.

(b) The University will pay all costs incurred in connection with the performance of its obligations under this Agreement, including without limitation the fees and expenses of any dissemination agent, consultants, advisers, accountants, legal counsel or other persons that may be retained by the University to assist in the performance of the University's obligations.

7. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the University may amend this Agreement and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not cause the undertakings herein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

8. Termination. The University reserves the right to terminate its obligation to provide an Annual Report, audited financial statements and notices of material events, as set forth above, if and when the University no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

9. Contract Formed. This Agreement shall constitute a contract between the University and the holders from time to time and at any time of the Bonds, but no other person, firm or corporation shall have any rights hereunder.

[Balance of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been duly authorized by the University and has been executed by and on behalf of the University by its duly authorized officer, all as of the [____] day of [____], 2019.

UNIVERSITY OF SOUTH ALABAMA

By:_____

Its: _____

EXHIBIT V
FORM OF CERTIFICATE OF COMPLIANCE

This Certificate of Compliance is being delivered by the undersigned member of The Board of Trustees (the "Board") of The University of South Alabama (the "University"), in such member's capacity as a Designated Board Member, and by the undersigned [President of the University]/[Vice President for Finance and Administration], in such officer's capacity as a Designated Officer, with respect to the issuance by the University of its $_____ University Facilities Revenue Bonds, Series 2019-A [and its $_____ Taxable University Facilities Revenue Bonds, Series 2019-B (collectively, the "Series 2019 Bonds") under, pursuant to and in accordance with that certain resolution adopted on December 7, 2018 by the Board (the "Authorizing Resolution"). The Plan of Finance for the Series 2019 Bonds is described in the Authorizing Resolution. Capitalized terms used and not otherwise defined herein shall have the meaning ascribed thereto in the Authorizing Resolution.

Each of the undersigned does hereby declare, certify, establish and order, as follows:

1. The undersigned is a Designated Board Member or a Designated Officer as described and set forth in Section 10 of the Authorizing Resolution.

2. Each of the undersigned confirms and verifies that the Series 2019 Bonds have been sold and are to be issued in accordance with the Authorizing Resolution and the provisions of Section 2 thereof, and further approves the remaining details of the Plan of Finance for the Series 2019 Bonds.

IN WITNESS WHEREOF, this certificate and order has been executed on behalf of the Board and the University.

Dated: _____, 2019.

Designated Board Member	**Designated Officer**
By:_____	By:_____
Name: :_____	Name: :_____
Title: :_____	Title: :_____

UNIVERSITY OF SOUTH ALABAMA

BOARD OF TRUSTEES

COMMITTEE OF THE WHOLE

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

COMMITTEE OF THE WHOLE

August 30, 2018
4:03 p.m.

A meeting of the Committee of the Whole of the University of South Alabama Board of Trustees was duly convened by Judge Ken Simon, Chair *pro tempore,* on Thursday, August 30, 2018, at 4:03 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Alexis Atkins, Chandra Brown Stewart, Tom Corcoran, Steve Furr, Ron Graham, Ron Jenkins, Arlene Mitchell, Lenus Perkins, Jimmy Shumock, Ken Simon, Steve Stokes, Margie Tuckson, Mike Windom and Jim Yance.
Members Absent:	Scott Charlton and Kay Ivey.
Administration and Others:	Owen Bailey, Robert Berry, Lynne Chronister, Joel Erdmann, Mike Finan, Happy Fulford, Mike Haskins, David Johnson, Melva Jones, John Marymont, Mike Mitchell, Grace Newcombe (SGA), Pat Pigott, Matthew Reichert (Faculty Senate), John Smith, Margaret Sullivan, Jean Tucker, Tony Waldrop and Scott Weldon.
Media:	Alyssa Newton (WPMI) and Lawrence Specker (*al.com*).

The meeting came to order and the attendance roll was called. In accordance with the provisions of the Alabama Open Meetings Act, Chairman Simon called for a motion to hold an executive session for an approximate duration of 10 minutes for the purpose of discussing pending or imminent litigation with Ms. Jean Tucker, Senior University Attorney, whose required written declaration was submitted for the minutes (for copies of policies and other authorized documentation, refer to **APPENDIX A**). On motion by Mr. Yance, seconded by Ms. Brown Stewart, the Committee voted unanimously at 4:04 p.m. to convene an executive session, as recorded below:

AYES:
Ms. Atkins
Ms. Brown Stewart
Mr. Corcoran
Dr. Furr
Mr. Graham
Capt. Jenkins
Ms. Mitchell
Mr. Perkins
Mr. Shumock
Chairman Simon
Dr. Stokes
Ms. Tuckson
Mr. Windom
Mr. Yance

Following the executive session and there being no further business, the meeting was adjourned at 4:11 p.m.

Respectfully submitted:

_____
Kenneth O. Simon, Chair *pro tempore*

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

LONG-RANGE PLANNING COMMITTEE

August 30, 2018
3:54 p.m.

A meeting of the Long-Range Planning Committee of the University of South Alabama Board of Trustees was duly convened by Ms. Chandra Brown Stewart, Chair, on Thursday, August 30, 2018, at 3:54 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Chandra Brown Stewart, Ron Jenkins, Lenus Perkins, Jimmy Shumock, Steve Stokes and Mike Windom.
Other Trustees:	Alexis Atkins, Tom Corcoran, Steve Furr, Ron Graham, Arlene Mitchell, Ken Simon, Margie Tuckson and Jim Yance.
Administration and Others:	Owen Bailey, Robert Berry, Lynne Chronister, Joel Erdmann, Mike Finan, Happy Fulford, Mike Haskins, David Johnson, Melva Jones, John Marymont, Mike Mitchell, Grace Newcombe (SGA), Pat Pigott, Matthew Reichert (Faculty Senate), John Smith, Margaret Sullivan, Jean Tucker, Tony Waldrop and Scott Weldon.
Media:	Alyssa Newton (WPMI) and Lawrence Specker (al.com).

The meeting came to order and the attendance roll was called. Ms. Brown Stewart advised that the Committee participated in a training session earlier in the day with Associate Vice President for Institutional Effectiveness Dr. Angela Coleman, President Waldrop and Drs. Johnson and Smith. She stated an overview on the University's long-range planning process was provided, as was information on SACSCOC (Southern Association of College and Schools Commission on Colleges) standards applicable to governing boards. She said a training session on board responsibilities related to SACSCOC processes and board self-assessment would be held in December.

Ms. Brown Stewart commended the people of the University involved in facilitating community activities that inspire life change through higher education, as well as those responsible for the informative presentations prepared for the Board. She stated these efforts were representative of the strides being made on campus and at USA Health.

Ms. Brown Stewart called on Dr. Johnson to address **ITEM 20**, the 2018 Scorecard. Dr. Johnson gave background on scorecard principles and processes, presented a chart of scorecard metrics by strategic priority, and shared insight on the results. Mr. Bailey briefly commented on outcomes related to the Excellence in Health Care strategic priority.

There being no further business, the meeting was adjourned at 4:03 p.m.

Respectfully submitted:

_____
Chandra Brown Stewart, Chair

UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES

EXECUTIVE COMMITTEE

September 13, 2018
10:00 a.m.

A meeting of the Executive Committee of the University of South Alabama Board of Trustees was duly convened by Jimmy Shumock, Vice Chair, on Thursday, September 13, 2018, at 10:03 a.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present:	Chandra Brown Stewart, Jimmy Shumock and Jim Yance. Participating by telephone were Tom Corcoran, Steve Furr and Ken Simon.
Member Absent:	Arlene Mitchell.
Administration and others:	Joel Erdmann, Suzanne Goins, Mike Haskins, Randy Moon, Matthew Reichert (Faculty Senate), John Smith, Margaret Sullivan, Jean Tucker, Tony Waldrop and Scott Weldon.
Media:	Jeremiah Cain, Nicole Fierro and Alyssa Newton (WPMI); Dale Liesch (*Lagniappe*); Richard Narramore (*Vanguard); and* Lawrence Specker (*al.com*).

The meeting came to order and the attendance roll was called. Mr. Shumock called for remarks from President Waldrop regarding **ITEM 1** as follows. President Waldrop explained the purpose of moving forward with bids for Phase II construction of an on-campus football stadium and Mr. Randy Moon explained Phase II construction specifics. Mr. Shumock called for a motion to approve the resolution. On motion by Mr. Yance, seconded by Chairman Simon, the Committee voted unanimously to approve the resolution:

RESOLUTION
AUTHORIZATION OF PRESIDENT TO SEEK BIDS FOR PHASE II –
CONSTRUCTION OF ON-CAMPUS STADIUM

WHEREAS, it is the desire of the University of South Alabama Board of Trustees and University Administration to carry out the construction of an on-campus football stadium to be completed in time for the 2020 football season, and

WHEREAS, the University has committed that the funding for the stadium, and resulting debt service on bonded indebtedness incurred to construct the stadium, will come from a combination of the athletics department, auxiliary enterprises, and private funding, and

WHEREAS, the University has further committed that no funding for the stadium, and resulting debt service on bonded indebtedness incurred to construct the stadium, will be derived from tuition, fees or other levies placed on students, and

WHEREAS, in June 2018**,** the University of South Alabama Board of Trustees authorized the University President to execute a contract for site work for the construction of an on-campus football stadium, which is ongoing, and

WHEREAS, the stadium construction schedule required to meet the Fall 2020 football season requires that bids be issued and awarded as soon as possible, and

WHEREAS, the University is actively seeking private partners to assist in the funding of the stadium,

THEREFORE, BE IT RESOLVED, the Executive Committee of the Board of Trustees of the University of South Alabama authorizes the University President to issue bids for the construction of Phase II of the stadium. It is understood that prior to any bid award, the results of the bids will be presented to the full Board of Trustees for approval in a duly called meeting along with the current stadium funding plan.

There being no further business, the meeting was adjourned at 10:07 a.m.

Attest to: Respectfully submitted:

_____ _____

Kenneth O. Simon, Chair *pro tempore* James H. Shumock, Vice Chair