

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

MINUTES

JUNE 2, 2016

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

HEALTH AFFAIRS COMMITTEE

AUDIT COMMITTEE

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE

COMMITTEE OF THE WHOLE (ON BEHALF OF THE BUDGET AND FINANCE COMMITTEE)

JUNE 3, 2016

BOARD OF TRUSTEES

- 1 Approve: Minutes
- 2 Approve: 2016-2017 Meeting Dates
- 3 Report: President's Report

CONSENT AGENDA

- 4 Approve: USA Hospitals Credentials – February, March and April 2016
- 5 Approve: USA Hospitals Medical Staff Bylaws and Rules and Regulations, Revisions of April 19, 2016
- 7 Approve: Tenure and Promotion
- 15 Approve: Revision of USA's Endowment Funds Investment Policies and Guidelines
- 19 Approve: Reappointment of Directors of the USA Research and Technology Corporation
- 19.A Approve: Ground Lease to the USA Research and Technology Corporation
- 20 Approve: Contract Officers
- 21 Approve: Ratification of Line of Credit

HEALTH AFFAIRS COMMITTEE

Report: Steve Stokes, Chair

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

Report: Bettye Maye, Chair

- 8 Approve: Commendation of Dr. B. Keith Harrison
- 10 Approve: Tuition, Housing and Meal Plan
- 11 Report: Academic Affairs
- 12 Report: Student Affairs

AUDIT COMMITTEE

Report: John Peek, Chair

BUDGET AND FINANCE COMMITTEE

Report: Jimmy Shumock on behalf of Tom Corcoran, Chair

- 22 Approve: 2008 Bond Refunding Parameters

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE

Report: Jim Yance, Chair

OTHER

- 23 Approve: Election of Officers
- 24 Approve: Commendation of Dr. Steven P. Furr as Chair *Pro Tempore* Emeritus
Unveil Portrait

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

**June 3, 2016
10:00 a.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr, Chair *pro tempore*, on Friday, June 3, 2016, at 10:02 a.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Chandra Brown Stewart, Steve Furr, Ron Jenkins, Bettye Maye, Bryant Mixon, John Peek, Jimmy Shumock, Ken Simon, Sandy Stimpson, Steve Stokes, Mike Windom and Jim Yance.

Members Absent: Robert Bentley, Scott Charlton, Tom Corcoran and Arlene Mitchell.

Administration and Others: Andrea Agnew, Owen Bailey, Joe Busta, Lynne Chronister, Josh Crownover (SGA), Monica Ezell, Mike Finan, Happy Fulford, Lisa Furr, Stan Hammack, Krista Harrell, Keith and Leora Harrison, Mike Haskins, Chris Jett, Dave Johnson, Don Langham, Christopher Lynch, John Marymont, Mary Beth Massey, Angela McGaugh, Robert Mines, Abe Mitchell, Mike Mitchell, Jeb Shell (NAA), John Smith, Carl Thomas, Jean Tucker, Julio Turrens, Tony Waldrop, Scott Weldon, Kevin West (Faculty Senate), Alan Whaley and Boni Yraguen.

Press: Bryan Carnaggio and Stephen Smith (WPMI) and Alyssa Newton (WPMI and *Vanguard*).

The meeting was called to order and the attendance roll was called. Chairman Furr welcomed Trustees and guests. He advised that an executive session, shown as **ITEM 24** on the agenda, would not take place and he called for the adoption of the revised agenda. On motion by Mr. Peek, seconded by Dr. Stokes, the revised agenda was adopted unanimously. Chairman Furr called for consideration of **ITEM 1**, the minutes of the Board of Trustees meeting held on March 4, 2016. On motion by Ms. Maye, seconded by Mr. Shumock, the minutes were approved unanimously.

Chairman Furr called for consideration of **ITEM 2** as follows. On motion by Mr. Peek, seconded by Mr. Shumock, the resolution was approved unanimously:

**RESOLUTION
BOARD MEETING SCHEDULE, 2016-2017**

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

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

Friday, September 9, 2016
Friday, December 2, 2016
Friday, March 3, 2017
Friday, June 2, 2017

FURTHER, BE IT RESOLVED that the date of June 2, 2017, be designated as the annual meeting of the University of South Alabama Board of Trustees for 2016-2017.

Chairman Furr called for presentation of **ITEM 3**, the President's Report. President Waldrop recognized Trustee *emeritus* Mr. Don Langham, Honorary Trustee Mr. Abe Mitchell and African-American Student Association President Mr. Carl Thomas. He and Chairman Furr presented Mr. Shell with a certificate of appreciation in recognition of his service as National Alumni Association (NAA) President for 2015-2016. Mr. Shell expressed excitement for the NAA's progress, including plans for construction of a facility on campus to conduct alumni activities.

President Waldrop called on Provost Johnson for the presentation of **ITEM 8** as follows. Provost Johnson shared highlights of Dr. Harrison's career at South Alabama. Dr. Harrison and his wife, Leora, joined President Waldrop and Chairman Furr for the reading of the resolution by Provost Johnson. Dr. Harrison conveyed gratitude for the honor and said he had enjoyed his tenure at USA. Chairman Furr called for a vote and the resolution was approved unanimously:

**RESOLUTION
COMMENDATION OF DR. B. KEITH HARRISON**

WHEREAS, the University of South Alabama seeks to honor exceptional individuals who have provided outstanding leadership and service to the University, and who have distinguished themselves throughout their professional careers, and

WHEREAS, Dr. B. Keith Harrison has served in numerous capacities at USA over the course of three decades, including Professor of Engineering, Chair of Chemical Engineering, Graduate Coordinator of Chemical Engineering, Director of Engineering Graduate Studies, Associate Dean of Engineering, Interim Dean of Engineering, Dean of the Graduate School, and Associate Vice President for Academic Affairs, and

WHEREAS, during his tenure as Dean of the Graduate School for 11 years, he provided leadership for graduate education at the University and was instrumental in initiating five new doctoral programs and four master's programs, and

WHEREAS, Dr. Harrison initiated and headed the Office of Post-Doctoral Education, and

WHEREAS, in 2008, Dr. Harrison and his wife, Leora, established the *B. Keith Harrison Endowed Scholarship in Chemical Engineering* and, in 2010, pledged an additional \$1 million to support deserving students studying chemical engineering,

THEREFORE, BE IT RESOLVED that the University of South Alabama Board of Trustees expresses its appreciation to Dr. B. Keith Harrison for his many contributions to the University of South Alabama and offers its best wishes upon his retirement.

President Waldrop reported on the Association of Governing Boards Annual Conference on Trusteeship held in Washington, D.C., in April. Joining him at the conference were Trustees Furr, Simon, Windom and Shumock. Photos of the travel group were shown and President Waldrop discussed conference highlights. Mr. Windom stated the conference, which focused on best practices, was outstanding.

President Waldrop gave information on the first Airbus A321 jet to come off the assembly line at the Brookley manufacturing facility and be delivered to JetBlue. Photos were shown of the USA Jaguar Marching Band and USA cheerleaders participating in an Airbus event commemorating this milestone.

President Waldrop remarked on the success of USA's brand launch, which culminated in a celebration held on March 23 that was attended by approximately 1,300 students, faculty and staff. A video featuring event highlights was shown. Mr. Haskins described the brand development process as a terrific experience and the feedback from constituents as positive. He said the University would build upon the brand platform through its marketing and communications. He credited the 40 individuals who served on the Marketing and Communications Advisory Committee.

President Waldrop reported on Spring Commencement activities held on May 7. He said 2,303 students received degrees in two ceremonies. He added that keynote speakers Judge Simon and Pulitzer Prize-winning journalist Ms. Cynthia Tucker Haynes gave outstanding addresses.

President Waldrop discussed a groundbreaking event on April 26 in Fairhope to mark the relocation of USA Mitchell Cancer Institute (MCI) services in Baldwin County. Photos were shown. President Waldrop said the new facility will house MCI operations that are currently conducted in space rented from Thomas Hospital. He said the program included passionate remarks by Ms. Charlotte Johnson, former MCI patient and cancer survivor.

President Waldrop called on Dr. Busta for a report on the Annual Fund. Dr. Busta shared results of the drive, noting contributions totaling \$628,623 from 3,138 employees and retirees, making the 2016 campaign USA's third largest and placing it among the nation's top ten programs. He stressed the significance of a 60-percent participation and added that 179 more employees gave in 2016 compared to the previous year. He said gifts were allocated across 100 endowments.

President Waldrop introduced USA's new Vice President for Medical Affairs and Dean of the College of Medicine Dr. John Marymont. He said Dr. Marymont, whose USA appointment becomes effective July 1, serves currently as Chair of the Department of Orthopedics at Louisiana

State University Health Sciences Center. Dr. Marymont thanked President Waldrop and the Board of Trustees for the opportunity to join South Alabama. He said USA has a great clinical enterprise and that he looks forward to building upon the University's successes.

President Waldrop called for remarks from Mr. Hammack. Mr. Hammack recognized Mr. Owen Bailey for his new position as Chief Operating Officer of USA Health. He shared that, before joining South in 2011 as Administrator of USA Children's & Women's Hospital, Mr. Bailey's background included leadership roles at the Infirmity Health System and Thomas Hospital. Mr. Bailey said he was proud to be a part of South Alabama's important mission in the region.

President Waldrop called upon Provost Johnson for an update on other administrative appointments. Provost Johnson introduced Interim Associate Vice President for Academic Affairs Dr. Julio Turrens, noting his dual role as Interim Dean of the Graduate School effective June 1. He reminded the Board that Associate Vice President for Academic Affairs Dr. Charlie Guest is serving a dual role as Interim Dean of the School of Continuing Education and Special Programs. He advised of the appointment of Dr. Gregory H. Frazer as Dean of the Pat Capps Covey College of Allied Health Professions effective August 1. Dr. Frazer currently serves as Dean and Professor of the John G. Rangos Sr. School of Health Sciences at Duquesne University. Provost Johnson reported the appointment of Mr. Christopher Lynch as Associate Vice President for Enrollment Services. Mr. Lynch served previously as USA's Executive Director of Enrollment Services.

President Waldrop introduced recently elected Student Government Association President Mr. Josh Crownover. Mr. Crownover said students are grateful for their involvement in USA processes and he thanked President Waldrop for considering student perspectives. He thanked Mr. Abe Mitchell for making the Mitchell-Moulton Scholarship Initiative possible, noting its positive impact on students. He addressed SGA goals and corresponding strategic initiatives, noting teamwork as a means to optimize the South experience for students.

President Waldrop called on Athletics Development Specialist Ms. Mary Beth Massey, who reported the awarding of the Sun Belt Conference's *Vic Bubas Cup All-Sports Award* to USA for a second straight year based upon top athletic performance. She stated that Women's Cross Country, Women's Soccer, Women's Track and Field, and Baseball won Sun Belt championships. A photo was shown of the trophy presentation. Ms. Massey discussed USA's standing relative to the National Collegiate Athletic Association's (NCAA) Academic Progress Rate (APR), which measures eligibility and retention of scholarship student athletes among Division I schools. She said USA posted an APR at 988 for 2014-2015, the Institution's highest APR on record. She added that the nine USA programs which earned a perfect APR score were Baseball, Men's Basketball, Men's Cross Country, Men's Tennis, Men's Golf, Men's Track and Field, Women's Golf, Women's Cross Country and Women's Track and Field.

President Waldrop called on Provost Johnson for a report on USA's Honors Program. Provost Johnson discussed an event held annually in the spring which recognizes Honors Program scholars who receive national accolades, scholarships and awards. A poster featuring the honorees, known as USA's *Academic All Stars*, was shown. Provost Johnson introduced three All Stars: Chemical Engineering/Biomolecular Engineering graduate Mr. Robert Mines; Mechanical Engineering graduate Ms. Boni Yraguen; and Biomedical Sciences graduate Ms. Angela McGaugh. The students made brief remarks about their academic experiences, research pursuits and career aspirations.

President Waldrop recognized Dr. Stokes for the publishing of his book of biographical short stories and poems. Dr. Stokes said proceeds would benefit the Good Samaritan Cancer Fund.

Chairman Furr addressed consent agenda **ITEMS 4, 5, 7, 15, 19, 19.A, 20 and 21** as follows, respectively, noting all were unanimously recommended for Board approval by the respective committees that met on June 2 (for copies of policies and other authorized documents, refer to **APPENDIX A**). He called for a vote and the resolutions were approved unanimously:

**RESOLUTION
USA HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS
FOR FEBRUARY, MARCH AND APRIL 2016**

WHEREAS, the Medical Staff appointments and reappointments for February, March and April 2016 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.

**RESOLUTION
USA HOSPITALS MEDICAL STAFF BYLAWS AND RULES AND REGULATIONS
REVISIONS OF APRIL 19, 2016**

WHEREAS, revisions to the USA Hospitals Medical Staff Bylaws and Rules and Regulations, approved at the April 19, 2016, Medical Staff meeting and attached hereto, are recommended for approval by the Medical Staffs and the Executive Committee of the University of South Alabama Hospitals,

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

**RESOLUTION
TENURE AND PROMOTION**

WHEREAS, in accordance with University policy, faculty applications for tenure and promotion have been reviewed by the respective faculty peers, Departmental Chair, College Dean, and by the Provost and

Senior Vice President for Academic Affairs, and the President, and of those faculty considered, the following individuals are hereby recommended for tenure and/or promotion,

THEREFORE, BE IT RESOLVED, the University of South Alabama Board of Trustees approves and grants tenure and/or promotion to those individuals whose names are listed below to be effective August 15, 2016.

COLLEGE OF ARTS AND SCIENCES:

Tenure:

Benjamin D. Hill
Rebecca A. Mindock
W. Matthew Reichert
Kimberly Zlomke
Richard L. Ward

Promotion to Professor:

Jeannette Fresne
Romulus Godang
Mara V. Kozelsky
Alexandra C. Stenson

Promotion to Associate Professor:

Benjamin D. Hill
Rebecca A. Mindock
W. Matthew Reichert
Kimberly Zlomke

COLLEGE OF ENGINEERING:

Tenure:

Edmund A. Spencer

Promotion to Associate Professor:

Edmund A. Spencer

COLLEGE OF MEDICINE:

Tenure:

Mary Burtnick
Xiangming Zha

Promotion to Professor:

Sidney Brevard
Hamayan Imran
Ehab Molokhia
Bassam Omar
Richard Whitehurst

Promotion to Associate Professor:

Robert Barrington
Mary Burtnick
Anne-Marie Kaulfers
Paul Rider
Jeffrey Sosnowski
Xiangming Zha

COLLEGE OF NURSING:

Promotion to Senior Instructor:

Cindy A. Herf
Tricia K. Huey

Promotion to Associate Professor:

Katherine A. Bydalek
Leigh A. Minchew

MITCHELL CANCER INSTITUTE:

Tenure:
Eun-Young (Erin) Ahn
Seema Singh

Promotion to Professor:
Ajay Singh

Promotion to Associate Professor
Eun-Young (Erin) Ahn
Seema Singh
Jennifer Scalici

MITCHELL COLLEGE OF BUSINESS:

Tenure:
Charles T. Grant
Gwendolyn P. Pennywell

Promotion to Associate Professor:
Gwendolyn P. Pennywell

PAT CAPPS COVEY COLLEGE OF ALLIED HEALTH PROFESSIONS:

Tenure:
Robert B. Dale
Tara M. Davis

Promotion to Associate Professor:
Tara M. Davis
Terrence J. Ravine

SCHOOL OF COMPUTING:

Tenure:
Stephen M. Campbell

Promotion to Associate Professor:
Stephen M. Campbell

**RESOLUTION
REVISION OF USA'S ENDOWMENT FUNDS INVESTMENT POLICIES AND GUIDELINES**

WHEREAS, the University of South Alabama's Board of Trustees has established the Endowment Funds Investment Policies and Guidelines to provide an investment guideline when managing endowment investments, and

WHEREAS, the University's Board of Trustees delegates certain investment authority to the Development, Endowment and Investments Committee to manage the University's endowment investments, and

WHEREAS, the Development, Endowment and Investments Committee invests endowment funds on behalf of the University according to the investment policy guidelines approved by the Board of Trustees, and

WHEREAS, said guidelines may be amended from time to time to meet current investment conditions and objectives, and

WHEREAS, investment in private equity provides opportunities to pursue higher, long-term returns and greater diversification not available through traditional asset classes, and

WHEREAS, the Development, Endowment and Investments Committee reviewed said investment policies and guidelines and, after extensive analysis, proposes to include private equity as an investment allocation within the endowment portfolio,

THEREFORE, BE IT RESOLVED that the University of South Alabama Board of Trustees hereby approves changes to the investment policies and guidelines for endowment fund investments, as recommended by the Development, Endowment and Investments Committee.

**RESOLUTION
REAPPOINTMENT OF DIRECTORS OF THE USA RESEARCH AND TECHNOLOGY CORPORATION**

WHEREAS, pursuant to the Amended Bylaws of the USA Research and Technology Corporation ("Corporation"), the Board of Trustees of the University of South Alabama ("University") shall elect directors of the Corporation who are not officers, employees or trustees of the University, and

WHEREAS, the Board of Directors of the Corporation is authorized to nominate new directors consistent with the aforesaid for consideration and confirmation by the Board of Trustees of the University, and

WHEREAS, Mr. Joseph Adamo and Mr. Donald Langham were elected to serve as directors for four-year terms which conclude in June 2016 but continue to serve pursuant to the Corporation's Amended Bylaws, which provide that directors hold office until their successors have been duly elected and qualified, and

WHEREAS, the Board of Directors of the Corporation has nominated for consideration and confirmation by the Board of Trustees of the University Mr. Joseph Adamo and Mr. Donald Langham for additional four-year terms beginning September 2016, and these individuals have agreed to serve in this capacity if elected,

THEREFORE, BE IT RESOLVED, the Board of Trustees of the University of South Alabama does hereby elect as Directors of the USA Research and Technology Corporation Mr. Joseph Adamo and Mr. Donald Langham, both for four-year terms beginning September 2016.

**RESOLUTION
GROUND LEASE OF UNIVERSITY PARCEL
TO THE USA RESEARCH AND TECHNOLOGY CORPORATION**

WHEREAS, the University of South Alabama ("University") owns certain real property which it utilizes to further its mission, and

WHEREAS, the USA Research and Technology Corporation ("Corporation"), a not-for-profit, supporting organization of the University, was incorporated to further the educational and scientific mission of the University, to promote the University and its schools and departments, to promote the development of and to facilitate funding for the infrastructure and services in Mobile, Alabama, and to attract high-technology and scientific enterprises, and

WHEREAS, in order for said Corporation to fulfill its above-stated mission, it is recommended that the University lease that portion of the land on the Springhill Avenue campus of the University of South Alabama identified as Subject Property on the attached picture and map to the Corporation for support of the development and operation of the Corporation for the sum of ONE DOLLAR AND NO/100 (\$1.00) per annum, and a term of approximately 29 years with two options to renew, each for a term of 10 years, and

WHEREAS, should said Corporation cease to exist for any reason, the land will revert to the University consistent with the terms of the lease, and

WHEREAS, the University has determined that leasing the real property described above is in the best interest of the University in that it will allow the University to continue and enhance its valued missions of education, research, and service,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama authorizes the President of the University to proceed with finalizing a land lease agreement with USA Research and Technology Corporation for the lease of a portion of the University of South Alabama Springhill Avenue campus identified above as Subject Property for the support of the development and operation of the Corporation.

**RESOLUTION
CONTRACT OFFICERS**

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

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

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

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

**RESOLUTION
RATIFYING, AFFIRMING AND AUTHORIZING 2016 LINE OF CREDIT AND RELATED DOCUMENTS**

WHEREAS, the Board of Trustees (the "Board") has determined that it is necessary, wise, and in the public interest that certain public capital improvements be made to various public health care facilities of the University including, without limitation, public building improvements, hardware and software equipment, and various other public capital improvements and equipment for the University (collectively, the "2016 Improvements"), and

WHEREAS, the Board heretofore determined that the University finance the 2016 Improvements through the establishment of an unsecured line of credit of up to \$30 million (the "2016 Line of Credit"), and

pursuant to a resolution adopted March 4, 2016, the Board authorized and directed officers of the University to undertake a competitive bidding process to obtain the 2016 Line of Credit, and

WHEREAS, the University received proposals from three financial institutions in response to the said competitive bid process, and has determined that the proposal offered by Compass Bank (as reflected in the Loan Agreement and the Promissory Note described below) provides the lowest rate of interest and the best overall financing terms to the University for the 2016 Line of Credit, and

WHEREAS, the Board hereby seeks to ratify and affirm its prior authorization respecting the 2016 Line of Credit and to authorize and direct the President of the University and the Vice President for Finance and Administration to execute the Loan Agreement and the Promissory Note to effectuate the 2016 Line of Credit,

NOW, THEREFORE, BE IT RESOLVED, that the Board does hereby authorize and direct the President of the University and the Vice President for Finance and Administration to execute and deliver, for and in the name and behalf of the University, a Loan Agreement (the "Loan Agreement") in substantially the form presented to the meeting at which this resolution is adopted and which is attached as Exhibit I to the minutes of said meeting (which form is hereby adopted in all respects as if set out in full in this resolution), and a Promissory Note (the "Promissory Note") in substantially the form presented to the meeting at which this resolution is adopted and which is attached as Exhibit II to the minutes of said meeting (which form is hereby adopted in all respects as if set out in full in this resolution), and, further, does hereby authorize the Secretary of the Board to affix the seal of the University to the Loan Agreement and Promissory Note, and

FURTHER RESOLVED, that the Board does hereby authorize and direct the President of the University, the Vice President for Finance and Administration, and the Secretary of the Board to execute and seal such other agreements, certifications, instruments, notices, directions, and documents as shall be necessary or desirable in connection with the Loan Agreement and the Promissory Note and the transactions contemplated thereby.

Chairman Furr called for a report from the Health Affairs Committee. Dr. Stokes, Committee Chair, advised that, at a meeting on June 2, Mr. Bailey gave an update on the state's transition to a regional care organization (RCO) system for health care delivery and USA's plans to administer the Gulf Coast Regional Care Organization (GCRCO). He called upon Mr. Bailey, who introduced and shared background information on Mr. Chris Jett, who was recently named Administrator of USA Children's & Women's Hospital (CWH), and Mr. Alan Whaley, who was recently appointed Chief Strategy Officer for USA Health.

Chairman Furr called for a report from the Academic and Student Affairs Committee. Ms. Maye, Committee Chair, stated that, at a meeting on June 2, the Committee heard a presentation by Dr. Angela Coleman, Associate Vice President for Institutional Effectiveness, on USA's 2016 Scorecard, which documents progress pertaining to the five institutional priorities set forth as part of the University's 2016-2020 Strategic Plan. Ms. Maye said Dr. Bob Hanks, Director of USA's Department of Counseling and Testing Services, and Ms. Beverly Kellen, Student Health Center Practice Director, reported on a new program that provides psychiatric services to students at reasonable costs.

Ms. Maye called on Provost Johnson, who reported on plans to expand USA's Honors Program, in which 45 freshmen are currently enrolled, into an Honors College. He gave an overview of the enhanced program that is expected to launch in the 2017 fall semester and to accommodate the first full class of between 150 to 200 freshmen in the fall of 2018. He discussed the development of new educational tracks for students interested in global engagement, pre-health professions and technology, and conveyed enthusiasm for the program's potential to attract high-achieving students. Dr. Stokes asked about scholarship support. Provost Johnson advised that start-up funding is available and future support would need to be developed.

Chairman Furr called for a vote on **ITEM 10** as follows, which was unanimously recommended for Board approval by the Academic and Student Affairs Committee at its June 2 meeting. The resolution was approved unanimously:

**RESOLUTION
TUITION, HOUSING AND FEES SCHEDULES, 2016-2017**

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

WHEREAS, the Alabama Legislature has approved a 2016-2017 education budget that increases USA's state funding by \$2,307,957 or 2.3 percent from last year, and

WHEREAS, USA has faced over \$300 million in accumulated reductions in state appropriations since 2007-2008, and

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

WHEREAS, after extensive analysis of the University's financial needs for 2016-2017 and beyond, the University Administration and Budget Council have determined that increases in tuition and fees, as well as housing and meal plan rates, are necessary to maintain the standard of quality that USA students and their families desire and expect, and

WHEREAS, with the proposed tuition, housing, and meal rates for 2016-2017, as set forth in the attached schedules, such costs at the University would continue to be among the lowest in effect at peer public, doctoral-level research institutions in the state of Alabama,

THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University of South Alabama approves the tuition, required student fees, and housing and meal plan rates for the 2016-2017 academic year as set forth in the attached schedules.

Chairman Furr called for a report from the Audit Committee. Mr. Peek, Committee Chair, said that, at a Committee meeting on June 2, Mr. Robert Berry, USA's new Executive Director of Internal Audit and Chief Financial Compliance Officer, was introduced. He extended a warm welcome to Mr. Berry.

Chairman Furr called for a report from the Budget and Finance Committee. On behalf of Mr. Corcoran, Committee Chair, Mr. Shumock stated Mr. Weldon reported on the quarterly financial statements for the six months ended March 31, 2016, and Ms. Stokley, Chair of USA's Process Improvement Committee (PIC), delivered a report on the work of the PIC. He explained **ITEM 22** as follows, which was unanimously recommended for Board approval by a Committee of the Whole acting on behalf of the Budget and Finance Committee since a quorum of the members was not present. Chairman Furr called for a vote and the resolution was approved unanimously:

**RESOLUTION AUTHORIZING THE ISSUANCE OF FACILITIES REVENUE REFUNDING BONDS
OF THE UNIVERSITY OF SOUTH ALABAMA**

WHEREAS, it is desirable and appropriate for the University of South Alabama (the "University") to issue its Facilities Revenue Refunding Bonds from time to time for the purpose of refunding and paying certain of its prior outstanding bonds and thereby achieving an overall interest expense savings to the University; and

WHEREAS, in order to manage the University's refunding opportunities in the most efficient manner possible and to permit the University to take advantage of changing market conditions, it is desirable and appropriate to authorize the officers of the University to arrange for the issuance of refunding bonds without further approval of the Board of Trustees of the University (the "Board"), subject to the limitations expressed in this resolution.

THEREFORE BE IT RESOLVED by the Board as follows:

Section 1. Findings.

The following bonds of the University are currently outstanding:

- (i) University Tuition Revenue Bonds, Series 1999 Capital Appreciation;
- (ii) University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006;
- (iii) University Facilities Revenue and Capital Improvement Bonds, Series 2008 (the "Series 2008 Bonds");
- (iv) University Facilities Revenue and Capital Improvement Bonds, Series 2010;
- (v) University Facilities Revenue Capital Improvement Bond, Series 2012-A;
- (vi) University Facilities Revenue Capital Improvement Bond, Series 2012-B;
- (vii) University Facilities Revenue Capital Improvement Bond, Series 2013-A;
- (viii) University Facilities Revenue Capital Improvement Bond, Series 2013-B;
- (ix) University Facilities Revenue Capital Improvement Bond, Series 2013-C;
- (x) University Facilities Revenue Refunding Bond, Series 2014-A; and

(xi) University Facilities Revenue Capital Improvement Bond, Series 2015.

The Series 2008 Bonds are currently outstanding in the principal amount of \$101,715,000. The Series 2008 Bonds were issued under the terms of a Trust Indenture dated as of February 15, 1996 (the "Original Indenture") between the University and the Bank of New York Mellon Trust Company, N.A. (as successor trustee, the "Trustee") and a Sixth Supplemental Trust Indenture dated as of September 1, 2008. The Original Indenture, as heretofore amended and supplemented, and as further amended and supplemented by the Supplemental Indenture provided for in Section 6 of this resolution, is herein referred to as the "Indenture."

Section 2. Authorization of Bonds. The University is hereby authorized to issue its revenue bonds for the purpose of refunding any or all of the Series 2008 Bonds. The said bonds shall be issued under the terms, conditions and provisions set out in the Original Indenture, as heretofore supplemented, and as further supplemented by the Supplemental Indenture provided for in Section 6 of this resolution. The bonds herein authorized (the "Bonds") may be issued at such time or times and in such series as may be most advantageous to the University, subject to the provisions of Section 12 of this resolution.

All the provisions of the Original Indenture, as applicable to the Bonds, are hereby adopted as a part of this resolution as if set out at length herein.

Section 3. Bonds to be Issued as Additional Parity Bonds; Special Findings. The Bonds shall be issued as additional parity bonds under Article VIII of the Original Indenture.

In accordance with the provisions of Section 8.2(b) of the Original Indenture, the Board hereby finds and declares as follows:

- (a) The University is not now in default under the Indenture and no such default is imminent.
- (b) The Bonds shall be designated as "Facilities Revenue Refunding Bonds" and shall include a series designation reflecting the calendar year in which such Bonds are issued, and to provide any further identification of the Bonds as is appropriate.
- (c) The persons to whom the Bonds are to be delivered are set forth in Sections 7 and 9 hereof.
- (d) All of the Bonds are to be issued by sale in accordance with Section 7 hereof.
- (e) The sale price of the Bonds shall be as set forth in Sections 7 and 12 hereof.
- (f) The only parity bonds that have previously been issued by the University under the Indenture and that are currently outstanding are those bonds listed in Section 1 above.
- (g) The Series 2008 Bonds are to be refunded from proceeds of the Bonds, subject to the determinations and conditions set forth in Sections 11 and 12 hereof.

The Trustee is hereby requested to authenticate and deliver the Bonds to the purchaser(s) chosen as provided in Section 12 hereof upon payment of the purchase price designated therein.

Section 4. Source of Payment of the Bonds. The principal of and the interest on the Bonds shall be payable from Pledged Revenues as described and provided for in the Indenture.

Nothing contained in this resolution, in the Bonds, in the Indenture, or in the Supplemental Indenture hereinafter authorized shall be deemed to impose any obligations on the University to pay the principal of or the interest on the Bonds except from the Pledged Revenues. Neither the Bonds, nor the pledge or any agreement contained in the Indenture, in any supplement to the Indenture or in this resolution shall be or constitute an obligation of any nature whatsoever of the State of Alabama, and neither the Bonds nor any obligation arising from the aforesaid pledge or agreements shall be payable out of any moneys appropriated to the University by the State of Alabama. The agreements, covenants or representations contained in this resolution, in the Bonds, in the Indenture, and in any supplement to 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. 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.

Section 5. Bonds Payable at Par. All remittances of principal of and interest on the Bonds to the holders thereof shall be made at par without any deduction for exchange or other costs, fees or expenses. The bank or banks at which the Bonds shall at any time be payable shall be considered by acceptance of their duties hereunder to have agreed that they will make or cause to be made remittances of principal of and interest on the Bonds, out of the moneys provided for that purpose, in bankable funds at par without any deduction for exchange or other cost, fees or expenses. The University will pay to such bank or banks all reasonable charges made and expenses incurred by them in making such remittances in bankable funds at par.

Section 6. Authorization of Supplemental Indenture. The Board does hereby authorize and direct the President or the Vice President for Finance and Administration of the University to approve, execute and deliver, for and in the name and behalf of the University, to the Trustee, a supplement to the Indenture with respect to the Bonds (the "Supplemental Indenture"), and does hereby authorize and direct the Secretary of the Board to affix the official seal of the University to said Supplemental Indenture and to attest the same. The Supplemental Indenture shall be consistent with the provisions of the Original Indenture applicable to the issuance of Additional Bonds (as defined in the Original Indenture) and shall specify the terms of the Bonds.

Section 7. Sale of the Bonds. The Bonds may be sold as an underwritten public sale, or by a private placement with one or more banks or other institutional purchasers, as determined under Section 12 hereof. If the Bonds are sold to the public, the Board does hereby authorize and direct the President or the Vice President for Finance and Administration of the University to approve, execute and deliver, for and in the name and behalf of the University, a Bond Purchase Agreement with respect to the Bonds between the University and an underwriter or underwriters (the "Underwriter") approved under Section 12 of this resolution. If the Bonds are sold by private placement, the Board does hereby authorize the President or the Vice President for Finance and Administration of the University to approve, execute and deliver, for and on behalf of the University, a Placement Agreement with the purchaser(s) of the Bonds approved under Section 12 of this resolution.

Section 8. Authorization of Official Statements. If the Bonds are to be sold to the public, the Board does hereby authorize and direct the Underwriter to prepare and distribute, for and in the name and on behalf of the University, a Preliminary Official Statement and a final Official Statement with respect to the Bonds issued under this resolution. The Board does hereby further authorize and direct the President or the Vice President for Finance and Administration of the University to execute and deliver, for and on behalf of the University, such final Official Statement and does hereby declare that the Official Statement so executed by the President or the Vice President for Finance and Administration of the University shall be the Official Statement of the University with respect to the Bonds covered by such Official Statement.

Section 9. Execution and Delivery of Bonds. The Board does hereby authorize and direct the President of the University to execute the Bonds, in the name and on behalf of the University, by causing his signature or a facsimile thereof to be placed or imprinted on the Bonds, and does hereby authorize and direct the Secretary of the Board to cause a facsimile of the official seal of the University to be imprinted on the Bonds and to attest the same by causing his signature or a facsimile thereof to be placed or imprinted on the Bonds, all in the manner provided in the Indenture. The President or the Vice President for Finance and Administration of the University is hereby further authorized and directed to deliver the Bonds, subsequent to their execution as provided herein to the Trustee, and to direct the Trustee to authenticate all the Bonds and to deliver them to the Underwriter or other purchaser, upon payment to the University of the purchase price therefor in accordance with the provisions of Sections 7 and 12 hereof.

Section 10. Application of Proceeds. The entire proceeds derived by the University from the sale of the Bonds shall be paid to the Trustee under the Indenture. The Trustee is thereupon authorized and directed to apply and disburse such moneys for the purposes and in the order specified in the Supplemental Indenture.

Section 11. Redemption of Series 2008 Bonds; Authorization of Escrow Trust Agreement. The Series 2008 Bonds to be refunded by the Bonds shall be called for redemption on the first date permitted for the call and redemption of such Series 2008 Bonds subsequent to the date of issuance of the Bonds, at and for a redemption price equal to 100% of the principal amount of each Series 2008 Bond so redeemed, plus accrued interest. The President or the Vice President for Finance and Administration of the University is separately authorized to direct the Trustee to mail and/or publish notice of such redemption as required under the terms of the Indenture. Any such redemption notice mailed or published prior to the date of issuance of the Bonds shall provide that the call of the affected Series 2008 Bonds for redemption is contingent upon the issuance and sale of the Bonds.

Pursuant to Section 6.1(a) of the Indenture, the Board hereby confirms that the University is not in default under said Indenture.

The Board hereby authorizes and directs the President or the Vice President for Finance and Administration of the University to approve, execute and deliver in the name and on behalf of the University an Escrow Trust Agreement or Agreements, between the University and the Trustee, if necessary or desirable, with respect to the Series 2008 Bonds to provide for the escrow and investment of proceeds of the Bonds until the redemption date of the Series 2008 Bonds.

Section 12. Authorization to Approve Certain Matters. The Board has determined that it is in the best interest of the University to authorize the issuance of the Bonds for the purposes described in this resolution and subject to the limitations of this resolution without a further meeting or approval of the full Board. The Board does hereby authorize the President Pro Tempore and the Chairman of the Budget and Finance Committee of the Board:

(a) to determine when and if any Bonds shall be issued and to approve the schedule of issuance for the Bonds; provided that no Bonds shall be issued under the authority of this resolution after June 3, 2017;

(b) to approve the principal amount of the Bonds to be issued in each series and the designation of the Bonds as tax-exempt or taxable Bonds; provided that the aggregate principal amount of the Bonds issued to refund the Series 2008 Bonds shall not exceed the amount necessary to pay the principal and interest on the refunded Series 2008 Bonds (taking into account any original

issue premium or discount), to realize the savings available to the University in the manner chosen by the University, and to pay the costs of issuing the Bonds;

(c) to determine which of the Series 2008 Bonds are to be refunded and redeemed by the Bonds; provided that any such refunding shall result in a minimum net present value savings of at least 3%;

(d) to determine whether the Bonds are to be sold to the public or are to be privately placed with one or more banks or other financial institutions, and the terms of either form of sale;

(e) to approve the forms of Supplemental Indenture, Bond Purchase Contract (if the Bonds are sold to the public), Placement Agreement (if the Bonds are privately placed with a bank or financial institution), Preliminary Official Statement, Official Statement and Escrow Agreement to be delivered in connection with the Bonds;

(f) to approve the final form and pricing details of the Bonds, including the interest rates to be borne by such Bonds, the principal maturities thereof and any original issue discount or premium with respect to the Bonds; provided that the net interest cost of any series of Bonds shall not exceed 5%;

(g) to approve the expenses of issuing the Bonds;

(h) to approve the purchase price of the Bonds to be paid by the initial purchaser(s) thereof; provided that such purchase price shall be at least 98% of the principal amount of the Bonds (without regard to initial issue premium or discount);

(i) to select and retain a financial advisor to the University and Bond Counsel to the University, for the issuance of the Bonds; and

(j) to take such other steps and to execute and approve such other documents as may be necessary or appropriate to cause the Bonds to be issued, sold and delivered consistent with the provisions of this resolution and the Indenture.

The approval by the President Pro Tempore and the Chairman of the Budget and Finance Committee of the Board of the items listed above may be conclusively evidenced by a certificate signed by either of them and delivered at the time of issuance of the Bonds.

Section 13. Resolution Constitutes Contract. The provisions of this resolution shall constitute a contract between the University and each holder of the Bonds.

Section 14. Severability. The various provisions of this resolution are hereby declared to be severable. If 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 15. General Authorization. The President of the University, the Vice President for Finance and Administration and the Secretary of the Board are hereby authorized to execute such further certifications or other documents and to take such other action as any of them may deem appropriate or necessary for the consummation of the matters covered by this resolution, to the end that the Bonds may be executed and delivered at the times and on the terms most advantageous to the University.

Chairman Furr called upon Dr. Mitchell for a report on the activities of the Division of Student Affairs, **ITEM 12**. Dr. Mitchell introduced Drs. Krista Harrell, Associate Dean of Students, and Andrea Agnew, Assistant Dean of Students – Student Services, who shared information on the American Association of University Women (AAUW) and its mission of advocacy, education, philanthropy and research; the activities of USA's AAUW chapter; and the involvement of USA junior nursing major and AAUW scholarship recipient Ms. Kinsley Knapp, who represented South Alabama at the 2016 National Conference for College Women Student Leaders in Washington, D.C.

Chairman Furr called for a report from the Development, Endowment and Investments Committee. Mr. Yance, Committee Chair, stated that, at a meeting on June 2, endowment results were presented by Messrs. Terry Albano and Norman Pitman, as was an update on the due diligence process relating to the engagement of hedge fund and private equity managers. He added that, following a thorough analysis by members of the Committee and the Administration, the consensus of the group was to hire JP Morgan, Gerber/Taylor and Commonfund as private equity managers and Weatherlow and Forester as hedge fund manager. He reported that Dr. Stokes, *Upward & Onward* Campaign Co-Chair, gave an update on campaign activities and results, including 21,595 donors identified, 28,011 gifts secured, and \$90 million raised as of May 31. He stated Dr. Busta provided information on the USA Board of Trustees Scholarship program.

Brief updates were given by Mr. Albano on the Jaguar Investment Fund, Mr. Bailey on the Strada Patient Care Center, Mr. Lynch on fall enrollment projections, and Dr. Smith on housing.

Concerning the election of Board officers, **ITEM 23**, Chairman Furr reminded the group that officers would serve three-year terms and that previous bylaws revisions mandated terms to become effective immediately upon the conclusion of the Board meetings at which elections take place. He called for remarks from Mr. Yance, Nominating Committee Chair. Mr. Yance stated the Nominating Committee, comprised of fellow Trustees Ms. Maye, Capt. Jenkins and Chairman Furr, deliberated on a slate of officers for the Board's consideration. On behalf of the Committee, he recommended Judge Simon for the position of Chair *pro tempore*, Mr. Shumock for the position of Vice Chair, and Ms. Mitchell for the position of Secretary. Chairman Furr called for other nominations. There being none, he made a motion to close the nomination process and accept the slate of officers as recommended. On motion by Dr. Stokes, seconded by Captain Jenkins, the Board voted unanimously to approve officers as proposed. Chairman Furr thanked Mr. Yance for his efforts as Nominating Committee Chair.

Chairman-elect Simon asked Mrs. Lisa Furr to join Chairman Furr and President Waldrop for the presentation of **ITEM 24** as follows. He described Chairman Furr as a great friend, an enthusiastic advocate for South Alabama and a catalyst for progress, citing specifically his strong leadership during the University's presidential search process. Following the reading of the resolution by Chairman-elect Simon, Chairman Furr shared heartfelt remarks, stating the words *Upward & On-*

ward represent deep meaning for South Alabama. He proclaimed that seeds sewn today would launch the University to new heights. He shared thoughts on his tenure as Chairman and recognized several individuals who had pivotal roles during the Presidential search and transition. He and Mrs. Furr shared in the unveiling of their portrait as Trustees and guests applauded. On motion by Mr. Shumock, seconded by Mr. Yance, the resolution was approved unanimously:

**RESOLUTION
COMMENDATION OF DR. STEVEN P. FURR AS CHAIR *PRO TEMPORE* EMERITUS**

WHEREAS, Dr. Steven P. Furr has served faithfully as a member of the Board of Trustees of the University of South Alabama since his appointment in 2006, and

WHEREAS, Dr. Furr served as Chair Pro Tempore of the Board of Trustees from 2013 to 2016 and previously served the Board as Vice Chair from 2010 to 2013, and

WHEREAS, Dr. Furr and his wife, Lisa, are loyal supporters of the University and, over the years, have contributed generously to the mission of the University of South Alabama, and

WHEREAS, the Furr's substantial gifts have included support for USA Children's & Women's Hospital, Moulton Tower and Alumni Plaza, the Jaguar Athletic Fund, the 50th Anniversary Annual Fund, the USA Mitchell Cancer Institute and for the USA Board of Trustees Scholarship, which Dr. Furr was instrumental in creating in 2014, and

WHEREAS, Dr. Furr serves on the Steering Committee for *Upward & Onward*, the University's \$150-million fundraising campaign that aims to elevate and accelerate every aspect of the University of South Alabama, and

WHEREAS, Dr. Furr earned his undergraduate degree in 1976 and medical degree in 1981 from the University, giving him unique insight in decision-making and leadership, and

WHEREAS, Dr. Furr's leadership has been critical to the University's progress, as demonstrated through his service on the Board of Trustees Executive Committee, Long-Range Planning Committee, Bylaws Committee, and on the Health Affairs Committee, for which he served as chair, and

WHEREAS, we trust the positive results of Dr. Furr's tenure as Board Chairman will be realized for years to come, as made possible by initiatives he championed, including revisions to state legislation that broadened Board representation through term modification and district expansion, and

WHEREAS, Dr. Furr, through his wisdom, guidance, humor and philanthropy, has played a prominent role in advancing the interests of all University of South Alabama constituencies,

THEREFORE, BE IT RESOLVED that the Board of Trustees of the University of South Alabama expresses its sincere appreciation to Dr. Steven P. Furr for his many contributions and invaluable service to the Board, to the entire University community, and to the people of the state of Alabama, all of whom have benefited from his wisdom, dedication, service and generosity, by conferring upon him the honorary title of Chair Pro Tempore Emeritus of the University of South Alabama Board of Trustees.


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With regard to the passing of philanthropist and USA donor Ms. Fanny Meisler, Mr. Peek reminded everyone to keep the Meisler family in their thoughts and prayers.


There being no further business, the meeting was adjourned at 11:34 a.m.

Attest to:

Respectfully submitted:



James H. Shumock, Secretary



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

APPENDIX A

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:

	<u>Range</u>	<u>Long-term neutral</u>
Fixed Income	15-35%	25%
Equity	35-75%	50%
<i>Private Equity</i>	<i>0-10%</i>	<i>5%</i>
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:

	Long-Term Strategic	
Asset Class	Target (%) of Endowed Funds	Range
<i>DOMESTIC EQUITY</i>	42%	30-60%
Large/Mid-Cap	35%	25-55%
Small Cap	5%	3-8%
High Yield Debt	2%	0-5%
<i>INTERNATIONAL STOCKS</i>	10%	5-15%
Developed Markets	6%	3-10%
Emerging Markets	4%	0-6%
<u><i>PRIVATE EQUITY</i></u>	<u>5%</u>	<u>0-10%</u>
<i>TOTAL EQUITY COMPONENT</i>	57%	35-75%
<i>ALTERNATIVE INVESTMENTS</i>	20%	10-30%
Absolute Return	15%	12-20%
Long/Short Equity	5%	0-10%
<i>TOTAL ALTERNATIVE COMPONENT</i>	20%	10-30%
<i>Fixed Income Component</i>	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%
<i>TOTAL FIXED INCOME COMPONENT</i>	23%	15-35%
<i>CASH AND EQUIVALENTS</i>	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 manager'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.



SUBJECT PROPERTY SHADED IN RED

1.23 acres of the NORTHEAST CORNER of Spring Hill Avenue & N. Lafayette Street

EXHIBIT I
FORM OF LOAN AGREEMENT

LOAN AGREEMENT

THIS LOAN AGREEMENT ("this Agreement") is dated June __, 2016 and is between COMPASS MORTGAGE CORPORATION (the "Lender") and UNIVERSITY OF SOUTH ALABAMA (the "Borrower").

RECITALS:

WHEREAS, Borrower desires to establish a non-revolving line of credit with Lender in the amount of up to THIRTY MILLION AND NO/100THS DOLLARS (\$30,000,000.00); and

WHEREAS, Lender is willing to provide Borrower with a non-revolving line of credit on the terms and conditions hereinafter set forth.

NOW THEREFORE, in consideration of the premises and the mutual covenants contained herein, Lender and Borrower agree as follows:

1. **The Line of Credit.** On the date hereof Lender shall establish a non-revolving line of credit (the "Line of Credit") for the Borrower in the amount of up to THIRTY MILLION AND NO/100 DOLLARS (\$30,000,000.00). The Line of Credit (a) will be evidenced by a promissory note (which promissory note, together with any renewals, extensions, and modifications thereof, is hereinafter referred to as the "Line of Credit Note") being executed of even date herewith and incorporated herein by reference, (b) will bear interest at the rate set forth therein calculated on the basis of an assumed 360 day year, (c) will be due and payable in monthly installments of accrued but unpaid interest as set forth in the Line of Credit Note, and (d) unless extended by the Borrower and the Lender, will mature on the date specified therein. Amounts repaid may not be reborrowed.

2. **Requests for Advances; Honoring of Advances by Lender.**

(a) The Line of Credit Note shall constitute a "draw-down loan" as described in § 1.150-1(c)(4) of the regulations promulgated under the Internal Revenue Code of 1986, as amended. Lender will, from time to time, at the request of the Borrower as hereinafter set forth, make advances on the Line of Credit (each, an "Advance"), except that no Advance will be made with respect thereto if there has been an Event of Default (as hereinafter defined) which is continuing or if, after such Advance, the outstanding principal balance of the Line of Credit would exceed \$30,000,000.00.

(b) Advances under the Line of Credit will be made by Lender into the depository account of Borrower with Lender described on Exhibit B hereto (the "Depository Account"). The Depository Account may be changed from time to time pursuant to a written instrument between Lender and an Authorized Borrower Representative. On the date of execution and delivery of this Agreement and the Line of Credit Note, the Lender shall honor an initial Advance (the "Initial Advance") of \$50,000. Each Advance under the Line of Credit, other than the Initial Advance, shall be requested in writing by providing Lender a requisition executed by an Authorized Borrower Representative in the form as Exhibit A to this Agreement (an "Advance Requisition"). An Advance, other than the Initial Advance, shall be deemed properly requested upon delivery by Borrower to Lender of the Advance Requisition for such Advance. An Advance shall be made no more than two times per month, and the minimum advance amount, other than the Initial Advance, will be \$25,000. The Lender shall honor the Initial Advance on date of execution and delivery of this Agreement and the Line of Credit Note, and each request for any subsequent Advance properly submitted through delivery of an Advance Requisition by depositing the amount of such Advance into the Depository Account in same day funds not later than 12:00 noon, Alabama time, on the first Business Day immediately following the Business Day on which the request

such Advance is received by the Lender. An Advance shall be deemed honored by the Lender on such as the full amount of such Advance is deposited into the Depository Account and available for withdrawal by the Borrower. As used herein, "Authorized Borrower Representative" shall mean the President of the University, the Vice President for Finance and Administration, the Treasurer, and any other officer of the University authorized in writing by any of the foregoing to act as an Authorized Borrower Representative; and "Business Day" shall mean each day other than a Saturday, a Sunday, or any holiday on which Lender or Borrower is closed for business.

3. **Conditions Precedent.** Upon the execution and delivery of this Agreement and the Line of Credit Note, Lender shall have received the following from Borrower:

(a) A duly signed copy of this Agreement and the Line of Credit Note, and a certified copy of the resolution of the governing body of the Borrower authorizing the Borrower to enter into the Line of Credit; and

(b) a Tax Certificate and Agreement of even date herewith (the "Tax Agreement"), a rebate instruction letter, a duly executed IRS Form 8038-G, and such other certificates, notices, agreements and other instruments as Lender may deem necessary to verify and confirm the tax-exempt status of the Line of Credit Note (all of the foregoing, collectively, the "Tax Covenants").

Notwithstanding any other provision of this Agreement, Lender shall have no obligation to make the Initial Advance unless and until it has received the items described in this Section 3.

4. **Representations.** Borrower represents to Lender as of the date hereof and as of the date of each Advance, that:

(a) **Organization.** Borrower is a public body corporate and an instrumentality of the State of Alabama. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engage. Borrower maintains an office at 307 University Blvd., A.D. 170, Mobile, Alabama 36688. Unless Borrower has designated otherwise in writing, the principal office is the office at which Borrower keeps its books and records. Borrower will notify Lender prior to any change in the location of Borrower's state of organization or any change in Borrower's name. Borrower shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to Borrower and Borrower's business activities.

(b) **Assumed Business Names.** Borrower has filed or recorded all documents or filings required by law relating to all assumed business names used by Borrower. Excluding the name of Borrower, the following is a complete list of all assumed business names under which Borrower now does business: "USA Health".

(c) **Authorizations.** Borrower's execution, delivery and performance of this Agreement and all the documents and instruments executed in connection therewith, have been duly authorized by all necessary action by Borrower, do not require consent or approval of any person, regulatory authority, or governmental body, and do not conflict with, or result in a of, or constitute a default under any agreement or other instrument binding upon Borrower or any law, governmental regulation, court decree, or order applicable to Borrower or to Borrower's properties. Borrower has the power and authority to enter into the Line of Credit Note and all other documents or instruments in connection with the Line of Credit. Borrower has the further

power and authority to own and to hold all of Borrower's assets and properties, and to carry on Borrower's business as presently conducted.

(d) Financial Information. Each of Borrower's financial statements supplied to Lender truly and completely disclose Borrower's financial condition as of the date of the statement and there has been no material adverse change in Borrower's financial condition subsequent to the date of the most recent financial statement supplied to Lender. Borrower has no material contingent obligations except as disclosed in such financial statements.

(e) Legal Effect. This Agreement constitutes, and any instrument or agreement Borrower is required to give under this Agreement when delivered will constitute, legal, valid, and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

(f) Litigation and Claims. No litigation, claims, investigations, administrative proceedings or similar actions (including those for unpaid taxes) against Borrower is pending or, to the actual knowledge of Borrower, threatened, and no other event has occurred which may materially adversely affect Borrower's financial condition or properties, other than litigation, claims, or other events, if any, that have been disclosed to and acknowledged by Lender in writing

(g) Taxes. To the best of Borrower's knowledge, all of Borrower's tax returns and reports that are or were required to be filed, have been filed, and all taxes assessments and other government charges have been paid in full, except those presently being or to be contested by Borrower in good faith in the ordinary course of business and for which adequate reserves have been provided.

(h) Binding Effect. This Agreement, the Line of Credit Note, and all other documents or instruments executed by Borrower in connection with the Line of Credit are binding upon the Borrower, as well as upon its successors and assigns, and are legally enforceable in accordance with their respective terms.

(i) Commercial Purposes. Borrower intends to use the Line of Credit proceeds solely for its institutional purposes.

(j) Investment Company Act. Borrower is not an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(k) Public Utility Holding Company Act. Borrower is not a "holding company", or a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(l) Regulations T and U. Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations T and U of the Board of Governors of the Federal Reserve System).

(m) Information. All information previously furnished, or which is now being furnished, by Borrower to Lender for the purposes of, or in connection with, this Agreement or transaction contemplated by this Agreement is, and all information furnished by or on behalf of Borrower to Lender in the future will be, true and accurate in every material respect on the date as

of which such information is dated or certified, and no such information is or will be incomplete omitting to state any material fact the omission of which would cause the information to be misleading.

(n) Claims and Defenses. There are no defenses or counterclaims, offsets or other adverse claims, demands or actions of any kind, personal or otherwise, that Borrower could assert with respect to the Line of Credit Note, the Line of Credit, or this Agreement or any document or instrument executed in connection therewith.

(o) Tax-Exempt Status. All facts and representations stated in the Tax Covenants is true and correct in all material respects on the date of this Agreement, and the Borrower is not aware of any fact or circumstances not disclosed in the Tax Covenants that could have an adverse effect on the tax-exempt status of the Line of Credit Note.

5. Affirmative Covenants. For so long as (i) any portion of any of the Line of Credit remains unsatisfied; (ii) Lender has any obligation to make advances under the Line of Credit; or (iii) all renewals, extensions, or modifications of the indebtedness referred to in the foregoing clauses, or any part thereof (all of the foregoing is hereinafter referred to as the "Obligations") have not been satisfied, Borrower will (unless Lender shall otherwise consent in writing) do each of the following:

(a) Financial Statements. Borrower shall deliver to Lender (i) on the earlier to occur of (a) one hundred fifty (150) days after the close of each fiscal year of Borrower or (ii) five (5) days after receipt of the same from Borrower's certified public accountants, a copy of the Borrower's audited financial statement, prepared in accordance with United States generally accepted accounting principles and audited in accordance with the standards applicable to financial audits contained in the Governmental Auditing Standards issued by the Comptroller General of the United States, consisting of a Statement of Net Position; Statement of Revenues, Expenses, and Changes in Financial Position; and a Statement of Cash Flows; (ii) within ninety (90) days of the end of each fiscal quarter of Borrower, a copy of Borrower's internally prepared financial statements, prepared in accordance with GAAP; (iii) fifteen days of the filing of the same, copies of all tax returns filed by Borrower with any governmental agency; and (iv) any such other information concerning the business, properties or financial condition of Borrower as Lender shall reasonably request in writing

(b) Repayment. Borrower will repay the Line of Credit in accordance with the terms of the Line of Credit Note and the terms of this Agreement.

(c) Tax Returns. Borrower will file, within the time required to be filed, as extended by any applicable extensions granted to Borrower, all tax returns required to be filed by Borrower with any governmental agency;

(d) Notice of Default. Borrower will, immediately upon becoming aware of the existence of any condition or event that constitutes a default or would become a default or an Event of Default hereunder, provide Lender with written notice specifying the nature and period of existence thereof and the action which Borrower is taking or proposes to take with respect thereto.

(e) Notices of Claims and Litigation. Borrower will notify Lender of Borrower's actual knowledge of (i) any material adverse change in its financial condition or business, (ii) any default under any material agreement, contract or other instrument to which Borrower is a party under which any of its properties are bound, or any acceleration of the maturity of any or liability owing by Borrower, (iii) any material adverse claim against or affecting Borrower and

(iv) the commencement of, or any material determination in, any litigation with any third party or any proceeding before any governmental entity affecting Borrower at such time as Borrower reasonable determines the same could have a materially adverse impact upon its financial or ability to timely pay debt service on the Line of Credit Note.

(f) Financial Records. Borrower will maintain complete and accurate books and records of its transactions in accordance with generally accepted accounting practices and, after not less than two Business Days' prior written notice from Lender, give representatives of Lender access during normal business hours of the Borrower to examine and take written notes from any and all books, records and documents in Borrower's possession that are not subject to confidentiality agreements or other limitations on disclosure to third parties; provided, such access shall in no way interfere with the administrative or business operations of Borrower.

(g) Additional Information. Borrower will furnish such additional information and statements as Lender may reasonably request from time to time.

(h) Insurance. Borrower will maintain reasonable fire and other risk insurance, public liability insurance, and other insurance with respect to Borrower's properties and operations as it reasonably deems fit for its normal and customary operations.

(h) Performance. Perform and comply, in a timely manner, with all material terms, conditions and provisions set forth in this Agreement and in any document or instrument executed in connection with this Agreement.

(j) Loan Proceeds. Borrower will use all Advances of the Line of Credit solely for 2016 Improvements as defined in the Tax Agreement.

(k) Performance. Perform and comply, in a timely manner, with all material terms, conditions and provisions set forth in this Agreement and in any document or instrument executed in connection with this Agreement.

(l) Operations. Borrower will maintain executive and management personnel with substantially the same qualifications and experience as the present executive and management personnel and will conduct its business affairs in a reasonable and prudent manner.

(m) Compliance with Governmental Requirements. Borrower will comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the conduct of Borrower's properties, businesses and operations, including without limitation, the Americans with Disabilities Act.

(n) Change of Location. Borrower will immediately notify Lender in writing of any additions to or changes in the primary location of Borrower's businesses (*i.e.*, the campus of the University of South Alabama located in Mobile, Alabama).

(o) Tax-Exempt Status. Borrower will comply with the Tax Covenants and will take such actions as are necessary to ensure that interest on the Line of Credit Note remains exempt from federal income taxation.

(p) Maintenance of Pledged Revenues. Capitalized terms used in this paragraph and not otherwise defined in this Agreement shall have the meanings assigned in that certain University Facilities Revenue Trust Indenture dated as of February 15, 1996, as between Borrower and The

Bank of New York Mellon Trust Company, N.A., as trustee, as the same may be amended or supplemented from time to time (the "Base Indenture"). The Borrower agrees that, so long as principal of or the interest on any of the Bonds remain unpaid or until payment thereof shall been provided for, the Borrower will during each Fiscal Year levy and collect Pledged other than those constituting Children's and Women's Hospital Revenues, in such amounts as will, when added to the Children's and Women's Hospital Pledged Revenues to be collected during such Fiscal Year, produce Pledged Revenues during such Fiscal Year not less than the Annual Debt Service Requirement referable to such Fiscal Year, plus the interest due under the Line of Credit during such Fiscal Year. Anything in the foregoing to the contrary notwithstanding, whether express or implied, Lender hereby acknowledges and agrees that nothing in this Loan Agreement or in the Line of Credit Note gives Lender any lien, claim, or other interest in the Pledged Revenues or any other revenues or assets of the Borrower.

6. **Negative Covenants.** For so long as any of the Obligations remain outstanding, Borrower shall not do any of the following:

(a) **Continuity of Operations.** Borrower will not engage in any business activities substantially different than those in which Borrower is presently engaged.

(b) **Agreements.** Borrower will not enter into any agreement containing any provisions which would be violated or breached by the performance of Borrower's obligations under this Agreement or in connection herewith.

(c) **Use of Proceeds.** Borrower will not use any proceeds of the Line of Credit for any purpose other than 2016 Improvements as defined in the Tax Agreement and will not cause or permit any event or circumstance within Borrower's control that will have any adverse effect on the tax-exempt status of the Line of Credit Note.

7. **Events of Default.** An "Event of Default" shall exist if any one or more of the following events (herein collectively called "Events of Default") occurs and is continuing:

(a) **Payment Default.** Borrower shall fail to pay the Obligations or any part thereof when due.

(b) **False Statement.** Any material representation made by Borrower under or in this Agreement or any document relating hereto or in any certificate or statement furnished or made respecting the financial condition of Borrower to Lender in connection with the Line of Credit proves to be untrue or inaccurate in any material respect as of the date on which such representation is made.

(c) **Covenant Breach.** Default in the performance of, or breach of, any of the covenants or agreements of Borrower contained in this Agreement or in any document relating hereto (other than a breach of a payment covenant) occurs and continues for more than twenty (20) days after written notice of default by Lender to Borrower or, if said default cannot be cured within twenty (20) days, if Borrower fails to commence curing said default within twenty (20) days after written notice of default by Lender to Borrower or fails to diligently pursue curing said default.

(d) **Default in Favor of Third Party.** Default occurs in the payment of any material indebtedness or liability of Borrower, whether to Lender or some other party, or default occurs in respect of any note, loan agreement or credit agreement relating to any such indebtedness or liability and such default continues for more than the period of grace, if any, specified therein or

any such indebtedness or liability becomes due before its stated maturity by acceleration of the maturity thereof or becomes due by its terms and is not promptly paid or extended.

(e) **Invalidity of Loan Documents.** In the event that this Agreement or any document relating hereto ceases to be a legal, valid and binding agreement enforceable against Borrower in accordance with the respective terms thereof or in any way is terminated or becomes or is declared ineffective or inoperative or in any way whatsoever ceases to give or provide the respective liens, security interests, rights, titles, interests, remedies, powers of privileges intended to be created thereby.

(f) **Insolvency.** Borrower (i) applies for or consent to the appointment of a receiver, trustee, custodian, intervenor or liquidator of itself or of all or a substantial part of its assets, (ii) files a voluntary petition in bankruptcy, admits in writing that it is unable to pay its debts as they become due or generally does not pay its debts as they become due, (iii) makes a general assignment for the benefit of creditors, (iv) files a petition or answer seeking reorganization or an arrangement with creditors or takes advantage of any bankruptcy, receivership, or insolvency laws, or (v) files an answer admitting the material allegations of, or consents to, or defaults in answering, a petition filed against Borrower in any bankruptcy, reorganization or insolvency proceeding;

(g) **Involuntary Proceedings.** If an involuntary petition or complaint is filed seeking bankruptcy or reorganization of Borrower or the appointment of a receiver, custodian, trustee, intervenor or liquidator of Borrower, or of all or substantially all of the assets of Borrower and such petition or complaint is not dismissed within thirty (30) days of the filing thereof, or an order, order for relief, judgment or decree is entered by any court of competent jurisdiction or other competent authority approving a petition or complaint seeking reorganization of Borrower or appointing a receiver, custodian, trustee, intervenor or liquidator of Borrower, or of all or substantially all of the assets of Borrower.

(h) **Judgment.** If any final and non-appealable judgment(s) for the payment of money in excess of the sum of \$10,000.00 in the aggregate is rendered against Borrower, and such judgment or judgments are not satisfied or discharged at least ten (10) days prior to the date on which any of assets of the Borrower could be lawfully sold to satisfy such judgment.

(i) **Adverse Change.** Any event or any change in facts occurs that causes or will cause a material adverse effect on the properties, business, prospects, or condition (financial or otherwise) of Borrower.

(j) **Base Indenture Default.** If a default or event of default shall occur under the Base Indenture.

(k) **Taxability of Line of Credit.** Any event or circumstance within Borrower's control that has an adverse effect on the tax-exempt status of the Line of Credit Note; provided, however, that such event or circumstance shall not constitute an Event of Default if the Borrower compensates the Lender in accordance with the provisions of the Line of Credit Note.

8. **Remedies.** If an Event of Default occurs and is continuing, then Lender may exercise any one or more of the following rights and remedies, and any other remedies provided in this Agreement or in any document relating hereto as Lender, in its sole discretion, may deem necessary or appropriate:

(a) declare the Obligations to be forthwith due and payable, whereupon the same forthwith become due and payable without presentment, demand, protest, notice of default, notice

of acceleration or of intention to accelerate or other notice of any kind, all of which Borrower hereby expressly waives, anything contained herein or in any of the document relating hereto to contrary notwithstanding,

(b) refuse to honor any request for additional Advances under the Line of Credit Note, and/or

(c) reduce any claim to judgment, and/or without notice of default or demand, pursue and enforce any of Lender's rights and remedies hereunder or under any document relating hereto, or otherwise provided under or pursuant to any applicable law or agreement, provided however, that if any Event of Default specified in subparagraphs (f), or (g) of Section 7 above occurs, the Obligations shall thereupon become due and payable concurrently therewith, and Lender's obligations to lend will immediately terminate hereunder, without any further action by Lender and without presentment, demand, protest, notice of default, notice of acceleration or of intention to accelerate or other notice of any kind, all of which Borrower hereby expressly waive.

9. **Right to Perform.** If Borrower fails to perform any covenant, duty, or agreement contained herein or in any document relating hereto, Lender may perform or attempt to perform such covenant, duty or agreement on behalf of Borrower. In such event, Borrower will, at the request of Lender, promptly pay any amount expended by Lender in such performance or attempted performance to Lender, together with interest on any such amount from the date of such expenditure until the same is paid, at the rate of interest of three percent (3.00%) in excess of the non-default interest rate applicable to the Loan. Notwithstanding the foregoing, it is expressly understood that Lender does not assume:

(a) any liability or responsibility for the performance of any duties of Borrower hereunder or under any document relating hereto, or

(b) any other control over the management and affairs of Borrower.

10. **No Oral Modifications, Etc.** Neither this Agreement nor any provision hereof may be changed, modified, waived, discharged or terminated orally, except by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought. Any such change, waiver, modification, discharge or termination shall operate only to the extent specified therein and shall not extend beyond any particular matter specifically set forth therein.

11. **Further Assurances.** Borrower shall from time to time upon request of Lender execute and deliver to Lender such other documents and instruments as Lender shall reasonably request.

12. **Assignment by Lender.** The Lender may from time to time enter into a participation agreement or agreements with one or more participants pursuant to which such participant or participants shall be given participation in the Line of Credit Note, and such participants may from time to time similarly grant to other participants sub-participation in the Line of Credit; provided, Borrower shall not be required to remit payments of debt service on the Line of Credit Note to anyone other than the single registered holder of the Line of Credit Note. Lender covenants and agrees that any assignment or transfer by Lender of the Loan Agreement or Line of Credit Note shall be done strictly in accordance with federal and state securities laws, and, without limiting the generality of the foregoing portion of this sentence, only to an "accredited investor" as defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), or a "qualified institutional buyer" under Rule 144A of the Securities Act. On the date of its receipt of the Line of Credit Note Lender shall deliver to Borrower a letter in the form of Exhibit B hereto.

13. **Binding Effect.** This Agreement, the Line of Credit Note and any and all documents or instruments executed in connection with the Line of Credit shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors, assigns and legal representatives; provided, however, that Borrower may not, without the written consent of Lender, assign any rights, powers, duties or obligations of any said documents

14. **Offset.** Borrower hereby grants to Lender the right of offset, to secure the Line of Credit Note and the obligations of Borrower under this Agreement upon any and all moneys, securities or other property of Borrower, and the proceeds therefrom, now or hereafter held or received or in transient to Lender or any of its agents from or for the account of Borrower, whether for safe keeping, custody, pledge, transmission, collection, or otherwise, and also upon any and all deposits, whether general, specific, or special, and credits of Borrower, and any and all claims of Borrower, against Lender existing at any time.

15. **WAIVER OF JURY TRIAL.** BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY AGREES THAT:

(a) BORROWER, NOR ITS LEGAL REPRESENTATIVES, SUCCESSORS OR ASSIGNS, SHALL SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM, CROSS-CLAIM OR OTHER ACTION OR PROCEEDING ARISING FROM OR BASED UPON THIS LOAN AGREEMENT OR ANY OF THE DOCUMENTS EXECUTED IN CONNECTION THEREWITH.

(b) BORROWER, NOR ITS LEGAL REPRESENTATIVES, SUCCESSORS OR ASSIGNS, SHALL SEEK TO CONSOLIDATE ANY CLAIM AS TO WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY CLAIM IN WHICH A JURY TRIAL HAS NOT BEEN OR CANNOT BE WAIVED.

(c) THE PROVISIONS OF THIS SECTION 15 HAVE BEEN FULLY NEGOTIATED BY THE PARTIES HERETO, AND THESE PROVISIONS SHALL BE SUBJECT TO NO EXCEPTIONS.

(d) NEITHER LENDER NOR ANY OFFICER, EMPLOYEE, ATTORNEY, AGENT OR OTHER REPRESENTATIVE OF LENDER HAS IN ANY WAY AGREED WITH OR REPRESENTED TO BORROWER OR ANY OF THE OTHER OBLIGORS THAT THE PROVISIONS OF THIS SECTION 15 WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

(e) THIS SECTION 15 IS A MATERIAL INDUCEMENT FOR LENDER TO ENTER INTO THE LOAN AND OTHER TRANSACTIONS EVIDENCED OR SECURED BY THIS LOAN AGREEMENT AND THE LOAN DOCUMENTS.

16. **Headings.** Section headings and numbers are for convenience of reference only and shall in no way affect the interpretation of this Agreement.

17. **Invalid Provisions.** If any provision of this Agreement, the Line of Credit Note or any other instrument or document executed in connection with the Line of Credit is held to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions of the instrument in which such provision was located shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from the document.

18. **Non-waiver, Modifications, etc.** Neither any failure nor any delay in exercising, on the part of Lender, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights of Lender hereunder and all rights of Lender under any document relating hereto shall be in addition to all other rights provided by law. All modifications, consents, amendments or waivers of any provision of this Agreement or of any document relating hereto, or consent to any departure therefrom, shall be effective only if the same are in writing signed by the party against whom enforcement of such modification, consent, amendment, or waiver is sought and then will be effective only in the specific instance and for the purpose for which given. No notice or demand given in any case will constitute a waiver of the right to take other action in the same, similar or other instances without such notice or demand.

19. **Notices.** Any notices or other communications required or permitted to be given by this Agreement or any other documents and instruments referred to herein must be

(a) given in writing and personally delivered or mailed by prepaid United States mail, or

(b) made by courier, overnight delivery service or telecopier or telex delivered or transmitted, to the party to whom such notice of communication is directed as follows: to Borrower at 307 University Blvd., AD 170, Mobile, Alabama 36688 or to Lender at 701 South 32nd Street, Birmingham, Alabama 35233, Attn. Payment Center. Any such notice or other communication shall be deemed to have been given on the day it is received. Any party may change its address for purposes of this Agreement by giving notice of such change to the other parties pursuant to this paragraph.

20. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Alabama, and if any provision of this Agreement or of any document relating hereto is held to be illegal, invalid or unenforceable under present or future laws during the term of this Agreement, such provisions shall be fully severable and the remaining provisions of such document shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from such document.

21. **Relationship Between Borrower and Lender.** The relationship between Borrower and Lender is, and shall at all times remain, solely that of borrower and lender, and Lender neither undertakes nor assumes any responsibility or duty to Borrower to review, inspect, supervise, pass judgment upon, or inform Borrower of any matter in connection with any phase of the businesses, operations, or condition, either financial or otherwise, of Borrower. There is not and shall not be deemed to be a fiduciary relationship between Lender and Borrower and nothing contained in this Agreement or in any document relating hereto shall be deemed to create a partnership or joint venture between Lender and Borrower. Borrower will rely entirely upon their own judgment with respect to such matters, and any review, inspection, supervision, exercise of judgment, or information supplied to Borrower by Lender in connection with any such matter is for the protection of Lender, and neither Borrower nor any third party is entitled to rely thereon.

22. **Entire Agreement.** This Agreement and the documents referred to herein embody the entire agreement between the parties and supersede all prior or contemporaneous agreements and understandings, if any, relating to the subject matter hereof and thereof.

23. **Survival of Representations.** All representations made by Borrower in this Agreement or any document relating hereto shall survive the execution and delivery thereof and the making of the loan described herein.

24. **No Third Party Beneficiaries.** The parties do not intend the benefits of this Agreement to inure to the benefit of any third party nor shall this Agreement be construed to make or render Lender liable to any materialman, supplier, contractor, subcontractor, purchaser or lessee of any property owned by Borrower or for debts or claims accruing to any such persons against Borrower. Notwithstanding anything contained herein or in any document relating hereto, neither any such document nor any conduct or course of conduct by any or all of the parties hereto, before or after signing, shall be construed as creating any right, claim or cause of action against Lender, or any of its officers, directors, agents or employees, in favor of any materialman, supplier, contractor, subcontractor, purchaser or lessee of any property owned by Borrower or in favor of any other person or entity.

25. **Time is of the Essence.** Time is of the essence in the performance of this Agreement.

[Signatures on following page.]

IN WITNESS WHEREOF, the undersigned have executed this Agreement, or caused this Agreement to be executed by its duly authorized officer as of the date first written above.

BORROWER:

UNIVERSITY OF SOUTH ALABAMA

By: _____

G. SCOTT WELDON

As its: Vice President for Finance and Administration

LENDER:

COMPASS MORTGAGE CORPORATION

By: _____

As its: _____

EXHIBIT A

FORM OF ADVANCE REQUISITION

Requisition No. _____

TO: Compass Mortgage Corporation, as Lender under that certain Loan Agreement dated June ____, 2016 between Compass Mortgage Corporation and the University of South Alabama (the "Loan Agreement")

The undersigned, as an Authorized Borrower Representative of the University of South Alabama, hereby certifies as follows:

1. on the date hereof, the undersigned has requested an Advance in the amount of \$ _____;
2. the amount to be advanced hereunder shall be used solely for payment of 2016 Improvements as defined in the Tax Agreement;
3. the total amount of Advances heretofore honored by Lender, together with the amount of the Advance requested hereunder, does not exceed \$30,000,000; and
4. no Event of Default has occurred and is continuing under the Loan Agreement.

All capitalized terms used herein and not otherwise defined herein shall have the meaning given to them in the Loan Agreement.

DATED this ____ day of _____, 20__.

By: _____

Title: _____

University of South Alabama

APPROVED FOR ADVANCE:

COMPASS MORTGAGE CORPORATION By: _____

Its: _____

EXHIBIT B

LENDER LETTER

June ____, 2016

University of South Alabama
Mobile, Alabama

Compass Mortgage Corporation, a corporation under the laws of the State of _____ (the "Bank"), has agreed to make a non-revolving line of credit of up to \$30,000,000 to the University of South Alabama (the "University"), and in connection therewith to acquire the University's Promissory Note in a maximum principal amount of \$30,000,000 (the "Note"). The Note is an unsecured obligation of the University. In connection with the said line of credit and the Note, the Bank hereby certifies to, and agrees with, the University as follows:

- (a) On the date hereof the Bank has received physical possession of the Note.
- (b) The Bank has sufficient knowledge and experience in financial and business matters, including the acquisition and ownership of governmental obligations similar to the Note, to be able to evaluate the merits and risks of making the said line of credit available to the University as evidenced by the Note.
- (c) The Bank is an "accredited investor" as defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), or a "qualified institutional buyer" under Rule 144A of the Securities Act, and is able to bear the economic risks of the Note.
- (d) The Bank understands that no official statement, prospectus, offering circular or other comparable disclosure document is being provided with respect to the Note. The Bank has made its own inquiry and analysis with respect to the Note and material factors affecting the payment of the Note.
- (e) The Bank understands that the Note is unsecured and is not registered under federal or state securities laws, is not listed on any stock or other securities exchange, and carries no rating from any rating agency.
- (f) The Bank is providing the said line of credit and acquiring the Note in the ordinary course of its lending business for its own loan portfolio with no present view toward resale or distribution to any entity other than an affiliate of the Bank. The Bank reserves the right to sell, transfer or dispose of the Note or interests therein in accordance with its own judgment and in compliance with all applicable federal and state securities laws then in effect. Any person to whom the Bank sells, transfers or disposes of the Note or an interest therein will also be an "accredited investor" as defined in Rule 501 of Regulation D under the Securities Act or a "qualified institutional buyer" as defined under Rule 144A of the Securities Act.

COMPASS MORTGAGE CORPORATION

By: _____

Name: _____

Title: _____

EXHIBIT II
FORM OF PROMISSORY NOTE

PROMISSORY NOTE

Principal Up to \$30,000,000.00	Loan Date 06-2016	Maturity 06-__-2018	Loan No.	Call/Coll	Account	Officer ***	Initials
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References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.

Borrower: University of South Alabama
307 University Blvd, AD 170
Mobile, AL 36688

Lender: Compass Mortgage Corporation
701 South 32nd Street
Alabama Processing Center
Birmingham, AL 35233
(800) 239-1996

Principal Amount: Up to \$30,000,000.00

Date of Note: June __, 2016

PROMISE TO PAY. University of South Alabama ("Borrower") promises to pay to Compass Mortgage Corporation ("Lender"), or order, in lawful money of the United States of America, the principal amount of up to Thirty Million and 00/100 Dollars (\$30,000,000.00), or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each Advance. Interest shall be calculated from the date of each Advance until repayment of each Advance.

LOAN AGREEMENT. This Note is the "Line of Credit Note" described in that certain Loan Agreement of even date herewith (the "Loan Agreement") between the Borrower and the Lender. Capitalized terms used herein and not otherwise defined shall have the meanings assigned in the Loan Agreement.

PAYMENT. Borrower will pay this loan in one payment of all outstanding principal plus all accrued unpaid interest on June __, 2018 (the "Maturity Date"). In addition, Borrower will pay regular monthly payments of all accrued unpaid interest due as of each payment date, beginning July __, 2016, with all subsequent interest payments to be due on the same day of each month after that. Payments that are due on a day that is not a Business Day shall be payable on the next succeeding Business Day. Unless otherwise agreed or required by applicable law, payments will be applied first to interest, then to principal due, then to any unpaid collection costs and other charges due under this Note, with any remaining amount to the outstanding principal balance. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing. Amounts repaid under this Note may not be reborrowed.

VARIABLE INTEREST RATE. The interest rate to be applied to the unpaid principal balance of this Note will be a variable rate per annum equal to the sum of (a) seventy-seven one-hundredths of one percent (0.77%) (77 basis points) plus (b) sixty-five percent (65%) of LIBOR; provided, however, that in no event shall the interest rate applied to this note exceed the lesser of eighteen percent (18%) per annum and the highest rate per annum permitted by applicable law. The interest rate on this Note will be subject to change from time to time based on changes in LIBOR, as described below. For purposes of computing the interest rate to be applied to this Note, the following definitions shall apply:

"LIBOR" is the London Interbank Offered Rate for U.S. dollar deposits for a one-month period (a "Reference Period"), determined by ICE Benchmark Administration Limited (ICE) (or any successor or substitute therefor), as obtained by Lender from Reuter's, Bloomberg or any other source providing such quotations as may be designated by Lender from time to time (the "Rate Source") as of the date that is two (2) Business Days before each Reset Date (or, in the event no such rate is stated as of such date, on the day most immediately preceding such date for which a rate was stated). If the Rate Source states a rate that is less than zero, the applicable rate shall be deemed to be zero. The interest rate change will not occur more often than each month, and any change in the index rate based on a change in the rate stated by the Rate Source will occur on the first Business Day of each month (each a "Reset Date"); provided, however, that the initial index rate shall be determined as if the date of this Note were a "Reset Date". Each change in the index rate based on a change in the rate stated by the Rate Source shall be effective from and including the Reset Date as of which such change occurred. The Reference Period is for reference purposes only, and the index rate hereunder may continue for a period that is longer or shorter than the Reference Period, depending on, among other things, whether or not the last day of a given Reference Period falls on a day other than a Business Day. Notwithstanding the foregoing, if for any reason Lender is not able to determine a rate as described above or it becomes illegal for Lender to maintain the credit referenced herein based on the rate so determined, then upon written notice to Borrower and until Lender gives written notice that such conditions no longer exist, Lender shall have the right, in its sole discretion, to substitute a reasonable alternative index rate selected by Lender for that rate. The index defined in this paragraph (however determined) is referred to as "LIBOR" Lender will provide the current LIBOR rate to the Borrower on any Business Day upon request.

"Interest Period" shall mean a period equal to one (1) calendar month (one (1) calendar month being included for reference purposes only; the actual Interest Periods under this Note may be for periods of more than or less than one (1) month, depending on whether or not the final day of the Interest Period falls on a Business Day). The initial Interest Period shall commence on the date of the issuance of this Note and shall end on June 31, 2016, and each succeeding Interest Period thereafter shall commence on the day immediately following the expiration of the preceding Interest Period.

"Business Day" means each day other than a Saturday, a Sunday, or any day on which Lender is closed for business.

The rate applicable to this Note is not necessarily the lowest rate charged by Lender or its affiliates on its loans or collected by Lender or its affiliates on loans they hold. The Borrower understands that holder or its affiliates may make loans based on other rates as well.

The applicable interest rate on all principal after maturity or earlier acceleration of this Note following an Event of Default shall be a rate per annum that is three percent (3.0%) per annum higher than the variable interest rate otherwise applicable to this Note, but in no event shall such rate be higher than eighteen percent (18%) or, if lower, the maximum rate allowed by applicable law (the "Post-Default Rate"). The Post-Default Rate shall apply to the outstanding principal amount of this Note commencing on the date of any Event of Default and ending on the earliest to occur of the following: (a) the Event of Default is cured by the Borrower, (b) the Event of Default is waived in writing by the Lender, and (c) this Note is paid in full.

In the event the Internal Revenue Service makes a final determination that interest on this Note is includable in gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), then, anything herein to the contrary notwithstanding, this Note will bear interest at a variable rate of interest that would provide the holder an after-tax yield on the then outstanding principal amount hereof at least equal to the after-tax yield the holder would have received, if such determination of taxability had not been made, from the date such interest must be included in gross income, whereupon the Board will reimburse the holder the difference between (a) the interest then due computed at the higher rate, and (b) the interest already paid at the lower rate, along with all costs, expenses, penalties, and reasonable attorneys' fees incurred by the holder as a result of such determination, within thirty days after the date a written notice is delivered by the holder to the Borrower stating that such a determination has been made and stating the amount that is then due. The obligation to pay such additional interest shall survive the payment of the principal of this Note.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method. This calculation method results in a higher effective interest rate than the variable rate calculation formula would described above.

TRANSACTIONS WITH AFFILIATES. Borrower shall not directly or indirectly (including through its parent company(ies), subsidiary(ies), or affiliates) transfer any proceeds of the loan to, nor use them for the benefit of, a Bank Affiliate, including using any of the proceeds of the loan to make any payment on (or with respect to) any loan or other debt from any Bank Affiliate. Borrower may request a list of Bank Affiliates, which is updated on a quarterly basis, from the Bank by contacting its relationship manager. The term "Bank Affiliate" means any entity (1) that is directly or indirectly (including ownership through a trust and beneficial ownership), controlling, controlled by, or under common control with Lender (such an entity a "Control Entity"), (2) in which a majority of its directors, trustees, or general partners (or individuals exercising similar functions) constitute a majority of the persons holding any such office with Lender or a Control Entity, (3) that is sponsored and advised on a contractual basis by Lender or another Bank Affiliate, or (4) that is (a) an investment company for which Lender or any other Bank Affiliate serves as an investment adviser, as defined in section 2(a)(20) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a)(20)), or (b) an investment fund for which Lender or another Bank Affiliate serves as an investment adviser, if Lender and the other

Bank Affiliates own or control in the aggregate more than five percent (5%) of any class of voting securities or of the equity capital of the fund (it being understood that the ownership of fifteen percent (15%) or more of the ownership interest in an entity shall be deemed control of the entity, and that each general partner shall have control over the partnership). This does not apply to deposits made into any bank accounts for the benefit of the Borrower.

To the extent the proceeds of this loan will be used to purchase securities (regardless of whether such purchase is conducted through BBVA Securities Inc. or through another broker-dealer): (1) no securities of a Bank Affiliate (including those underwritten by a Bank Affiliate) shall be purchased during an issuance or underwriting period, or in a way that would transfer loan proceeds to a Bank Affiliate; (2) no securities shall be purchased where a Bank Affiliate is selling them as principal (even in the open market); and (3) Borrower agrees to promptly notify Lender of any violation of this provision.

Failure to comply with the foregoing Transactions with Affiliates requirements at any time during the term of this Agreement, including renewals and extensions thereof, shall be deemed an Event of Default and subject to the default provisions and remedies available to Lender.

PREPAYMENT. Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Compass Mortgage Corporation, Alabama Processing Center, 701 South 32nd Street, Birmingham, AL 35233.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment.

LENDER'S RIGHTS. Upon the occurrence of an Event of Default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, without notice, and then Borrower will pay that amount.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Alabama without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Alabama.

COLLATERAL. This loan is unsecured.

LINE OF CREDIT. This Note evidences a non-revolving line of credit. Advances under this Note, as well as directions for payment from Borrower's accounts, may be requested orally or in writing by Borrower or by an Authorized Borrower Representative. Lender may, but need not, require that all oral requests be confirmed in writing. Borrower agrees to be liable for all sums either: (a) advanced in accordance with the instructions of an Authorized Borrower Representative, or (b) credited to the Borrower's Depository Account. The aggregate unpaid amount reflected by the Lender's notations on its internal records (whether on computer or otherwise) shall be deemed rebuttably presumptive evidence of the principal amount remaining outstanding and unpaid on this Note. No failure of the Lender so to record any Advance or payment shall limit or otherwise affect the obligation of the Borrower hereunder with respect to any Advance, and no payment of principal by the Borrower shall be affected by the failure of the Lender so to record the same.

DRAW-DOWN PROVISIONS. This Note is issued as a "draw-down loan" as described in § 1.150-1(c)(4) of the Regulations promulgated under the Code. On each date during the period commencing on the date of this Note and ending on the Maturity Date (the "Draw-Down Period") on which the Lender makes any advance under the non-revolving line of credit evidenced by this Note in accordance with Section 1 of the Loan Agreement, the aggregate dollar amount of such advance on that date shall constitute an "Advance" under the Loan Agreement. Each Advance will increase the outstanding principal amount of this Note. Notwithstanding any other provision in the Loan Agreement or this Note, the outstanding principal amount of this Note may not exceed \$30,000,000, and (2) no additional Advances may be made after the expiration of the Draw-Down Period.

AMENDMENTS. This Note constitutes the entire understanding and agreements of the parties as to the matters set forth in this Note. No alteration or amendment of this Note shall be effective unless given in writing and signed by the party or parties sought to be bound by the alteration or amendment.

SEVERABILITY. If a court of competent jurisdiction finds any provision of this Note to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Note. Unless otherwise required by law, the illegality, invalidity, or enforceability of any provision of this Note shall not affect the legality, validity or enforceability of any other provision of this Note.

ADDITIONAL PROVISIONS. Notwithstanding any other provisions of this Note to the contrary: (a) Lender's Remedies. Lender also may exercise any and all remedies available to it. Lender's rights are cumulative and may be exercised together, separately, and in any order; (b) No Assignment. Borrower agrees not to assign any of Borrower's rights or obligations under this Note; (c) Prepayments. The terms "prepayment" and "early payment" mean any payment that exceeds the combined amount of interest, principal due, and charges due as of the date Lender receives that payment. The amount of this excess will be applied to the outstanding principal balance; (d) Final Payment. Borrower agrees that, if Borrower owes any late charges, collection costs or other amounts under this Note or any related documents, Borrower's final payment under this Note will include all of these amounts, as well as all unpaid principal and accrued interest; (e) Loan Fees. Borrower agrees that all loan fees and other prepaid finance charges are fully earned as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of an Event of Default).

JURISDICTION. Any legal action or proceeding brought by Lender or Borrower against the other arising out of or relating to the loan evidenced by this instrument (a "Proceeding") shall be instituted in the federal court for or the state court sitting in the county where Lender's office that made this Loan is located, unless for proceedings before the State Board of Adjustments, in which case shall proceed in Montgomery, Alabama.

BUSINESS PURPOSE. The Borrower agrees to use the proceeds of this Note solely for business purposes and not any personal, family or household purpose.

CHANGE IN INITIAL INTEREST RATE. If this Note evidences an extension of credit with a variable rate and an initial interest rate is stated, the initial rate stated on this Note when it is signed may differ from the actual rate due to changes in the Index before closing.

CONSTRUCTION OF DOCUMENTS. In the event of any conflict within the provisions of this Note and the Loan Agreement the provisions of this Note shall control. The parties hereto agree and acknowledge that no rule of construction permitting or requiring any claimed ambiguities to be resolved against the drafting party shall be employed in the interpretation of this Note or any of the other documents referred to or executed in connection with this Note.

TO GRANT FURTHER ASSURANCES. The Borrower will, upon reasonable request, execute and deliver such further instruments and do such further acts as may be necessary or proper to carry out more effectually the purpose of this Note or the Loan Agreement, and in particular (without in any way limiting the generality of the foregoing) to transfer to any successor holder all rights and benefits of the Lender under this Note or the Loan Agreement. No failure to request such further instruments or further acts shall be deemed, a waiver of any right to the execution and delivery of such instruments or the doing of such acts or be deemed to affect the interpretation of any provision of this Note or the Loan Agreement.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of this Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor, and take any other action deemed necessary by Lender without the consent of or notice to anyone.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS NOTE.

THIS NOTE IS GIVEN UNDER SEAL AND IT IS INTENDED THAT THIS NOTE IS AND SHALL CONSTITUTE AND HAVE THE EFFECT OF A SEALED INSTRUMENT ACCORDING TO LAW.

BORROWER:

UNIVERSITY OF SOUTH ALABAMA

By: _____ (Seal)
G. SCOTT WELDON, Vice President for Finance and Administration

University of South Alabama

Tuition & Fees, 2016-2017

3.0% Increase

Student Classification	Current*	Proposed*	Change
	<u>2015-2016</u>	<u>2016-2017</u>	
Undergraduate In-State	\$293	\$302	\$9
Graduate In-State	\$395	\$407	\$12

Non-resident rate is twice the resident rate

Student Classification	Current full academic year tuition plus fees	Proposed full academic year tuition & fees	Change in full academic year tuition
	<u>2015-2016</u>	<u>2016-2017</u>	
Undergraduate In-State	\$8,790	\$9,060	\$270
Graduate In-State	\$9,480	\$9,768	\$288

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

Non-resident rate is twice the resident rate

Web Course per-Hour Tuition 3.0% Increase

Undergraduate	\$386	\$398	\$12
Graduate	\$469	\$483	\$14

College of Medicine 3.0% Increase

College of Medicine	\$28,236	\$29,083	\$847
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*This rate reflects a general Arts & Sciences major

**UNIVERSITY OF SOUTH ALABAMA
2016-2017 Proposal**

In-State Tuition Rate*	Undergraduate		Graduate	
	Current Tuition	3.0% Increase	Current Tuition	3.0% Increase
Tuition Rate by College				
College of Arts and Sciences College of Education School of Continuing Education	\$293	\$302	\$395	\$407
Pat Capps Covey College of Allied Health Professions Mitchell College of Business School of Computing	\$308	\$317	\$416	\$428
College of Engineering	\$312	\$321	\$420	\$433
College of Nursing	\$328	\$348**	\$446	\$469**

Out-of-State Tuition Rate	Undergraduate		Graduate	
	Current Tuition	2 times the in-state rate	Current Tuition	2 times the in-state rate
Tuition Rate by College				
College of Arts and Sciences College of Education School of Continuing Education	\$586	\$604	\$790	\$814
Pat Capps Covey College of Allied Health Professions Mitchell College of Business School of Computing	\$616	\$634	\$832	\$856
College of Engineering	\$624	\$642	\$840	\$866
College of Nursing	\$656	\$696***	\$892	\$938***

Web Course Tuition Rate	Undergraduate		Graduate	
	Current Tuition	3.0% Increase	Current Tuition	3.0% Increase
Tuition Rate by College				
College of Arts and Sciences College of Education School of Continuing Education	\$386	\$398	\$469	\$483
Pat Capps Covey College of Allied Health Professions Mitchell College of Business School of Computing	\$400	\$412	\$491	\$506
College of Engineering	\$405	\$417	\$495	\$510
College of Nursing	\$420	\$443**	\$521	\$547**

*Includes Study Abroad/Study Away (Outside the State of Alabama)

**2016-2017 College of Nursing In-State/Web Tuition Rate:

Undergraduate tuition rate is an increase of 3% plus \$10 per credit hour over the 2015-2016 rate
Graduate tuition rate is an increase of 3% plus \$10 per credit hour over the 2015-2016 rate.

***2016-2017 College of Nursing Out-of-State Tuition Rate:

Undergraduate tuition rate is an increase of 3% plus \$20 per credit hour over the 2015-2016 rate
Graduate tuition rate is an increase of 3% plus \$20 per credit hour over the 2015-2016 rate.

2016 - 2017 Proposed Semester Room Rates

Residence Hall		2015-2016 Current Rate	2016-2017 Proposed Rate	Difference
BETA	Two Bedroom Apartment for Four	\$1,925	\$1,925	\$0
	Two Bedroom Apartment for Two	\$2,750	\$2,825	\$75
	Studio Apartment for Two	\$2,210	\$2,320	\$110
	Private Apartment	\$2,750	\$2,825	\$75
GAMMA	Suite for Two	\$2,600	\$2,600	\$0
	Two Bedroom Apartment for Two	\$2,750	\$2,825	\$75
	Studio Apartment for Two	\$2,210	\$2,320	\$110
	Private Apartment	\$2,750	\$2,825	\$75
DELTA	Two Person Room (D3-5)	\$1,925	\$1,925	\$0
	Large Private Room (D3-5)	\$2,485	\$2,485	\$0
	Private Room (D3-5)	\$2,400	\$2,485	\$85
	Two Person Room w/ kitchenette (D6)	\$2,210	\$2,285	\$75
	Private Room w/ kitchenette (D6)	\$2,485	\$2,485	\$0
EPSILON	Two Person Room	\$2,400	\$2,485	\$85
NEW HALL	Two Person Room	\$2,400	\$2,485	\$85
STOKES	Suite for Two	\$2,750	\$2,825	\$75

2016 - 2017 Proposed Semester Meal Plan Rates

<u>Meal Plan Type</u>	<u>2015-2016 Current Rate</u>	<u>2016-2017 Proposed Rate</u>	<u>Difference</u>
All Access Pass with \$175 Bonus Bucks	\$1,700	\$1,745	\$45
All Access Pass with \$300 Bonus Bucks	\$1,800	\$1,860	\$60
All Access Pass with \$450 Bonus Bucks	\$1,950	\$1,985	\$35
7 Meals Per Week with \$100 Bonus Bucks	\$840	\$860	\$20
Block 25 with \$1000 Bonus Bucks	\$1,000	\$1,000	\$0
Block 50 with \$1300 Bonus Bucks	\$1,300	\$1,300	\$0

COMMITTEE MINUTES

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

**June 2, 2016
1:30 p.m.**

A meeting of the Academic and Student Affairs Committee of the University of South Alabama Board of Trustees was duly convened by Ms. Bettye Maye, Chair, on Thursday, June 2, 2016, at 1:32 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Chandra Brown Stewart, Ron Jenkins, Bettye Maye, Bryant Mixon and Mike Windom.

Member Absent: Scott Charlton.

Other Trustees: Steve Furr, John Peek, Jimmy Shumock, Ken Simon and Jim Yance.

Administration and Others: Joe Busta, Lynne Chronister, Angela Coleman, Josh Crownover, Joel Erdmann, Monica Ezell, Mike Finan, Happy Fulford, Bob Hanks, Mike Haskins, David Johnson, Beverly Kellen, Mike Mitchell, John Smith, Sam Strada, Jean Tucker, Tony Waldrop and Scott Weldon.

Press: Alyssa Newton (*Vanguard* and WPMI).

The meeting came to order and the attendance roll was called. Ms. Maye called for adoption of the revised agenda. On motion by Mr. Windom, seconded by Captain Jenkins, the revised agenda was adopted unanimously.

Ms. Maye called upon Provost Johnson for presentation of **ITEM 7**, a resolution to approve the granting of tenure and/or promotion to faculty as set forth (for copies of resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on June 3, 2016). Provost Johnson briefly addressed the vetting process. On motion by Mr. Windom, seconded by Captain Jenkins, the Committee voted unanimously to recommend approval by the Board of Trustees. Judge Simon asked if younger faculty are earning tenure and promotion. Provost Johnson stated most are successful in meeting the high standards necessary to achieve tenure and promotion. He added the University attempts to provide substantial support, and cited as an example USA's faculty mentoring program implemented in the last couple of years.

Ms. Maye asked Provost Johnson to discuss **ITEM 8**, a resolution expressing the Board's appreciation to Dr. Keith Harrison for his many contributions to the University and extending best wishes upon his retirement. Provost Johnson said Dr. Harrison retired effective May 31 and talked about his roles at the University, including 11 years as Dean of the Graduate School. He stated Dr. Harrison and his wife, Leora, had pledged significant monetary contributions for an endowed chemical engineering

scholarship as well. On motion by Mr. Windom, seconded by Ms. Brown Stewart, the Committee voted unanimously to recommend approval by the Board of Trustees.

Provost Johnson presented **ITEM 10**, a resolution authorizing the rates for tuition and fees, housing and meal plans for the 2016-2017 academic year. He asserted the Administration's belief that the recommended three-percent increase in tuition and fees would generate the minimum revenue required to maintain program quality and meet the needs of students. He said this rate is consistent with what peer institutions in Alabama had adopted or are proposing and, with passage, USA's rates will still be among the lowest offered in the state. He explained the recommendation pertaining to the differential tuition for the College of Nursing, which calls for an additional \$10 (in-state) or \$20 (out-of-state) per credit hour to make possible the hiring of additional full-time nursing faculty for improved student/teacher ratios. Mr. Peek inquired about budget components that have high operational costs that are beyond the University's ability to control, such as utilities. Mr. Weldon stated the key concern for the 2016-2017 fiscal year is a \$3-million increase in debt service, which he said would level out the following year. He added USA does a good job to limit spending when possible. Mr. Peek asked what financial challenges the University can expect over the next few years. Mr. Weldon said the Administration would closely monitor health care costs, as well as employer contributions for retiree health coverage and for employee retirement. President Waldrop noted enrollment increases and decreases can impact the budget, adding that, with growth, more faculty are needed to keep up with demand.

Mr. Peek asked if feedback on the proposal increase was available from the students' perspective. President Waldrop called for remarks by Mr. Josh Crownover, Student Government Association (SGA) President. Mr. Crownover stated the students understand that the cost of attending South Alabama is less expensive than at competing institutions in the state and region, and is relatively low given the quality education received. He said, while the students do not embrace paying higher rates, they recognize the reasons for an increase.

Judge Simon reminded the group that the University has had to deal with significant reductions in state appropriation and Mr. Fulford acknowledged that appropriation cuts followed the 2008 fiscal year. President Waldrop stated the accumulated loss in state funding over the years totals \$326.8 million. He said, with tuition revenue increases totaling \$75.5 million over the same period, USA's overall funding deficit stands at \$251.3 million. He said this demonstrates the extent of cost-cutting that has taken place. Mr. Peek encouraged student participation in the annual *Higher Education Day* activities in Montgomery. Mr. Crownover talked about the SGA's efforts to recruit students to attend the rally. Provost Johnson said, of all the schools represented, USA's contingent is consistently the largest. Mr. Windom shared positive words about the event and expressed confidence that the local legislative delegation is appreciative of South's involvement.

Provost Johnson called on Dr. Smith to address housing and meal plan rates. Dr. Smith reiterated the Administration does everything possible to minimize rate increases. He said the housing and food services are auxiliary operations and revenues collected are allocated back to these programs. He

advised that, over the summer term, just over \$2 million would be spent on improvements throughout the housing system and to dining facilities, with funding made possible from rent proceeds, cash reserves and the operating budget. He stated major renovations would take place at the Beta and Gamma complexes and roofs would be replaced at Delta. He added that, among the food service enhancements that are being employed, a new food venue would be installed at the Mitchell College of Business. He referenced comparative data showing USA's housing and meal plan rates are much lower than at other institutions, noting the Administration must be cognizant of the local market and what other schools offer. He stated the recommendation calls for a 2.5 percent average increase in housing rates and a 2.1 percent average increase in meal plan rates. Mr. Windom asked why Auburn's meal plan rates are significantly less than USA's rates. Dr. Smith stated Auburn uses an *a la carte* approach, which is more costly to students whose account balances decline and must be refilled, while USA offers a bona fide meal plan with several purchase options, some including unlimited meals. On motion by Captain Jenkins, seconded by Mr. Windom, the Committee voted unanimously to recommend Board approval of the tuition, housing and meal plan rates as presented.

As to a report on the activities of the Division of Academic Affairs, **ITEM 11**, Ms. Maye called for comments by Provost Johnson. Provost Johnson recalled the December 2015 approval of an updated Strategic Plan that is organized around the University's five institutional priorities. He advised that groups of faculty and administrators have since worked to develop Scorecard metrics for measuring progress over the next five years as the Strategic Plan tracks forward. He introduced Dr. Angela Coleman, Associate Vice President for Institutional Effectiveness, who gave an overview of the process whereby the Scorecard, a collection of 23 performance indicators paralleling the five priorities, was developed and she explained how interpreting the data would guide the work of the University through 2021. She said updates would be presented to the Committee on an annual basis and added that the University Committee on Planning, Assessment and Finance and the University Assessment Advisory Committee would also have opportunities to review Scorecard results and make recommendations for the University's consideration. She mentioned that an unintended benefit of the process was constructive dialogue on discerning success. Addressing the areas of student success, extramural awards and international student diversity, she explained how the relative indicators could drive discussion on improvement strategies. President Waldrop complimented Dr. Coleman for spearheading this team effort.

Ms. Maye called for a report on the activities of the Division of Student Affairs, **ITEM 12**. With reference to national news headlines, Dr. Mitchell stressed the importance of mental health on college campuses and introduced Dr. Bob Hanks, Director of USA's Department of Counseling and Testing Services (CTS), and Ms. Beverly Kellen, Student Health Center Practice Director, to discuss a new USA partnership. Dr. Hanks thanked Dr. Mitchell for his support of a new psychiatric clinic that opened in the 2015 fall semester. Demonstrating the need for the clinic, he shared that the numbers of USA students who visit the CTS for counseling have increased in recent years and estimated that as many as 25 percent had already been prescribed psychotropic medications prior to or throughout the course of CTS counseling. He stated, in a national survey of approximately 500

college and university counseling center directors, 62 percent report providing psychiatric services. He discussed program benefits, including prompt referral turnaround, improved communications with psychiatric treatment providers and reduced out-of-pocket costs. He added the service may help the University with retention goals. Ms. Kellen conveyed pride in the Student Health Center (SHC), through which the student psychiatric clinic is administered. She stated both the SHC and the new clinic are accredited through the Accreditation Association for Ambulatory Health Care, Inc. (AAAH), and she gave an overview of clinical operations, noting four senior-level psychiatry residents see patients on Wednesdays from 8:00 a.m. to noon. Among other statistics, she reported 106 students served from August 2015 to May 2016 for a total of 320 patient visits. She said the top diagnoses were anxiety disorder, major depressive disorder, attention deficit hyperactivity disorder, social anxiety disorder and post-traumatic stress syndrome and added, due to the high response, expansion of services is being considered. Questions concerning fees, insurance, training and intervention strategies were addressed.

Ms. Maye called for consideration of the minutes of the meeting held on March 3, 2016. On motion by Mr. Windom, seconded by Captain Jenkins, the minutes were adopted unanimously.

There being no further business, the meeting was adjourned at 2:12 p.m.

Respectfully submitted:


Betty R. Maye, Chair

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

HEALTH AFFAIRS COMMITTEE

**June 2, 2016
2:47 p.m.**

A meeting of the Health Affairs Committee of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Stokes, Chair, on Thursday, June 2, 2016, at 2:47 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Chandra Brown Stewart, Bettye Maye, Ken Simon and Steve Stokes.

Members Absent: Scott Charlton and Arlene Mitchell.

Other Trustees: Steve Furr, Ron Jenkins, Bryant Mixon, John Peek, Jimmy Shumock, Mike Windom and Jim Yance.

Administration and Others: Owen Bailey, Joe Busta, Lynne Chronister, Joel Erdmann, Monica Ezell, Mike Finan, Happy Fulford, Mike Haskins, David Johnson, Mike Mitchell, Danny Rickert, John Smith, Sam Strada, Becky Tate, Jean Tucker, Tony Waldrop and Scott Weldon.

Press: Alyssa Newton (*Vanguard* and WPMI).

The meeting came to order and attendance roll was called. Dr. Stokes called for adoption of the minutes of the meeting held on March 3, 2016. On motion by Ms. Maye, seconded by Ms. Brown Stewart, the Committee voted unanimously to adopt the minutes.

Dr. Stokes called for consideration of **ITEM 4**, a resolution authorizing the USA Hospitals medical staff appointments and reappointments for February, March and April 2016 (for copies of resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on June 3, 2016). On motion by Ms. Maye, seconded by Ms. Brown Stewart, the Committee voted unanimously to recommend approval by the Board of Trustees.

Dr. Stokes moved for the approval of **ITEM 5**, a resolution to approve revisions to the USA Hospitals Medical Staff Bylaws and Rules and Regulations. Judge Simon seconded and the Committee voted unanimously to recommend approval by the Board of Trustees.

Dr. Stokes called on Mr. Bailey to address **ITEM 6**, a report on the activities of USA Health and the College of Medicine. Mr. Bailey started his report by thanking Ms. Tate and Mr. Rickert for their efforts in creating the Gulf Coast Regional Care Organization (RCO). He advised that Medicaid remains \$85 million short of the \$785 million needed for level funding of a statewide RCO network.

He said the regular legislative session ended without movement on bridging this gap, despite hope that BP settlement money might be allocated. He said it is unknown if a special session would take place and stated there is speculation the Governor may have funds that could be applied to the deficit. He said, as the funding gap narrows, determining when Medicaid can move forward is a point of debate. He said legislation had passed to delay RCO implementation into 2017, which will allow the RCO team additional time to prepare. He said, because CMS (Centers for Medicare and Medicaid Services) is supportive of Alabama's managed care approach to Medicaid, it is willing to wait with the implementation delay, an indication the CMS 1115 waiver, a provision allowing states to apply for program flexibility to test new or existing approaches to financing and delivering Medicaid, should not be jeopardized. He said the team continues its work and recently took part in a readiness assessment conducted by Medicaid and its consultant with positive results. He added that the Alabama provider network has received good national press about its novel approach, citing an article in *USA Today*. He said the RCO initiative consists of a number of partners in the community working diligently with USA.

There being no further business, the meeting was adjourned at 2:55 p.m.

Respectfully submitted:



Steven H. Stokes, M.D., Chair

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

AUDIT COMMITTEE

June 2, 2016

2:12 p.m.

A meeting of the Audit Committee of the University of South Alabama Board of Trustees was duly convened by Mr. John Peek, Chair, on Thursday, June 2, 2016, at 2:12 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Ron Jenkins, Bryant Mixon and John Peek.

Members Absent: Scott Charlton and Sandy Stimpson.

Other Trustees: Chandra Brown Stewart, Steve Furr, Bettye Maye, Jimmy Shumock, Ken Simon, Steve Stokes, Mike Windom and Jim Yance.

Administration and Others: Robert Berry, Joe Busta, Lynne Chronister, Joel Erdmann, Monica Ezell, Mike Finan, Happy Fulford, Mike Haskins, David Johnson, Mike Mitchell, John Smith, Polly Stokley, Sam Strada, Jean Tucker, Tony Waldrop and Scott Weldon.

Press: Alyssa Newton (*Vanguard* and WPMI).

The meeting came to order and the attendance roll was called. Mr. Peek called for consideration of the minutes of the meeting held on March 3, 2016. On motion by Captain Jenkins, seconded by Sheriff Mixon, the minutes were adopted unanimously.

Mr. Peek introduced Mr. Robert Berry, USA's new Executive Director of Internal Audit and Chief Financial Compliance Officer, and shared information on Mr. Berry's professional background. He thanked Ms. Stokley for filling in as Interim Director and noted that he had participated in the interview process. He reported an immediate impact made by Mr. Berry since starting in his new role. Mr. Berry addressed the group with enthusiasm for the opportunity to join South Alabama.

There being no further business, the meeting was adjourned at 2:15 p.m.

Respectfully submitted:



John M. Peek, Chair

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE

**June 2, 2016
2:15 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, June 2, 2016, at 2:15 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Ron Jenkins, Ken Simon, Steve Stokes, Mike Windom and Jim Yance.

Member Absent: Tom Corcoran.

Other Trustees: Chandra Brown Stewart, Steve Furr, Bettye Maye, Bryant Mixon, John Peek and Jimmy Shumock.

Administration and Others: Terry Albano, Joe Busta, Lynne Chronister, Ken Davis, Sheila Davis, Joel Erdmann, Monica Ezell, Mike Finan, Happy Fulford, Mike Haskins, David Johnson, Mike Mitchell, Norman Pitman, John Smith, Sam Strada, Jean Tucker, Tony Waldrop and Scott Weldon.

Press: Alyssa Newton (*Vanguard* and WPMI).

The meeting came to order and the attendance roll was called. Mr. Yance called for consideration of the minutes of the meeting held on March 3, 2016. On motion by Judge Simon, seconded by Captain Jenkins, the minutes were approved unanimously.

Mr. Yance called for presentation of **ITEM 14**, a report on endowment and investment performance. Directing attention to the Board materials, Mr. Albano advised that, for the six months ended March 31, 2016, the University endowment had a return of 2.27 percent versus that of the relative index of 3.76 percent, an underperformance of 1.49 percent. He reported an endowment value of just above \$140 million. He discussed the performance of the individual managers, noting the activity was similar to the previous report given in March. He talked about asset allocation, noting consistency with policy parameters. As to the annualized performance since inception in April 2000, he stated the endowment performed at 4.72 percent versus the relative index of 3.88 percent, or an outperformance of .84 percent.

Mr. Yance addressed **ITEM 15**, a resolution authorizing changes to USA's Endowment Funds Investment Policies and Guidelines to include private equity (for copies of resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on

June 3, 2016). He said the Committee had been very active since the meetings in March, at which time it was determined the University would end its relationship with hedge fund manager Private Advisors. He described that as a good decision and said a number of meetings had taken place in the interim with potential candidates to serve the University as private equity and hedge fund managers. He thanked Messrs. Albano, Pitman, Davis and Weldon, as well as fellow Trustee Judge Simon, for availing their time and efforts to the due diligence process and called for remarks from Mr. Albano. Mr. Albano stated, following an extensive analysis, it was the consensus among University delegates to retain, as private equity managers Commonfund, Gerber/Taylor and J.P. Morgan, and as hedge fund managers, Weatherlow and Forester. Discussion took place on the merits of adding private equity to the University's portfolio. Mr. Pitman stated studies show, over time, private equity investing is a good way to increase capital, noting returns can be achieved with less risk. Mr. Yance gave assurance of a modest first investment. Judge Simon expressed confidence in the proposal as a result of his involvement in the due diligence process. Dr. Stokes asked how much of an investment was being considered. Noting that the National Association of Colleges and Universities reports an average investment of between 10 and 15 percent, Mr. Albano responded that a five-percent investment in private equity is recommended. He projected that, as confidence strengthens, the University could opt to increase exposure. Mr. Peek asked if the recommendation is in line with other schools that have similar endowments. Mr. Yance and Judge Simon agreed that USA lags behind other institutions with comparable situations. Mr. Albano stated the recommended change would increase opportunities, and Chairman Furr concurred. Mr. Yance called for a vote. On motion by Judge Simon, seconded by Dr. Stokes, the Committee voted unanimously to recommend approval by the Board of Trustees.

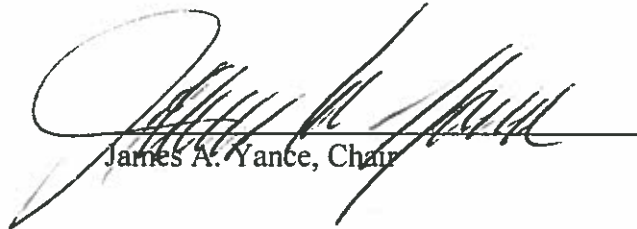
As to ITEM 16, a report on the activities of the Division of Development and Alumni Relations, Mr. Yance called for remarks by Dr. Stokes, Upward & Onward Campaign Co-Chair. Dr. Stokes reminded the Committee that, at the time of the public launch in October 2015, \$73 million of the \$150 million goal was reported raised. He added that, as of May 31, an additional \$17 million has been added for a total campaign amount thus far of \$90 million. He advised of 21,595 registered donors and 28,011 recorded gifts. He said the development staff were diligently involved with attaining the gift goals for the remainder of the fiscal year and remarked that the last of 14 regional campaign receptions was hosted by Barbara and John Peek in Andalusia in April. He stated the next meeting of the campaign leadership team is scheduled on September 30 in conjunction with the October 1 home football game against San Diego State. Mr. Yance expressed appreciation for the leadership of the Stokeses as Campaign Co-Chairs. Dr. Stokes credited the volunteers and the Development staff for the positive momentum. Dr. Busta conveyed enthusiasm for the progress achieved. He discussed the importance of the regional socials in building relationships. He recognized and thanked Ms. Sheila Davis, Upward & Onward Campaign Coordinator.

Dr. Busta gave an update on the University of South Alabama Board of Trustees Scholarship, reminding the Committee that Chairman Furr led the initiative to establish the fund in 2013. He said the initial goal to raise \$125,000 was met, making possible the award of a full scholarship to the top academically ranked student in each entering freshman class beginning with the 2014-2015 academic year. He said \$87,250 of the commitments had been collected thus far, all of which are matched through the Mitchell-Moulton Scholarship Initiative for a total \$250,000 scholarship. He thanked Chairman Furr for taking the lead on this endeavor and said it will be interesting to see what the Board of Trustees Scholarship alumni do professionally and personally in the future. Chairman Furr agreed and thanked the members of the Board for their contributions to the program.

Mr. Yance recognized the success of the baseball team in advancing to the NCAA regional finals. He advised that Dr. Erdmann had been called to serve as chairman of the National Collegiate Athletic Association's (NCAA) selection committee for teams competing in the tournament and was interviewed on ESPN. Dr. Erdmann conveyed appreciation for the opportunity. President Waldrop asked Dr. Erdmann to share information on baseball standout Mr. Kevin Hill. Dr. Erdmann stated that, among his many accolades, Mr. Hill, a native of Oklahoma and a recent graduate, has twice earned distinction as an *All-American* athlete, as well as being the first athlete in Sun Belt Conference history to be named *Pitcher of the Year* two years in a row. He added the women's softball team ended the season in second place and played well in the conference championship. Messrs. Windom and Peek commented on the outstanding academic performance of USA athletes. Dr. Erdmann acknowledged that USA's APR, or academic progress rate, as is ranked by the NCAA among Division I schools, showed steady improvement from year to year, and was the top APR in the league this year.

There being no further business, the meeting was adjourned at 2:47 p.m.

Respectfully submitted:



James A. Yance, Chair

**UNIVERSITY OF SOUTH ALABAMA
BOARD OF TRUSTEES**

**COMMITTEE OF THE WHOLE
(ON BEHALF OF THE BUDGET AND FINANCE COMMITTEE)**

**June 2, 2016
2:58 p.m.**

A meeting of the Budget and Finance Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Jimmy Shumock on behalf of Mr. Tom Corcoran, Chair, on Thursday, June 2, 2016, at 2:55 p.m. in the Board Room of the Frederick P. Whiddon Administration Building.

Members Present: Jimmy Shumock, Steve Stokes and Jim Yance.

Members Absent: Tom Corcoran, Arlene Mitchell and Sandy Stimpson.

Other Trustees: Chandra Brown Stewart, Steve Furr, Ron Jenkins, Bettye Maye, Bryant Mixon, John Peek, Ken Simon and Mike Windom.

Administration and Others: Joe Busta, Lynne Chronister, Foster Clark (Balch & Bingham), Joel Erdmann, Monica Ezell, Mike Finan, Happy Fulford, Mike Haskins, David Johnson, Mike Mitchell, John Smith, Polly Stokley, Sam Strada, Becky Tate, Jean Tucker, Tony Waldrop and Scott Weldon.

Press: Alyssa Newton (*Vanguard* and WPMI).

The meeting came to order and the attendance roll was called. Without a quorum of the Committee members present, Chairman Furr suggested that the Committee of the Whole could make recommendations on behalf of the Budget and Finance Committee. Mr. Shumock called for consideration of the minutes of the meeting held on March 3, 2016. On motion by Judge Simon, seconded by Mr. Windom, the minutes were approved unanimously. Mr. Shumock called for adoption of the revised agenda. On motion by Ms. Maye, seconded by Mr. Yance, the revised agenda was adopted unanimously.

Mr. Shumock asked Mr. Weldon to discuss ITEM 17, the quarterly financial statements for the six months ended March 31, 2016. Mr. Weldon stated the financial results were as expected. He called attention to a \$3 million increase in net position, a decline from that of \$16 million reported six months into fiscal year 2014-2015. He noted a decrease in investment value accounted for this difference. He referenced a significant change in total net position, down from \$516 million in 2015 to \$198 million, stating the reason for the difference is a new accounting standard implemented in September 2015, which requires the University to record its portion of the unfunded pension liability for the Teachers' Retirement System of Alabama. He

stressed that this reflection in the statements is simply an accounting entry and has no impact on retirement system contributions by the University or its employees. He added that all institutions in Alabama, as well as in the nation, are subject to this requirement.

Mr. Shumock called on Ms. Stokley for an overview on the activities of the Process Improvement Committee (PIC), **ITEM 18**. Ms. Stokley, PIC Chair, stated the University community can now track PIC projects and report process difficulties via the USA Web site under the President's Web page. She shared examples of how improvement suggestions had led to meaningful process advances, such as deployment of electronic travel documentation and reconciliation, as well as electronic timesheet reporting. She discussed the University's new procurement card program provided through PNC Bank and graphics demonstrating *P-card* design were viewed. She said in excess of 125 improvement items have been logged thus far.

Mr. Shumock called on Ms. Chronister for presentation of **ITEM 19**, a resolution to elect Messrs. Joseph Adamo and Don Langham as directors of the USA Research and Technology Corporation (RTC) for four-year terms beginning September 2016 (for copies of resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on June 3, 2016). On motion by Ms. Maye, seconded by Ms. Brown Stewart, the Committee voted unanimously to recommend approval by the Board of Trustees.

Mr. Shumock asked Mr. Weldon to address **ITEM 19.A**, a resolution authorizing the University President to finalize a land lease agreement with the RTC for the lease of a 1.2 acre parcel of property on the corner of Lafayette Street and Springhill Avenue that is adjacent to the USA Springhill Avenue campus. Mr. Weldon advised the land would be leased for \$1 per year and the RTC will construct an 8,000-square-foot building that would be leased to Biomedical Applications of Alabama, a provider of outpatient dialysis services. He reminded the Committee of an identical transaction approved a few years prior for a similar facility on Stanton Road at the USA Medical Center campus, adding this is the third dialysis unit with which the University has a relationship. Addressing a question from Mr. Peek about optimum use of campus space, Mr. Weldon stated the land is an old parking lot that is largely unused. He advised that additional parking had since been constructed adjacent to USA's Family Medicine Center and would be made possible through the purchase of property from the Mobile Area Water and Sewer System on Catherine and Center streets, as well as through the demolition of the old nursing dormitories. Mr. Peek asked about the size of the facility. Ms. Tate said the facility will be a typical one-story dialysis center and advised of the Department of Medicine's three long-term directorship contracts with dialysis centers to provide nephrology services for an income of \$100,000 per year. Mr. Yance asked about patient occupancy. Ms. Tate said the facility would accommodate up to 12 beds and would be the first in the community to serve primarily pediatric patients. She pointed out the advantage of its proximity to USA Children's

& Women's Hospital. On motion by Mr. Yance, seconded by Ms. Maye, the Committee voted unanimously to recommend approval by the Board of Trustees.

Mr. Shumock called on Ms. Tucker for presentation of **Item 20**, a resolution reaffirming the authority of the University President to enter into contracts and sign legal documents on behalf of the University and the Board of Trustees, as well as, delegate signature authority to other University officials for contracts that are preapproved by the University Attorneys. Further, the resolution authorizes, as contracting officers having the same power and authority, the positions of Executive Vice President (Dr. John Smith); Vice President for Finance and Administration (Mr. Scott Weldon); Vice President for Medical Affairs (Dr. John Marymont); Vice President for Health Systems (Mr. Stan Hammack); University Treasurer (Mr. Ken Davis); Chief Operating Officer, Health Systems (Mr. Owen Bailey); Chief Financial Officer, Health Systems (Ms. Traci Jones); and Assistant Vice President for Hospital Financial Affairs (Mr. Bill Bush). Ms. Tucker noted changes in positions within the Health System and identified the positions having contract authority, as well as the names of individuals serving in these roles. She assured that all contracts are reviewed by University attorneys prior to signature. On motion by Ms. Maye, seconded by Dr. Stokes, the Committee voted unanimously to recommend approval by the Board of Trustees.

Mr. Shumock called on Mr. Weldon to address **ITEM 21**, a resolution authorizing the President and Vice President for Finance and Administration to execute a loan agreement and a promissory note as set forth; authorizing the Secretary of the Board to affix the University seal to these documents; and authorizing these individuals to execute other agreements and documents as necessary or desirable that pertain to the loan agreement and promissory note, as well as to additional related transactions. Mr. Weldon reminded Trustees of Board approval in March to issue a request for proposals for a \$30-million line of credit to be used for capital needs for the Health System. He stated, having quoted an extremely favorable rate of approximately 1.06 percent, Compass Bank was the successful lowest bidder. Judge Simon asked about the maturation of the line of credit. Mr. Weldon stated that this is a two-year commitment and added, by the end of the term, it would likely be converted into some form of long-term financing. He said the advantage of structuring the transaction in this way is the University will not be locked into a \$30-million bond or note. He said if the capital need is less, the University would obtain permanent financing for only the amount actually needed. On motion by Judge Simon, seconded by Mr. Yance, the Committee voted unanimously to recommend approval by the Board of Trustees.

Mr. Shumock asked Mr. Weldon to discuss **ITEM 22**, a resolution authorizing the President and Vice President for Finance and Administration to execute a refunding of the University's Series 2008 bonds, in an outstanding principal amount of approximately \$102 million, prior to the next meeting of the Board. Noting a bond call date of December 2018, Mr. Weldon said the

Administration endeavors to monitor market interest rates for refinancing opportunities as bond call dates approach. He stated it has become advantageous in recent weeks for the University to consider an advanced refinancing of the bonds, adding that the University stands to realize a savings of about 10 percent, or \$10 million. He stated the resolution requires the approval of the Chair *pro tempore*, as well as the Chair of the Budget and Finance Committee, and establishes that certain parameters must be in place, such as a net savings of at least three percent. He estimated it would take 60 days to complete the underwriting and trust documentation process, projecting a closing date around August 1. He introduced the University's bond attorney Mr. Foster Clark of the law firm of Balch and Bingham in Birmingham, who wrote the resolution. He advised of their meeting with representatives from the national financial advisory company PFM, Inc., who recommended that the University pursue the refinancing as soon as possible before the savings diminish. He and Mr. Clark agreed that a three-percent savings threshold is standard for such refinancing. Mr. Peek asked if there was reasonable progress on paying off the existing bond. Mr. Weldon stated progress was slow on the original \$112-million bond. Judge Simon inquired about revenue sources for paying off the bond, and Mr. Weldon stated that the bonds are secured by general tuition and a \$10-million pledge of hospital revenues. Mr. Weldon talked about options for amortization reduction and said PFM will help determine the best way to proceed. Mr. Clark explained the concept of "stacking" the University's existing 11 bonds to leverage payoff advantages. Mr. Peek asked for an analysis of all current bond indebtedness. Mr. Weldon offered to share material. Judge Simon asserted confidence in Mr. Clark, calling him one of the top bond lawyers in the United States. On motion by Ms. Maye, seconded by Mr. Yance, the Committee voted unanimously to recommend approval by the Board of Trustees.

There being no further business, the meeting was adjourned at 3:24 p.m.

Respectfully submitted:



James H. Shumock

on behalf of:



E. Thomas Corcoran, Chair