

UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES MEETINGS

MACQUEEN ALUMNI CENTER - CHIEF CALVIN W. MCGHEE GRAND BALLROOM

*In compliance with University policies governing social distancing and other COVID-19 protocol, in-person attendance will be limited.*

*Public access will be available via YouTube livestream (link will be active on the following web page 15 minutes prior to meetings):*  
<https://www.southalabama.edu/departments/trustees/agendas/2021/>

**MARCH 4, 2021**  
**1:30 P.M.**

**AUDIT COMMITTEE – RON GRAHAM, CHAIR**

- 1 Roll Call
- 2 Approve: [Minutes](#)
- 3 Report: Engagement of KPMG Auditors
- 4 Report: [KPMG Report on Intercollegiate Athletics](#)

**DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE – JIM YANCE, CHAIR**

- 5 Roll Call
- 6 Approve: [Minutes](#)
- 7 Report: [Endowment and Investment Performance](#) \* Gerber/Taylor
- 8 Report: Development and Alumni Relations

**HEALTH AFFAIRS COMMITTEE – STEVE FURR, M.D.**

- 9 Roll Call
- 10 Approve: [Minutes](#)
- 11 Recommendation to Approve: [USA Health Hospitals Medical Staff Appointments and Reappointments for November and December 2020 and January 2021](#)
- 12 Report: USA Health and College of Medicine

**ACADEMIC AND STUDENT AFFAIRS COMMITTEE – MIKE WINDOM, CHAIR**

- 13 Roll Call
- 14 Approve: [Minutes](#)
- 15 Recommendation to Approve: [Tenure](#)
- 16 Report: Academic Affairs
- 17 Report: Student Affairs
- 18 Report: Research and Economic Development

**BUDGET AND FINANCE COMMITTEE – TOM CORCORAN, CHAIR**

- 19 Roll Call
- 20 Approve: [Minutes](#)
- 21 Report: [Quarterly Financial Statements for the Three Months ended December 31, 2020](#)
- 22 Recommendation to Approve: [Series 2021 Bond Issue](#)

**LONG-RANGE PLANNING COMMITTEE – CHANDRA BROWN STEWART, CHAIR**

- 23 Roll Call
- 24 Approve: [Minutes](#)
- 25 Report: Strategic Planning Process

**EVALUATION AND COMPENSATION COMMITTEE – RON JENKINS, CHAIR**

- 26 Roll Call
- 27 Report: Evaluation of the University President

**COMMITTEE OF THE WHOLE – JIMMY SHUMOCK, CHAIR PRO TEMPORE**

- 28 Roll Call
- 28.A Approve: [Revised Agenda](#)
- 29 Approve: [Minutes](#)
- 29.A Recommendation to Approve: [Amendments to Presidential Search Guidelines and Appointment of Presidential Search Committee](#)
- 30 Approve: Executive Session

**MARCH 5, 2021**  
**11:00 A.M.**

**BOARD OF TRUSTEES – JIMMY SHUMOCK, CHAIR PRO TEMPORE**

- 1 Roll Call
- 1.A Approve: [Revised Agenda](#)
- 2 Approve: [Minutes](#)
- 3 Report: University President
- 4 Report: Faculty Senate President
- 5 Report: Student Government Association President
- 6 Report: Certificates of Appreciation
- 7 Report: Audit Committee
- 8 Report: Development, Endowment and Investments Committee
- 9 Report: Health Affairs Committee
- 10 Approve: [USA Health Hospitals Medical Staff Appointments and Reappointments for November and December 2020 and January 2021](#)
- 11 Report: Academic and Student Affairs Committee
- 12 Approve: [Tenure](#)
- 13 Report: Budget and Finance Committee
- 14 Approve: [Series 2021 Bond Issue](#)
- 15 Report: Long-Range Planning Committee
- 16 Report: Evaluation and Compensation Committee
- 16.A Approve: [Amendments to Presidential Search Guidelines and Appointment of Presidential Search Committee](#)

# UNIVERSITY OF SOUTH ALABAMA BOARD OF TRUSTEES



## MEETING SCHEDULE

### THURSDAY, MARCH 4, 2021:

1:30 p.m.	Committee Meetings (Consecutive)	MacQueen Alumni Center Chief Calvin W. McGhee Grand Ballroom
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### FRIDAY, MARCH 5, 2021:

11:00 a.m.	Board of Trustees Meeting	MacQueen Alumni Center Chief Calvin W. McGhee Grand Ballroom
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# UNIVERSITY OF SOUTH ALABAMA

## BOARD OF TRUSTEES

### STANDING COMMITTEES 2019-2022

#### EXECUTIVE COMMITTEE:

- James H. Shumock, **Chair pro tempore**
- Arlene Mitchell, **Vice Chair**
- Katherine Alexis Atkins, **Secretary**
- E. Thomas Corcoran
- Steven P. Furr, M.D.
- Kenneth O. Simon
- James A. Yance

#### DEVELOPMENT, ENDOWMENT AND INVESTMENTS COMMITTEE:

- Chandra Brown Stewart
- Scott A. Charlton, M.D.
- Arlene Mitchell
- Steven H. Stokes, M.D., **Vice Chair**
- Margie Malone Tuckson
- Michael P. Windom
- James A. Yance, **Chair**

#### ACADEMIC AND STUDENT AFFAIRS COMMITTEE:

- Scott A. Charlton, M.D.
- Steven P. Furr, M.D., **Vice Chair**
- William Ronald Graham
- Robert D. Jenkins III
- Lenus M. Perkins
- Margie Malone Tuckson
- Michael P. Windom, **Chair**

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- Robert D. Jenkins III, **Chair**
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- Kenneth O. Simon, **Vice Chair**
- Michael P. Windom

#### AUDIT COMMITTEE:

- Katherine Alexis Atkins, **Vice Chair**
- E. Thomas Corcoran
- William Ronald Graham, **Chair**
- Robert D. Jenkins III
- Lenus M. Perkins
- Kenneth O. Simon

#### LONG-RANGE PLANNING COMMITTEE:

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

#### BUDGET AND FINANCE COMMITTEE:

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- Kenneth O. Simon
- Steven H. Stokes, M.D.

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- Chandra Brown Stewart
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- Steven P. Furr, M.D.
- Arlene Mitchell
- Steven H. Stokes, M.D.
- Margie Malone Tuckson, **Vice Chair**
- James A. Yance
- John V. Marymont, M.D., ex officio
- Edward Panacek, M.D., ex officio
- Tony G. Waldrop, Ph.D., ex officio

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**



**MEETING AGENDA  
AND MINUTES**

UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES MEETINGS

MACQUEEN ALUMNI CENTER - CHIEF CALVIN W. MCGHEE GRAND BALLROOM

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**MARCH 5, 2021**  
**11:00 A.M.**

**BOARD OF TRUSTEES – JIMMY SHUMOCK, CHAIR PRO TEMPORE**

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- 4 Report: Faculty Senate President
- 5 Report: Student Government Association President
- 6 Report: Certificates of Appreciation
- 7 Report: Audit Committee
- 8 Report: Development, Endowment and Investments Committee
- 9 Report: Health Affairs Committee
- 10 Approve: USA Health Hospitals Medical Staff Appointments and Reappointments for November and December 2020 and January 2021
- 11 Report: Academic and Student Affairs Committee
- 12 Approve: Tenure
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- 14 Approve: Series 2021 Bond Issue
- 15 Report: Long-Range Planning Committee
- 16 Report: Evaluation and Compensation Committee
- 16.A Approve: Amendments to Presidential Search Guidelines and Appointment of Presidential Search Committee




UNIVERSITY OF SOUTH ALABAMA

**MEMORANDUM**

Board of Trustees

**DATE:** February 23, 2021

**TO:** USA Board of Trustees

**FROM:** Alexis Atkins   
Secretary, Board of Trustees

**SUBJECT:** Meeting Minutes

Included herein are the unapproved minutes for meetings of the Board of Trustees and standing committees held on December 2 and 3, 2020. Please review these documents for amendment or approval at the March 4 and 5, 2021, meetings.

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**December 3, 2020**

**10:30 a.m.**

A meeting of the University of South Alabama Board of Trustees was duly convened by Mr. Jimmy Shumock, Chair *pro tempore*, on Thursday, December 3, 2020, at 10:31 a.m. in the Chief Calvin W. McGhee Grand Ballroom of the MacQueen Alumni Center. Public access was provided via YouTube livestream.

Members: Alexis Atkins, Chandra Brown Stewart, Steve Furr, Lenus Perkins, Jimmy Shumock, Steve Stokes and Mike Windom were present and Tom Corcoran, Ron Graham, Ron Jenkins, Arlene Mitchell, Ken Simon, Margie Tuckson and Jim Yance participated by video/phone conference.

Members Absent: Scott Charlton and Kay Ivey.

Administration & Guests: Owen Bailey, Lynne Chronister, John Cleary (Faculty Senate), Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Paul Frazier, Pat and Jake Gosa, Mike Haskins, Andi Kent, Nick Lawkis, John Marymont, Abe Mitchell, Mike Mitchell, Tia Nickens (SGA), Laura Schratt, John Smith, Angelia Stokes, Margaret Sullivan, Tony Waldrop and Scott Weldon.

The meeting came to order and the attendance roll was called. Chairman Shumock called for adoption of the minutes of the Board of Trustees meeting held on September 11, 2020, **Item 2**. On motion by Ms. Atkins, seconded by Dr. Stokes, the Board voted unanimously to adopt the minutes.

Chairman Shumock thanked Mr. Jake and Mrs. Pat Gosa for participating in the meeting, and he read **Item 3** as follows and moved for its approval. Mr. Windom seconded and the Board voted unanimously to approve the resolution. Mr. Gosa stated it was an honor to be recognized by the Board. He associated his and Mrs. Gosa's career good fortune to the education they received from South Alabama and said the ability to give back was a pleasure. Mrs. Gosa added that the decision to support USA was based on the quality of education delivered, prudent management of resources, and good people of the University with whom they became acquainted.

**RESOLUTION  
COMMENDATION OF MR. AND MRS. JAMES J. GOSA**

**WHEREAS**, Mr. James J. "Jake" Gosa and Mrs. Patricia A. "Pat" Gosa have distinguished themselves as exemplary models of philanthropy and service, demonstrating extraordinary commitment and a mutual desire to further the mission of the University of South Alabama (USA), and

**WHEREAS**, Mr. Gosa is a devoted alumnus of the Mitchell College of Business, who is appreciative of the positive impact that USA had on his success and whose generosity and service as a visiting lecturer for the College inspired the USA National Alumni Association to recognize him with a Distinguished Alumni Award, and Mrs. Gosa is a devoted nurse by profession, who recognizes and supports excellence in nursing education at the University of South Alabama, and

**WHEREAS**, the Gosas share an affinity for USA's Mitchell College of Business and College of Nursing and are dedicated to advancing the educational mission of both colleges and supporting the academic and career aspirations of students as expressed over many years through the establishment and enhancement of the *Jake and Pat Gosa Endowed Scholarship in Business* and the *Jake and Pat Gosa Endowed Scholarship in Nursing*, and

**WHEREAS**, the Gosas have extended their philanthropic reach through an estate commitment that will be transformative for the colleges of business and nursing and for students benefiting from the Gosa scholarships for many years to come,

**THEREFORE, BE IT RESOLVED**, the University of South Alabama Board of Trustees recognizes the extraordinary generosity and commitment of Mr. and Mrs. James J. Gosa and joins the University President, faculty, staff and students in expressing its deepest gratitude for the Gosas' enduring leadership and loyalty.

Chairman Shumock called for the presentation of **Item 4**, the President's Report. President Waldrop called on Dr. Kent to discuss graduation activities. Dr. Kent advised of 1,449 candidates eligible for 2020 Fall graduation and stated each college and school hosted a ceremony at the Mitchell Center over a week in November to celebrate the accomplishments of their graduates, with appropriate health and safety protocols implemented. She said family members and friends were able to watch the ceremonies via YouTube livestream. She thanked the deans, faculty and staff of the Division of Academic Affairs and the staff of the Mitchell Center for their coordination of the ceremonies, as well as the Trustees for their participation. She invited everyone to watch a virtual University-wide commencement ceremony that would be broadcasted on Sunday, December 6, 2020, with President Waldrop officially conferring the degrees to graduates.

Dr. Kent reported that the College of Education and Professional Studies recently received notification of reaccreditation for the next seven years. She stated this process took one and a half years to complete and that the approval did not specify areas that needed improvement. She congratulated the faculty and staff for this accomplishment. She stated that the College of Nursing and the School of Computing were working through reaccreditation processes that included site visits during the Fall Semester. She added that the feedback thus far was favorable and this work would continue another six to nine months.

President Waldrop introduced Mr. Lawkis, who shared background on funding from the State of Alabama in the amount of \$50 million for a new College of Medicine (COM) building. Mr. Lawkis discussed that the allocation was of historic importance in that South had never before received the same level of funding from the state as had Auburn University and The University of Alabama and this was also the largest one-time allocation South had received from any governmental body. He explained that the funding originated from a Public School and College Authority bond issue and stated the yearlong effort involved a number of people, including Dr. Marymont, Chairman Shumock, COM Associate Dean for Finance and Administration Ms. Susan Sansing, and Associate Vice President for Health Marketing and Communications Mr. Gary Mans. President Waldrop thanked Mr. Lawkis for his hard work and persistence to help secure this funding. He asked Dr. Marymont to share perspective on the building project. Dr. Marymont discussed the vision for the new facility and explained how the COVID-19 pandemic had impacted



the planning process that began approximately one year ago. He added that a determination of the finances would help drive the size and location of the building.

President Waldrop thanked Ms. Tuckson for making a \$10,000 contribution to South's Leadership in Social Justice and Perseverance Endowed Scholarship fund that was founded by the 100 Black Men of Greater Mobile in 2020.

President Waldrop gave an update on a partnership with the Universidad San Francisco de Quito (USFQ) in Ecuador, through which USA faculty and students have had opportunities to conduct research and collaborate with faculty and students of Ecuador at the Galapagos Science Center. He advised that a new component of this partnership involved an USFQ faculty/student team participating in the I-Corps program, an annual project funded through a grant from the National Science Foundation whereby student teams from South, Spring Hill College, the University of Mobile and Bishop State Community College are mentored by faculty to learn about innovation and entrepreneurship by developing a product or solution and exploring how it might be marketed. He said Associate Vice President for Research Dr. Michael Chambers was the principal investigator for the grant, and added that the work of the teams was constructive and USFQ had plans to participate again.

Regarding the strong financial position of the University, as reported previously by Mr. Weldon, President Waldrop credited the faculty and staff for their hard work throughout the pandemic and announced that, in recognition of these efforts, South Alabama employees would receive a three-percent, one-time salary supplement on December 6, 2020.

Chairman Shumock called for a report from Faculty Senate President Dr. John Cleary, **Item 5**. On behalf of the faculty, Dr. Cleary conveyed appreciation to the Board of Trustees, President Waldrop, the University leadership, and Mr. Weldon and the finance team for making the salary supplement possible. He also thanked the administration, faculty, staff and students for their efforts and adjustments throughout the coronavirus crisis. He advised that the Faculty Senate was working diligently with constituents and the administration on issues related to the pandemic, focusing primarily on student success and ensuring a positive educational experience. He stated resources and proper training of faculty, staff and students were key points of discussion.

Chairman Shumock called for a report from Student Government Association (SGA) President Ms. Tia Nickens, **Item 6**. Following a video introduction of 2020-2021 SGA officers, Ms. Nickens stated she recently addressed the SGA at an end-of-the-semester meeting, at which she discussed a number of SGA initiatives, including diversity and inclusion training delivered with the help of Dr. Frazier; funding of a three-dimensional printer for the Office of Student Disability Services; implementation of a laptop rental program; advocating for student mental health days, which she stated would become effective during the 2021 Spring Semester; and facilitation of an appreciation program in recognition of the housing staff. She said plans for the 2021 Spring Semester included addressing ways the campus could be improved amid the pandemic and coordinating Trustees to speak at SGA meetings. At President Waldrop's request, Ms. Nickens shared that she planned to continue her education to become a school guidance counselor following her graduation in the spring and had applied to attend the University of North Carolina.

Chairman Shumock called for consideration of consent agenda resolutions as follows, **Item 7**, which were unanimously recommended for Board approval by the respective committees that met on December 2, 2020. (To view approved policies and other authorized documents, refer to Appendix A). On motion by Mr. Corcoran, seconded by Ms. Atkins, the Board voted unanimously to approve the resolutions:

**RESOLUTION  
OFFICERS AND DIRECTORS OF THE JAGUAR ATHLETIC FUND, INC.**

**WHEREAS**, pursuant to the amended bylaws of the Jaguar Athletic Fund, Inc. ("JAF"), the Board of Trustees of the University of South Alabama ("University") shall approve the JAF slate of officers and directors, and

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

**WHEREAS**, the JAF Board of Directors, through its Nominating Committee, is authorized to nominate officers and directors consistent with the aforesaid for consideration and approval by the University's Board of Trustees, and

**WHEREAS**, the Nominating Committee of the JAF Board of Directors has nominated the following individuals to serve as JAF officers or directors for calendar-year terms as specified,

**OFFICERS IN 2021**

- |                          |                            |
|--------------------------|----------------------------|
| • James H. Shumock       | Corporation President      |
| • C.L. "Skipper" Walters | Corporation Vice President |
| • Jeffrey M. Nichols     | Corporation Secretary      |

**DIRECTOR (Three-Year Term)**

- |                  |          |           |
|------------------|----------|-----------|
| • Farish Collura | Softball | 2021-2023 |
|------------------|----------|-----------|

**THEREFORE, BE IT RESOLVED**, the University of South Alabama Board of Trustees does hereby approve the officers and director of the Jaguar Athletic Fund, Inc., as set forth.

**RESOLUTION  
COLLABORATION BETWEEN THE UNIVERSITY OF SOUTH ALABAMA  
AND THE MOBILE COUNTY COMMISSION IN SUPPORT OF PROJECT 110**

**WHEREAS**, the Mobile County Commission has generously agreed to provide funding in support of *Project 110*, a documentary project through the University of South Alabama and professor Dr. Joe'I Lewis Billingsley, and

**WHEREAS**, *Project 110* will honor the 110 enslaved Africans who were illicitly brought to the United States on the schooner *Clotilda* in 1860 through the documentary and development of a curriculum to accompany it, and

**WHEREAS**, this funding qualifies *Project 110* for additional funding through a matching grant from the Alabama Humanities Foundation, and

**WHEREAS**, the University welcomes the opportunity to collaborate with the Mobile County Commission in this important endeavor through a \$12,000 appropriation from the Mobile County Commission which will be matched by the Alabama Humanities Foundation,

**THEREFORE, BE IT RESOLVED**, the University of South Alabama Board of Trustees thanks the Mobile County Commission for its generous support and approves of entry by the University of South Alabama into a contract with the Mobile County Commission in order to memorialize the collaboration between the University of South Alabama and the Mobile County Commission for this funding, as well as the expenditures as described in the program statement.

**RESOLUTION**  
**USA HEALTH HOSPITALS MEDICAL STAFF APPOINTMENTS AND REAPPOINTMENTS FOR AUGUST, SEPTEMBER AND OCTOBER 2020**

**WHEREAS**, the Medical Staff appointments and reappointments for August, September and October 2020 for the USA Health Hospitals are recommended for Board approval by the Medical Executive Committees and the USA Health Credentialing Board,

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

**RESOLUTION**  
**USA HEALTH HOSPITALS MEDICAL STAFF BYLAWS AND ASSOCIATED DOCUMENTS REVISIONS**

**WHEREAS**, revisions to the USA Health Hospitals Medical Staff Bylaws and associated documents, approved October 22, 2020, by the active voting General Medical Staff members via email and attached hereto, are recommended for approval by the Medical Executive Committees and the Executive Committee of USA Health Hospitals,

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

**RESOLUTION**  
**SABBATICAL AWARDS**

**WHEREAS**, in accordance with University policy, proposals for sabbatical awards from the following faculty have been reviewed and recommended by the respective faculty committees, departmental chair, and college dean, and by the Interim Provost and Senior Vice President for Academic Affairs and President:

- Timothy Lombardo, Assistant Professor of History
- Alex Beebe, Associate Professor of Earth Sciences
- Justin St. Clair, Associate Professor of English
- Jaclyn Bunch, Associate Professor of Political Sciences & Criminal Justice
- Nemanja Kosovalic, Associate Professor of Mathematics & Statistics
- Joseph Currier, Associate Professor of Psychology
- Harry Roddy, Associate Professor of German
- Armin Straub, Assistant Professor of Mathematics & Statistics
- Chris Raczkowski, Associate Professor of English
- Samuel Baker, Assistant Professor of Philosophy
- Elizabeth Rivenbark, Associate Professor of Art History

- Patrick Shaw, Associate Professor of English
- Ryan McDermott, Assistant Professor of Counseling & Instructional Sciences
- Alex Sharland, Professor of Marketing & Quantitative Methods
- David Turnipseed, Professor of Management,

**THEREFORE, BE IT RESOLVED**, the University of South Alabama Board of Trustees approves said sabbatical awards for Fall 2021 – Spring 2022.

#### **RESOLUTION FACULTY EMERITUS**

**WHEREAS**, the following faculty members have retired from the University of South Alabama, or will soon retire as specified below:

##### **ACADEMIC AFFAIRS:**

- David Chang, Professor of Cardiorespiratory Care
- Ron Nelson, Associate Professor of Political Science and Criminal Justice
- Timothy Op't Holt, Professor of Cardiorespiratory Care
- Bill Pruitt, Senior Instructor of Cardiorespiratory Care
- Roy Ryder, Professor of Earth Sciences
- Karyn Tunks, Professor of Leadership and Teacher Education
- Gerald Wilson, Professor of Communication

##### **COLLEGE OF MEDICINE:**

- Mary I. Townsley, Ph.D., Professor of Physiology and Cell Biology (effective on her retirement date of 1/1/2021),

and

**WHEREAS**, in recognition of their contributions to the University through extraordinary accomplishments in teaching and in the generation of new knowledge through research and scholarship; in serving to positively inspire students; and, regarding those with clinical backgrounds, for dedication to the treatment and healing of patients; all for which, in accordance with University policy, the respective faculty committees, departmental chair and college dean, the Interim Provost and Senior Vice President for Academic Affairs or the Vice President for Medical Affairs, and the President have duly recommended the aforementioned faculty retirees be appointed to the rank of Professor Emeritus, Associate Professor Emeritus or Senior Instructor Emeritus in accord with the rank of each upon retirement,

**THEREFORE, BE IT RESOLVED**, the University of South Alabama Board of Trustees hereby appoints these individuals to the rank of Professor Emeritus, Associate Professor Emeritus or Senior Instructor Emeritus, in accord with the rank of each upon retirement, with the rights and privileges thereunto appertaining, and

**BE IT FURTHER RESOLVED** that the Board of Trustees conveys its deep appreciation to these individuals in recognition of their significant contributions and dedicated service to the University of South Alabama.

**RESOLUTION  
RESTATEMENT OF THE UNIVERSITY OF SOUTH ALABAMA MONEY PURCHASE PENSION PLAN**

**WHEREAS**, the University of South Alabama, in 2004, authorized the establishment of a 401(a) Money Purchase Pension Plan, which was restated to comply with the administrative requirements of the Economic Growth and Tax Relief Act of 2001, said restatement having been submitted to and approved in September 2012 by the Internal Revenue Service, conditioned upon the adoption of the restated plan, which adoption was approved on December 6, 2012, by the University of South Alabama Board of Trustees, and

**WHEREAS**, a restatement of the said 401(a) Money Purchase Pension Plan occurred on January 1, 2020, to comply with the Internal Revenue Service required amendments guidance issued since 2012,

**THEREFORE, BE IT RESOLVED**, the University of South Alabama Board of Trustees hereby approves and adopts the attached Restated 401(a) Money Purchase Pension Plan and authorizes the University President or other university contract officer to sign the plan document.

**RESOLUTION  
DIRECTORS OF THE UNIVERSITY OF SOUTH ALABAMA FOUNDATION  
FOR RESEARCH AND COMMERCIALIZATION**

**WHEREAS**, pursuant to the bylaws of the University of South Alabama Foundation for Research and Commercialization ("USAFRAC"), which were approved by the Board of Trustees of the University of South Alabama ("Board") on June 7, 2013, the Board shall elect USAFRAC directors who are not officers, employees, or trustees of the University, and

**WHEREAS**, the following individuals have been nominated and have agreed to serve as USAFRAC directors, except as may otherwise be indicated, with terms beginning November 30, 2020:

**REAPPOINTMENT:**

Mr. David Trent                      Four-year term expiring November 29, 2024

**AMENDMENT:**

Mr. Mark Hoffman                      Realign term to meet guidelines in bylaws for a four-year term expiring November 29, 2022

**APPOINTMENT:** (Subject to acceptance and AT&T approval)

Mr. Glen Agnew                      Four-year term expiring November 29, 2024,

**THEREFORE, BE IT RESOLVED**, the University of South Alabama Board of Trustees authorizes the aforementioned individuals to serve as members of the USAFRAC Board of Directors as set forth herein.

**RESOLUTION**  
**A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A RENT SUPPLEMENT**  
**AGREEMENT FROM THE UNIVERSITY OF SOUTH ALABAMA RESPECTING AN \$8,500,000**  
**PROMISSORY NOTE FROM USA RESEARCH AND TECHNOLOGY CORPORATION**

**BE IT RESOLVED** by the Board of Trustees (herein called the "Board") of the **UNIVERSITY OF SOUTH ALABAMA** (herein called the "University") as follows:

**Section 1. (a) Findings.** The Board has determined and hereby finds and declares that the following facts are true and correct:

(a) The Board heretofore provided for the incorporation of an Alabama non-profit corporation under the name USA Research and Technology Corporation (herein called "RTC") for the purpose of furthering the educational, research and technology mission of the University, and

(b) The Board heretofore approved a Ground Lease Agreement dated December 17, 2003, as amended by a First Amendatory Ground Lease dated June 21, 2007 (collectively, the "Ground Lease") between the University and RTC pursuant to which the University has leased certain real property to RTC to enable it to develop and construct facilities useful in connection with the mission of RTC as heretofore approved by the University, and included thereon are various facilities including that certain facility known as "Building I" (herein called "Building I") for use and operation by RTC in furtherance of its mission and in support of the operations and mission of the University, and

(c) In connection with refinancing its acquisition and development of Building I, RTC obtained a \$10,000,000 loan (the "2011 PNC Loan") from PNC Bank, National Association, as successor to RBC BANK (USA) ("PNC"), the repayment of which is evidenced by a \$10,000,000 original principal amount Promissory Note dated January 14, 2011, as amended by that Amendment to Loan Documents dated as of December 12, 2014 (the "2011 PNC Promissory Note"), and

(d) The 2011 PNC Loan has an outstanding balance of \$6,994,991 that becomes due on January 14, 2021, and RTC has determined to refinance the 2011 PNC Loan and pay the costs of retrofitting and improvements to certain facilities of RTC on the property subject to the Ground Lease (the "RTC Improvements") by obtaining a new, fixed rate loan (herein called the "Loan"), and that proceeds of the Loan would be used to (i) refinance the 2011 PNC Loan, (ii) pay the costs of the RTC Improvements, and (iii) pay the costs of issuance of the Promissory Note (defined below) for the Loan and the other transactions costs incurred by RTC and the University in negotiating and finalizing all other instruments and agreements relating to the Loan, and

(e) RTC, acting by and through officers of the University, contacted various financial institutions for proposals for the Loan and determined that Hancock Whitney Bank ("Lender") submitted the preliminary bid that presented the lowest cost of financing, and best financing terms, for RTC, and

(f) The obligation of RTC to repay the Loan shall be evidenced by a promissory note from RTC to the Lender in a principal amount of approximately \$8,500,000 and, subject to the provisions of paragraph (i) herein, in substantially the form attached hereto as Exhibit A, revised to reflect principal and interest amortized on a mortgage style basis over a period commencing from the date of such note through the 15<sup>th</sup> anniversary thereof,

with a final maturity on or the 10<sup>th</sup> anniversary thereof (*i.e.*, all principal amortized after the 10<sup>th</sup> anniversary of the Loan will become due and payable on or around such 10<sup>th</sup> anniversary date) (the "Promissory Note"), which shall be issued pursuant to a Loan Agreement between the Lender and RTC in substantially the form attached hereto as Exhibit B, subject to the provisions of paragraph (i) herein (herein called the "Loan Agreement"), and

(g) In order to enable the refinancing of the 2011 PNC Promissory Note while also protecting the continued use of Building I and the RTC Improvements for the purposes set forth in the Ground Lease and the integrity and use of the property subject to the Ground Lease, the University will enter a Rent Supplement Agreement with the Lender in substantially the form attached hereto as Exhibit C, with such changes and modifications as shall be agreed to by the President of the University and/or the Vice President for Finance and Administration of the University (herein called the "Rent Supplement Agreement"), and

(h) The University hereby declares and finds that the covenants and agreements of the University under the Rent Supplement Agreement enable the University to protect any disposition or use of property subject to the Ground Lease by persons or entities other than RTC, or those occupying the space in Building I pursuant to leases or other arrangements approved by RTC, and to assure continued control and use of the property defined in the Ground Lease by the University, and

(i) While the Lender has provided terms for the Loan as herein described, the Lender requires additional time for internal credit review and other internal approvals that will not be rendered prior to the date at which the Board will meet to approve this resolution and, accordingly, the terms of the Loan and the form, content and provisions of the exhibits attached hereto are subject to change provided, (1) the principal amount of the Loan shall not be increased by more than 5.0%, (2) the rate of interest set forth in the form of Loan Agreement shall not be increased by more than 30 basis points, (3) the amortization of principal and interest payments shall not be less than 12 years from the date of the Promissory Note, and (4) the final maturity date of the Promissory Note shall not be earlier than seven years from the date of the Promissory Note.

**Section 2. Authorization.** The President of the University is hereby authorized and directed to execute and deliver, on behalf of the University, the Rent Supplement Agreement presented to the meeting at which this resolution is adopted, which is hereby adopted in all respects as if set out in full in this resolution, with such changes, completions, modifications, additions and deletions as may in each case be approved by the President of the University and the Vice President for Finance and Administration of the University, or either of them. The Vice President for Finance and Administration of the University is hereby authorized to sign and deliver the Rent Supplement Agreement on behalf of the University in the event the President of the University is unavailable for such purpose.

**Section 3. General Authorization.** The President of the University, the Vice President for Finance and Administration of the University, and the Secretary of the Board are hereby authorized to execute such further agreements, certifications, instruments or other documents, containing such terms as such officer shall approve, and to take such other actions as any of them may deem appropriate or necessary, for the consummation of the transactions covered by this resolution and to the end that the Rent Supplement Agreement may be executed and delivered by the University, and that the Loan Agreement may be entered into and delivered, and the Promissory Note may be issued and delivered, by RTC. The Secretary and any Assistant Secretary of the Board, or either of them, are hereby author-

ized and directed to affix the official seal of the Board to such instruments and to attest the same, and to the Rent Supplement Agreement and to attest the same.

Chairman Shumock called for a report from the Audit Committee, **Item 8**. Mr. Graham, Committee Chair, stated Ms. Ashley Willson and others from KPMG discussed the 2020 financial audit at a meeting on December 2, 2020, and indicated a clean opinion was issued on the University's financial statements. He commended the staff of the Division of Finance and Administration for their diligent efforts to complete the audit given the challenges associated with the pandemic, noting the audit was performed entirely virtually. He added that Mr. Weldon also presented the Alabama Department of Examiners of Public Accounts compliance report for the 2019 fiscal year at the December 2 meeting and advised that the report did not contain findings.

Chairman Shumock called for a report from the Development, Endowment and Investments Committee, **Item 9**. On behalf of Mr. Yance, Committee Chair, Mr. Windom stated Mr. Albano discussed endowment performance for the 2020 fiscal year at a meeting on December 2, 2020, advising of an investment return of nine percent versus the index performing at 9.14 percent, as well as of investment earnings for the fiscal year and since inception totaling approximately \$14.3 million and approximately \$99.8 million, respectively. He said representatives from J.P. Morgan also participated in the December 2 meeting and reported on the University's investments and the economy.

Mr. Windom stated the Committee voted unanimously to recommend Board approval of **Item 10** as follows and he moved for the approval of the resolution. Dr. Stokes seconded and the Board voted unanimously to approve the resolution:

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

**WHEREAS**, the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) requires that investment policies be evaluated regularly, and

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

**THEREFORE, BE IT RESOLVED**, the Board of Trustees of the University of South Alabama hereby acknowledges and accepts the current year annual evaluation of both policies by the Development, Endowment and Investments Committee and the Committee's recommendation that no changes be made to either policy at this time.

Continuing with the **Item 9** report on the work of the Development, Endowment and Investments Committee, Mr. Windom stated Ms. Sullivan gave an update on the Upward & Onward Campaign that concluded on September 30, 2020, with approximately \$160.9 million raised to support South's strategic priority areas, and on the United Way of Southwest Alabama campaign held in the fall that raised more than \$220,000. A video demonstrating the impact of the Upward & Onward Campaign on the University and on USA Health was shown.



Chairman Shumock called for a report from the Health Affairs Committee, **Item 11**. On behalf of Dr. Charlton, Committee Chair, Dr. Furr stated that, at a meeting on December 2, 2020, Mr. Bailey gave an overview on the expansion of USA Health facilities and new projects underway. He referred to the renovation of the 10<sup>th</sup> and 11<sup>th</sup> floors at University Hospital to accommodate additional beds as an example of the work taking place and noted the Trustees would tour many of the USA Health project sites later in the day.

Chairman Shumock called for a report from the Academic and Student Affairs Committee, **Item 12**. Mr. Windom, Committee Chair, stated that, at a meeting on December 2, 2020, Associate Vice President for Institutional Effectiveness Dr. Angela Coleman discussed the decennial reaffirmation of accreditation process the University would soon engage in with the Southern Association of Colleges and Schools Commission on Colleges and advised that the University qualified to participate in a differentiated review which will reduce reporting responsibilities; Director of Student Health Mr. Ryan Ferguson reported on the services provided by the Student Health Center and on key outreach activities added with the emergence of the pandemic; University Police Chief Mr. Zeke Aull reported Clery crime statistics for 2019, discussed diversity training offered by South to regional law enforcement agencies, and spoke about officer recruitment; and Ms. Chronister advised of a record \$100,736,047 in externally sponsored grants and contracts awarded during the 2020 fiscal year and noted this total included approximately \$30 million in CARES (Coronavirus Aid, Relief and Economic Security) stimulus funding.

Chairman Shumock called for a report from the Long-Range Planning Committee, **Item 13**. Ms. Brown Stewart, Committee Chair, stated that, at a meeting on December 2, 2020, Dr. Coleman shared details on the strategic planning process being implemented. She said the University's Strategic Planning Committee had been reappointed and would soon meet to carry out a five-phase process to develop the University's next strategic plan, which she noted would be presented to the Board of Trustees for approval in December 2021.

Chairman Shumock called for a report from the Budget and Finance Committee, **Item 14**. Mr. Corcoran, Committee Chair, stated that, at a meeting on December 2, 2020, Mr. Weldon addressed the University's annual financial report and audited financial statements for the year ended September 30, 2020, advising of an increase in net position of approximately \$124 million in contrast with the approximate \$57 million increase in net position reported for 2019, and outlined the factors that contributed to this difference. He said Mr. Weldon also presented **Item 15** as follows, on which the Committee voted unanimously to recommend for Board approval. On motion by Mr. Corcoran, seconded by Mr. Perkins, the Board voted unanimously to approve the resolution:

**RESOLUTION  
BOND PURCHASE AGREEMENT FOR SERIES 2021 BONDS**

**BE IT RESOLVED** by the Board of Trustees (herein called the "Trustees") of the University of South Alabama (herein called the "University"), as follows:

**Section 1. Findings.** The Trustees have ascertained and do hereby find and declare as follows:

(a) it is necessary, desirable and in the best interest of the University that the University design, develop, construct, acquire, equip and install (i) certain public capital improvements and assets to increase capacity within USA Health, including without limitation a new medical office building, operating room and emergency room renovations and improvements, and other improvements and assets, and (ii) public roadway improvements, sidewalk improvements, retention pond improvements, utility improvements, and other public capital improvements, equipment and assets for the University (herein collectively called the "2021 Capital Improvements"), and

(b) in order to provide the funds necessary to pay the costs of the 2021 Capital Improvements, it will be necessary for the University to issue one or more series of limited obligation University Facilities Revenue Bonds in an aggregate principal amount of up to approximately \$50,000,000 (herein called the "Series 2021 Bonds"), and

(c) the University has determined to engage Raymond James & Associates, Inc., Hancock Whitney Investment Services, Inc., The Frazer Lanier Company Incorporated and Securities Capital Corporation (herein called the "Underwriters"), to serve as underwriters for the Series 2021 Bonds, and

(d) it will be necessary for the University to enter into a purchase contract (herein called the "Purchase Contract") with the Underwriters respecting the sale of the Series 2021 Bonds prior to the date on which the issuance and delivery of the Series 2021 Bonds will be approved by the Trustees, and

(e) it is necessary for the Trustees to authorize the President of the University (or, in his absence, the Vice President for Finance and Administration of the University) to sign and deliver to the Underwriters the Purchase Contract, all as provided below.

**Section 2. Authorization to Execute Purchase Contract.** The Trustees do hereby authorize and direct the President of the University to execute the Purchase Contract between the University and the Underwriters with respect to the sale and delivery by the University of the Series 2021 Bonds. The Vice President for Finance and Administration of the University is hereby authorized to sign and deliver the Purchase Contract on behalf of the University in the event the President of the University is unavailable for such purpose at the time such agreement is submitted by the Underwriters for execution. The final form of the Purchase Contract shall be subject to ratification and approval by the Trustees following its execution by the President or by the Vice President for Finance and Administration, as the case may be, at such time as the Trustees adopt a resolution authorizing the issuance and delivery of the Series 2021 Bonds.

Following a brief recess, Chairman Shumock read **Item 16** as follows, presented Dr. Steve and Mrs. Angelia Stokes a framed resolution commemorating the occasion and thanked them for their service. Dr. Stokes reflected on the Upward & Onward Campaign, crediting the staff of the Division of Development and Alumni Relations for their diligent efforts that ensured a successful end to the campaign in spite of the pandemic. He reflected on the future of South Alabama as well, acknowledging the record allocation received for the College of Medicine; encouraging the leadership to prioritize the development of new enrollment strategies; and asserting his and Mrs. Stokes' continued involvement in the advancement of the University, as signified by their latest contribution to USA's Center for Environmental Resiliency. The Board of Trustees expressed their appreciation of Dr. and Mrs. Stokes and their unanimous approval of the resolution by standing and giving a round of applause:

**RESOLUTION  
COMMENDATION OF DR. AND MRS. STEVEN H. STOKES  
FOR LEADING THE \$150 MILLION UPWARD & ONWARD CAMPAIGN**

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

**WHEREAS**, Dr. Stokes has advocated for and guided the advancement of the University as a member and as Chair *Pro Tempore* of the Board of Trustees during a tenure spanning 27 years, during which the University and USA Health have experienced tremendous growth, and

**WHEREAS**, Dr. and Mrs. Stokes have been instrumental in furthering the University of South Alabama mission through generous gifts to establish the *Angelia and Steven H. Stokes Center for Creative Writing*, the *Angelia and Steven H. Stokes Undergraduate Creative Writing Scholarship*, the *Angelia and Steven H. Stokes Undergraduate Scholarship in Marine Sciences*, and the *Angelia and Steven H. Stokes Endowed Chair in Environmental Resiliency*; foster scholars in creative writing; and support a vast array of projects, such as the construction of Moulton Tower and Alumni Plaza, and programs, including those provided through the Mitchell Cancer Institute and the College of Medicine, and

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

**WHEREAS**, Dr. and Mrs. Stokes successfully led the \$150 million *Upward & Onward Campaign*, the largest capital campaign in the University of South Alabama's history encompassing all strategic priority areas of the University, and

**WHEREAS**, the unwavering leadership of Dr. and Mrs. Stokes as Co-Chairs throughout the five-year *Upward & Onward Campaign* resulted in the establishment and enhancement of endowed scholarships, lectureships, chairs, professorships, and capital projects; elevated private support of research; and advanced USA Health programs and facilities,

**THEREFORE, BE IT RESOLVED**, the University of South Alabama Board of Trustees gratefully recognizes Dr. and Mrs. Steven H. Stokes for their dedicated generosity and visionary leadership of the *Upward & Onward Campaign*, and acknowledges that, as Campaign Co-Chairs, the Stokeses have had a profound impact on the course of the University that will resonate for generations to come, and

**FINALLY, BE IT RESOLVED** that the Board of Trustees joins the University President, faculty, staff, and students in extending heartfelt thanks to Dr. and Mrs. Stokes for their outstanding service to the University of South Alabama.

USA Board of Trustees  
December 3, 2020  
Page 14

There being no further business, the meeting was adjourned at 11:39 a.m.

Attest to:

Respectfully submitted:

Katherine Alexis Atkins, Secretary

James H. Shumock, Chair *pro tempore*

# **APPENDIX A**



UNIVERSITY OF SOUTH ALABAMA

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

**PROPERTY ADDRESS:**

201 Cox Street  
Mobile, Alabama 36604  
Key Number 805953

**APPRAISAL INFORMATION:**

The Mobile County Revenue Commission reported a 2020 Fair Market Value of \$885,100.00 for the property.

**CONTRACTS RELATED TO THE PURCHASE:**

Attached as “**Exhibit A**”

**PURCHASE TERMS:**

Cash Purchase

**SOURCES OF FUNDS USED IN THE PURCHASE:**

Unrestricted Funds

USA PROPERTIES

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

STATE OF ALABAMA  
COUNTY OF MOBILE

**WARRANTY DEED**

KNOW ALL MEN BY THESE PRESENTS that **SARAH G. COLEMAN and ARTHUR C. COLEMAN**, wife and husband, the Grantors, for and in consideration of the sum of **EIGHT HUNDRED FIFTY THOUSAND AND 00/100 DOLLARS (\$850,000.00)** and other good and valuable consideration hereby acknowledged to have been paid to the said Grantors by **UNIVERSITY OF SOUTH ALABAMA, A PUBLIC BODY CORPORATE OF THE STATE OF ALABAMA**, the Grantee, do hereby GRANT, BARGAIN, SELL and CONVEY unto the said Grantee, subject to the provisions hereinafter contained, all that real property in the County of Mobile, State of Alabama, described as follows:

**All of Coleman Cox Street Subdivision as per plat thereof recorded in Map Book 106, Page 77 of the records in the Office of the Judge of Probate, Mobile County, Alabama. Said property is also described as follows:**

**Beginning at the northwest corner of Cox and Center Streets, run thence North along the west line of Cox Street 364.57 feet; thence westwardly 84.15 feet; thence southwestwardly 346.7 feet to the north line of Center Street; thence eastwardly along the north line of Center Street 100 feet to point of beginning. Being a part of Lots 2-8, Block 7, Lambert Subdivision, Deed Book 107, Page 262, in the records of the Office of the Judge of Probate, Mobile County, Alabama.**

Excepting therefrom such oil, gas and other minerals in, on and under said real property, together with all rights in connection therewith, as have previously been reserved by or conveyed to others; it being the intention of the Grantors to convey to Grantee only the interest Grantors own therein, if any.

ADDRESS: 201 Cox Street, Mobile, AL 36604.

TOGETHER WITH all and singular the rights, privileges, tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining; TO HAVE AND TO HOLD the same unto the said Grantee, its successors and assigns, FOREVER.

This conveyance is made subject to building setback line, drainage and utility line easements and notes or restrictions as shown on recorded plat of said subdivision.

AND, except as to the above and the taxes hereafter falling due, the said Grantors, for themselves, and for their heirs and personal representatives, hereby covenant with the said Grantee, its successors and assigns, that they are seized of an indefeasible estate in fee simple in and to said property; that they have a good and lawful right to sell and convey the same in fee simple; that said

property is free and clear of all liens and encumbrances; that they are in the quiet and peaceable possession of said property; and that they do hereby WARRANT AND WILL FOREVER DEFEND the title to said property, and the possession thereof, unto the said Grantee, its successors and assigns, against the lawful claims of all persons, whomsoever.

IN WITNESS WHEREOF, the Grantors have hereunto set their hands and seals on this the 28<sup>th</sup> day of January, 2021.

Sarah G. Coleman (SEAL)  
SARAH G. COLEMAN

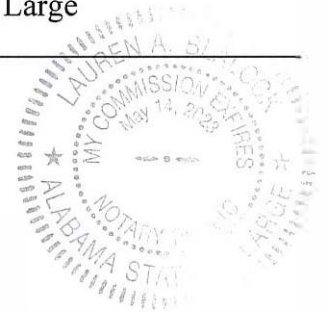
Arthur C. Coleman (SEAL)  
ARTHUR C. COLEMAN

STATE OF ALABAMA  
COUNTY OF MOBILE

I, the undersigned Notary Public in and for said State and County, hereby certify that **SARAH G. COLEMAN and ARTHUR C. COLEMAN**, whose names are signed to the foregoing conveyance and who are known to me, acknowledged before me on this day that being informed of the contents of said conveyance, they executed the same voluntarily on the day the same bears date.

Given under my hand and notarial seal on this the 28<sup>th</sup> day of January, 2021.

Lauren A. Blalock  
NOTARY PUBLIC, State at Large  
My Commission Expires: \_\_\_\_\_



THE GRANTEE'S ADDRESS IS:

775 N. University Blvd ste. 150  
Mobile, AL 36608

THE GRANTORS' ADDRESS IS:

2306 Mr. Kibben Court  
Mobile, AL 36617

**THIS INSTRUMENT WAS PREPARED BY:**

William S. McFadden, Attorney  
McFADDEN, ROUSE & BENDER, LLC  
718 Downtowner Boulevard  
Mobile, Alabama 36609  
(251) 342-9172



**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**



**AUDIT COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**Audit Committee**

**December 2, 2020**

**1:30 p.m.**

A meeting of the Audit Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Ron Graham, Chair, on Wednesday, December 2, 2020, at 1:31 p.m. in the Chief Calvin W. McGhee Grand Ballroom of the MacQueen Alumni Center. Public access was provided via YouTube livestream.

Members: Alexis Atkins and Lenus Perkins were present and Tom Corcoran, Ron Graham, Ron Jenkins and Ken Simon participated by video conference.

Other Trustees: Chandra Brown Stewart, Steve Furr, Arlene Mitchell, Jimmy Shumock, Margie Tuckson, Mike Windom and Jim Yance.

Administration & Guests: Owen Bailey, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Paul Frazier, Melinda Gratwick (KPMG), Mike Haskins, Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Amanda Price (KPMG), Laura Schratt, John Smith, Margaret Sullivan, Tony Waldrop, Scott Weldon and Ashley Willson (KPMG).

Following introductory remarks by Chairman Shumock, the meeting came to order and the attendance roll was called. Mr. Graham called for consideration of **Item 2**, the minutes of the September 10, 2020, meeting of the Audit Committee. On motion by Ms. Atkins, seconded by Mr. Perkins, the Committee voted unanimously to adopt the minutes.

Mr. Graham called on Mr. Weldon to address the KPMG audit reports for the year ended September 30, 2020, **Item 3**. Mr. Weldon acknowledged the hard work of the KPMG team and the staff of the Division of Finance and Administration, particularly Associate Vice President for Finance and Administration Ms. Polly Stokley and University Controller Ms. Kristen Roberts, in completing the audit in a timely manner despite the challenges related to the coronavirus pandemic. He introduced KPMG partner Ms. Ashley Willson, who discussed KPMG's approach for coordinating audits during the pandemic; addressed a series of required communications; stated that unmodified opinions were issued on the basic financial statements for the University, USA Research and Technology Corporation and USA Health Care Authority; and advised of audit work still ongoing, for which reports pertaining to Uniform Guidance and federal awards and to agreed-upon procedures of the National Collegiate Athletic Association would be delivered at a later date. Ms. Willson introduced Senior Manager Ms. Amanda Price, who discussed significant accounting estimates, audit inquiries and information from KPMG on quality and transparency. Ms. Willson invited feedback and questions from Committee members and Trustees, and provided KPMG contact information. Mr. Graham recognized the teamwork involved to achieve this work.

Mr. Graham asked Mr. Weldon to discuss **Item 4**, the Alabama Department of Examiners of Public Accounts compliance report for the year ended September 30, 2019. Mr. Weldon stated the

Audit Committee  
December 2, 2020  
Page 2

report did not contain audit findings or disclose other matters that would warrant action by the University.

There being no further business, the meeting was adjourned at 1:52 p.m.

Respectfully submitted:

William Ronald Graham, Chair



**UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE  
ATHLETICS DEPARTMENT**

Statement of Revenues and Expenses

Year Ended September 30, 2020

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

**UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE  
ATHLETICS DEPARTMENT**

Year ended September 30, 2020

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

## Independent Accountants' Report on Applying Agreed-Upon Procedures

Dr. Tony G. Waldrop, President  
University of South Alabama:

We have performed the procedures enumerated below, which were agreed to by management of the University of South Alabama (the University), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses for the University of South Alabama Intercollegiate Athletics Department (the Athletics Department) for the year ended September 30, 2020 (the Statement) is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15. The University's management is responsible for the Statement and the University's compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

### Statement of Revenues and Expenses – Agreed-Upon Procedures

- (a) We obtained the Statement as prepared by management and shown in Exhibit A. We verified the mathematical accuracy of the Statement and compared the amounts on the Statement to corresponding amounts in the University's general ledger for the year ended September 30, 2020 after considering the University management's post closing reclassification and elimination entries, noting agreement.
- (b) We compared actual Athletics Department revenues and expenses per the Statement for the year ended September 30, 2020 to 2020 budgeted amounts for any revenues or expenses that were over 10% of total revenues or expenses, respectively, and inquired of Athletics Department management as to variances greater than 10% as compared to 2020 budgeted amounts, and obtained the following explanations from management.

#### *Revenues*

*Student Fees; Direct Institutional Support; Indirect Institutional Support – Athletic Facilities Debt Service:* These line items had favorable budget variances due to the fact the University does not budget for these accounts.

#### *Expenses*

*Athletic Student Aid; Coaching Salaries, Benefits and Bonuses Paid by the University; Support Staff Administrative Compensation, Benefits and Bonuses Paid By the University; and Athletic Facilities Debt Service, Leases and Rental Fees:* These line items had unfavorable budget variances due to the fact the University does not budget for these accounts.



- (c) We also compared actual Athletics Department revenues and expenses per the Statement to actual Athletics Department revenues and expenses per the University's 2019 general ledger for any revenues or expenses that were over 10% of total revenues or expenses, respectively, and inquired of Athletics Department management as to variances greater than 10% as compared to 2019 amounts. One revenue category exceeded 10% of total revenues had variances of more than 10% compared to the prior year. Two expense categories exceeded 10% of total expenses, and had a variance of more than 10% compared to the prior year. We obtained the following explanations from management:

*Indirect Institutional Support – Athletics Facilities Debt Service.* This line item had an unfavorable variance due to lack of events as a result of the COVID-19 pandemic.

*Athletic Facilities Debt Service, Leases and Rental Fees.* This line item had a favorable variance due to lower home football game rental fees and gameday staff costs as a result of the COVID-19 pandemic.

- (d) University management provided a summary of the University's internal controls unique to the Athletics Department. We read the summary documents that include information regarding the general control environment and internal control procedures unique to intercollegiate athletics which assist in ensuring that recorded revenues and expenses in the Statement are complete and accurate and expenses are properly authorized.
- (e) We performed the following procedures on operating revenues as presented in Exhibit A:
- (i.) *Student Fees* – In accordance with the internal allocation approved by University management, the University has an all inclusive rate per semester hour. Athletics receives fees equal to the prior year actual amounts, plus or minus growth in total credit hours multiplied by any applicable change in tuition rates. We recalculated the University's allocation of total student fees to Athletics to within management's 1% acceptable tolerable range.
  - (ii.) *Direct Institutional Support* – We obtained the supporting schedules for 2020 direct institutional support related to Athletics which agreed to the Statement, noting agreement.
  - (iii.) *Indirect Institutional Support – Athletic Facilities Debt Service* – We obtained supporting schedules for 2020 indirect institutional support related to Athletics. We compared the total amount of indirect debt service related to Athletics to the Statement, noting agreement.
  - (iv.) *Contributions* – We obtained a listing of 2020 contributions received by the University and agreed the listing to the general ledger and to the Statement noting agreement. We noted that the University did not receive any individual contributions in excess of 10% of total contributions.
  - (v.) *Conference Distributions (Non Media or Bowl), including all tournament revenues* – We obtained a detail of conference distributions and agreed the detail to the general ledger and to the Statement noting agreement. We selected 100% of the total dollar amount of the remittances from the Sunbelt Conference for testing and compared amounts to check copies, wire remittances, or other supporting documentation for each of the amounts received, noting agreement.
- (f) We performed the following procedures on operating expenses, as presented in Exhibit A:
- (i.) *Athletic Student Aid* – We obtained a detail of the students receiving athletic student aid during 2020, recalculated its mathematical accuracy and compared total amounts to the general ledger and to the Statement, noting agreement. As the University did not use the NCAA Compliance Assistance Software, we selected 20% of the 333 student athletes from the detail (i.e., 67 students), and were required to select a maximum sample size of 60 (student numbers J00530528, J00558623, J00567795, J00571416, J00580371, J00585311, J00588116, J00588966, J00588986, J00589365,



J00594137, J00594236, J00598194, J00600698, J00601314, J00602142, J00603565, J00606535, J00607042, J00614064, J00616546, J00617627, J00625585, J00631054, J00633750, J00633967, J00634054, J00635086, J00635280, J00635592, J00639560, J00640968, J00641551, J00641908, J00644313, J00644714, J00645108, J00646002, J00646606, J00646768, J00646883, J00647118, J00647280, J00648971, J00649481, J00652843, J00652983, J00653560, J00653792, J00656674, J00658021, J00660381, J00660671, J00662895, J00663664, J00665092, J00665515, J00665733, J00675821, and J00676959) and compared the total aid in the student's account to the squad listing used for reporting in the NCAA Financial Reporting System. No exceptions were noted.

- (ii.) *Coaching Salaries, Benefits, and Bonuses Paid by the University and Support Staff Administrative Compensation, Benefits, and Bonuses Paid by the University* – We obtained a detail of coaching salaries, benefits, and bonuses paid by the University and support staff administrative compensation, benefits, and bonuses paid by the University and agreed the detail to the general ledger and to the statement noting agreement. We selected ten coaches – Women's Head Basketball Coach (employee ID J00213427), Women's Head Softball Coach (employee ID J00214405), Women's Assistant Softball Coach (employee ID J00278841), Men's Head Football Coach (employee ID J00492399), Women's Assistant Basketball Coach (employee ID J00619367), Men's Assistant Football Coach (employee ID J00634372), Men's Head Basketball Coach (employee ID J00642355), Men's Assistant Basketball Coach (employee ID J00643176), Men's Assistant Baseball Coach (employee ID J00645749), and Women's Assistant Volleyball Coach (employee ID J00657245) – and ten athletic administrative and support staff (employee IDs J00042303, J00088937, J00106778, J00219750, J00284951, J00464149, J00516790, J00643478, J00645920, and J00675132). For each of the employees, we compared the employee's wages per the payroll register to supporting documentation in the employee's personnel file noting agreement.
- (iii.) *Athletic Facilities Debt, Leases and Rental Fees* – We obtained a detail of athletic facilities, debt, leases, and rental fees and agreed the detail to the general ledger and to the statement noting agreement. In addition, we selected a sample of three facility payments including the top two highest facility payments from the 2020 fiscal year detail and compared the sample selected to supporting documentation noting agreement.
- (iv.) *All Other Expenses* – We obtained a detail of all other expenditure categories and agreed the detail to the general ledger and to the Statement noting agreement. In addition, we selected twenty-two individual vouchers from the 2020 fiscal year detail we obtained within the following expenditure categories: team travel; sports equipment, uniforms, and supplies; direct facilities, maintenance and rentals; and other operating expenses. We inspected invoice copies and direct pay requests or purchase orders (where applicable) for the expenses on the vouchers in the table below, which comprise approximately 6% of the expenses not included in the categories listed in (f)(i), (f)(ii), and (f)(iii), noting that amounts per the vouchers agreed to the invoice copies and direct pay request or purchase order without exception.





	<u>Voucher no.</u>
1	I1610842
2	I1595880
3	I1557699
4	J0171329
5	I1591959
6	I1556170
7	I1577497
8	I1642520
9	J0175836
10	F0924499
11	I1623502
12	I1645800
13	I1595814
14	I1628529
15	I1621607
16	J0172271
17	I1669350
18	BO007864
19	I1578068
20	I1634677
21	I1610124
22	BO007998

(g) Additional Minimum Agreed-Upon Procedures:

- (i) We compared and agreed the sports reported in the NCAA Membership Financial Reporting System by the Athletics Department to the calculation of Revenue Distribution Equivalencies Report from the NCAA Compliance Assistance Software or equivalent supporting equivalency calculations from the institution, noting agreement.
- (ii) We obtained the University's Sports Sponsorship and Demographics Forms Report and validated that the countable sports reported met the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and the number of participants in each contest that is counted toward meeting the minimum contest requirement unless minimum contest requirement was waived due to the COVID pandemic. We obtained documentation from the NCAA Membership Financial Reporting System and noted that the University properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System without exception.
- (iii) For Pell Grants, we agreed the total number of Division I student-athletes who, during the 2019-20 academic year, received a Pell Grant award and the total value of these Pell Grants reported in the NCAA Membership Financial Reporting System to a report, generated out of the University's student financial aid records, of all student-athlete Pell Grants without exception. We compared the current year Pell Grants total to the prior year reported total per the Membership Financial Report Submission and noted there were no variances greater than plus or minus twenty grants.

(h) Minimum Agreed-Upon Procedures Program for Other Reporting Items

- (i) Total Athletics Related Debt - We compared the total annual maturities and total outstanding athletic-related debt to supporting debt schedules prepared by University management, noting agreement.



- (ii) Total University Debt - We compared the total outstanding University debt to supporting debt schedules provided by University management and to the University's 2020 audited financial statements, noting agreement.
- (iii) Fair Value of Athletics Dedicated Endowments - We obtained the athletic dedicated endowment schedule from the Athletic Department and compared the total fair value in the schedule to the University's general ledger, noting agreement.
- (iv) Fair Value of University Endowments - We compared the total fair value of University endowments to the University's general ledger, noting agreement.
- (v) Total Athletic Related Capital Expenses – We compared total Athletics Department related capital expenses for the year ended September 30, 2020 to a supporting schedule prepared by University management, noting agreement.
- (vi) Total Athletic Fund Balance – We compared the total athletic fund balance the University's general ledger, noting agreement.

\* \* \* \* \*

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Statement of Revenues and Expenses for the University of South Alabama Intercollegiate Athletics Department for the year ended September 30, 2020 (Exhibit A). Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

KPMG LLP

January 13, 2020

UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE  
ATHLETIC DEPARTMENT

Statement of Revenues and Expenses

Year Ended September 30, 2020

(Unaudited)

NCAA Description	Not Related To Team	Men's Baseball	Men's Basketball	Men's Golf	Men's Tennis	Men's Track	Men's Football	Women's Basketball	Women's Golf	Women's Soccer	Women's Tennis	Women's Track	Women's Volleyball	Women's Softball	Total
Operating Revenues:															
Ticket Sales	\$ —	29,351	119,751	—	—	—	361,564	10,781	—	—	—	—	—	10,241	531,688
Student Fees	—	208,484	89,350	59,567	47,653	613,538	6,476,702	89,350	35,740	166,787	53,610	518,231	77,437	131,047	8,567,496
Direct Institutional Support	3,940,161	906,049	1,686,846	276,012	326,015	—	626,498	1,251,340	319,585	574,877	415,863	—	637,920	705,755	11,668,921
Indirect Institutional Support – Athletic Facilities Debt Service	2,818,371	—	—	—	—	—	—	—	—	—	—	—	—	—	2,818,371
Guarantees	—	21,500	—	—	—	—	—	—	—	—	—	—	—	—	21,500
Contributions	1,066,756	95,674	10,185	20,230	1,560	3,707	145,784	27,955	381	7,470	100	—	6,091	7,405	1,393,298
NCAA Distributions	—	9,585	4,108	2,739	2,191	28,207	32,041	4,108	1,643	7,668	2,465	23,825	3,560	6,025	128,165
Conference Distributions (Non Media or Bowl)	—	96,478	41,348	27,565	22,052	283,922	322,514	41,348	16,539	77,183	24,809	239,818	35,835	60,644	1,290,055
Program, Novelty, Parking and Concession Sales	—	3,432	—	—	—	—	176,387	—	—	—	—	—	—	—	257
Royalties, Licensing, Advertisement and Sponsorships	195,818	101,027	171,394	—	—	—	256,955	—	—	—	—	—	—	10,624	735,818
Athletics Restricted Endowment and Investments Income	25,545	—	—	—	—	—	—	—	—	—	—	—	—	—	25,545
Other Operating Revenue	595,142	1,000	—	21,600	1,000	27,603	(440)	2,000	22,400	14,000	1,000	—	—	2,000	687,305
Total Operating Revenues	8,641,793	1,472,580	2,122,982	407,713	400,471	956,977	8,398,005	1,426,882	396,288	847,985	497,847	781,874	760,843	933,998	28,046,238
Operating Expenses:															
Athletic Student Aid	267,739	377,645	457,933	174,479	214,506	440,182	2,798,644	424,013	220,702	469,280	331,662	631,771	394,691	348,617	7,551,864
Guarantee Expenses	—	31,500	12,000	—	—	—	—	6,800	—	—	—	—	10,807	1,000	62,107
Coaching Salaries, Benefits and Bonuses Paid by the University	—	538,032	818,820	108,232	99,161	166,112	2,218,729	495,121	87,154	209,345	103,041	135,910	206,147	357,562	5,543,366
Support Staff Administrative Compensation, Benefits and Bonuses	3,712,735	56,075	74,911	7,015	11,726	5,354	1,109,753	72,756	9,674	—	10,442	4,320	—	10,115	5,084,876
Paid by the University	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Recruiting	58,430	29,062	73,206	2,666	529	1,712	128,838	18,588	2,650	14,521	—	1,401	8,578	10,982	351,163
Team Travel	32,180	78,824	217,597	21,347	41,509	40,847	495,722	135,766	24,260	62,204	26,893	33,420	73,959	81,598	1,366,126
Sports Equipment, Uniforms and Supplies	252,283	91,589	91,261	35,626	25,347	43,574	486,651	59,786	11,179	21,169	19,049	35,651	15,046	61,163	1,249,374
Game Expenses	90,480	27,994	122,451	550	3,075	2,613	166,588	110,808	—	(722)	3,150	2,138	22,783	21,448	573,556
Fundraising, Marketing and Promotions	271,555	400	—	—	—	—	949	—	—	—	—	—	—	—	272,904
Spirit Groups	284,151	—	—	—	—	—	—	—	—	—	—	—	—	—	284,151
Athletic Facilities Debt Service, Leases and Rental Fees	3,018,784	—	—	—	—	—	678,536	—	—	—	—	—	—	—	3,697,320
Direct Facilities, Maintenance and Rentals	1,069,816	1,934	779	8,743	—	2,897	349,126	27,294	3,680	6,262	—	2,371	2,522	2,190	1,477,614
Medical Expense and Medical Insurance	313,486	—	—	—	—	165	254,764	—	—	—	—	135	—	—	568,550
Membership and Dues	89,116	55	1,235	14,130	—	—	6,450	425	1,226	—	550	—	330	245	113,762
Student-Athlete Meals (Non-Travel)	1,578	1,794	34,478	421	3,001	887	154,629	10,924	608	15,780	1,201	726	4,542	4,839	235,408
Other Operating Expenses	545,504	39,817	38,187	21,842	1,906	2,131	369,068	36,646	26,105	55,936	3,409	1,743	15,348	19,707	1,177,349
Total Operating Expenses	10,007,837	1,274,721	1,942,858	395,051	400,760	706,474	9,218,447	1,398,927	387,238	853,775	499,397	849,586	754,753	919,466	29,609,290
Except (deficiency) of revenues over (under) expenses	\$ (1,366,044)	197,859	180,124	12,662	(289)	250,503	(820,442)	27,955	9,050	(5,790)	(1,550)	(67,712)	6,090	14,532	(1,563,052)
Excess Transfers to University	\$ —	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conference Realignment Expenses	\$ —	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Athletics Related Debt	\$ 82,157,431	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total University Debt	\$ 471,354,000	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fair Value of Athletics Dedicated Endowments	\$ 1,399,911	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fair Value of University Endowments	\$ 194,501,312	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Athletics Related Capital Expenses	\$ 43,328,929	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Athletic Fund Balance	\$ 7,122,443	—	—	—	—	—	—	—	—	—	—	—	—	—	—

See accompanying Independent accountants' report on applying agreed-upon procedures and notes to statement of revenues and expenses.

**UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE  
ATHLETICS DEPARTMENT**

Notes to Statement of Revenues and Expenses

Year ended September 30, 2020

(Unaudited)

**(1) Summary of Significant Accounting Policies and Reporting Practices**

The accompanying statement of revenues and expenses (the Statement) includes revenue, expense, and transfer accounts of the University of South Alabama Intercollegiate Athletics Department (the Department), which oversees the University of South Alabama's (the University) intercollegiate athletics program. The Statement was prepared in accordance with the accrual basis of accounting.

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

**(2) Financial Aid**

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

**(3) Booster Activities**

The revenues and expenses of the Jaguar Athletic Fund are recorded in the Statement. The University has no other outside booster clubs.

**(4) Capitalization of Assets**

Equipment is capitalized if the individual item equals or exceeds \$5,000. Buildings additions are capitalized per the policies of the University. Depreciation is provided over the estimated useful life of each class of depreciable assets using the straight-line method.

**(5) Athletics Facility Related Debt**

Future principal payments due through maturity dates are as follows as of September 30, 2020:

	<b>Principal</b>
Years ending September 30:	
2021	\$ 1,962,093
2022	2,037,480
2023	2,114,949
2024	2,198,464
2025	2,140,478
Thereafter	71,703,967
	\$ 82,157,431

**(6) Contributions**

The Department did not receive any individual contributions which exceeded 10% of the total contributions for the year ended September 30, 2020.

**UNIVERSITY OF SOUTH ALABAMA INTERCOLLEGIATE  
ATHLETICS DEPARTMENT**

Notes to Statement of Revenues and Expenses

Year ended September 30, 2020

(Unaudited)

**(7) Pledges Dedicated to Athletics**

The University has pledges supporting athletics valued at \$10,147,369 at September 30, 2020.

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**



**DEVELOPMENT, ENDOWMENT  
AND INVESTMENTS COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**Development, Endowment and Investments Committee**

**December 2, 2020**

**1:52 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. Mike Windom on behalf of Mr. Jim Yance, Chair, on Wednesday, December 2, 2020, at 1:52 p.m. in the Chief Calvin W. McGhee Grand Ballroom of the MacQueen Alumni Center. Public access was provided via YouTube livestream.

**Members:** Chandra Brown Stewart and Mike Windom were present and Arlene Mitchell, Margie Tuckson and Jim Yance participated by video/phone conference.

**Members Absent:** Scott Charlton and Steve Stokes.

**Other Trustees:** Alexis Atkins, Tom Corcoran, Steve Furr, Ron Graham, Ron Jenkins, Lenus Perkins, Jimmy Shumock and Ken Simon.

**Administration & Guests:** Terry Albano, Owen Bailey, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Paul Frazier, Meena Gandhi (J.P. Morgan), Mike Haskins, Andi Kent, Nick Lawkis, Robert LeDoux (J.P. Morgan), John Marymont, Mike Mitchell, Laura Schratt, John Smith, Margaret Sullivan, Tony Waldrop, Scott Weldon and Mina Zorrilla (J.P. Morgan).

The meeting came to order and the attendance roll was called. Mr. Windom called on Mr. Albano to present **Item 6**, a report on endowment and investment performance. Mr. Albano advised of an investment return of nine percent for the fiscal year ended September 30, 2020, compared to the relative index performing at 9.14 percent. He reported a market value of approximately \$172.4 million, as well as investment earnings and appreciation totaling approximately \$14.3 million for the period. He shared insight on manager results and on long-term performance of the total endowment, noting just under \$100 million in investment earnings and appreciation since inception in March 2000.

Mr. Windom asked Mr. Albano to address **Item 7**, a resolution acknowledging and accepting the current year annual evaluation of the University's endowment and non-endowment investment policies by the Development, Endowment and Investments Committee and the Committee's recommendation that revision of the policies was not needed at this time. (To view approved resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on December 3, 2020.) Mr. Albano reminded the Committee that the annual review and acceptance of the policies by the Board satisfied a SACSCOC (Southern Association of Colleges and Schools Commission on Colleges) accreditation standard. On motion by Ms. Brown Stewart, seconded by Ms. Mitchell, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Windom called on Dr. Erdmann to present **Item 8**, a resolution authorizing officers and directors of the Jaguar Athletic Fund, Inc. (JAF). Dr. Erdmann advised of the nomination of

Mr. Shumock, Mr. Skipper Walters and Mr. Jeffry Nichols to serve as JAF President, Vice President and Secretary, respectively, for the 2021 calendar year, as well as of Ms. Farish Collura to serve as JAF Director representing softball for a three-year term ending 2023. On motion by Ms. Mitchell, seconded by Ms. Brown Stewart, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Continuing with the **Item 6** report on endowment and investment performance, Mr. Windom called on Mr. Albano, who introduced J.P. Morgan representatives Ms. Meena Gandhi, Mr. Robert LeDoux and Ms. Mina Zorilla. The guests shared perspective on the performance of the University's portfolio, factors influencing the market, and J.P. Morgan's investment philosophy. Mr. Windom and Mr. Albano thanked the J.P. Morgan team for their participation.

Mr. Windom called for an update on the activities of the Division of Development and Alumni Relations, **Item 9**. On behalf of Dr. Stokes, Upward & Onward Campaign Co-Chair, Ms. Sullivan reported that the campaign concluded on September 30, 2020, with approximately \$160.9 million raised, exceeding the \$150 million goal. She indicated that, among the 23,130 donors who participated, USA employees contributed approximately \$7.7 million. She stated fiscal year 2020 closed with approximately \$15.9 million in gifts and pledges secured and advised of approximately \$1.2 million in gifts and pledges recorded thus far in fiscal year 2021. She thanked the Board of Trustees, Campaign Co-Chairs Dr. Steve and Mrs. Angelia Stokes, and the University leadership for their efforts to advance the campaign, and recognized Mr. Yance for his role as Chair of the University's first comprehensive campaign, which she said served as a foundation for the Upward & Onward Campaign. She highlighted a number of initiatives that benefited as a result of the campaign, noting in excess of \$35 million raised for scholarships, inclusive of Mitchell-Moulton Scholarship Initiative matching funds; new and expanded facilities, including Hancock Whitney Stadium, the MacQueen Alumni Center (MAC), the Fanny Meisler Trauma Center and the Health Simulation Building; creation of the Leadership in Social Justice and Perseverance Endowed Scholarship; establishment of two seed research grants; implementation of a speaker's series at the MAC focused on inclusion and diversity; and growth of the University's Pandemic Emergency Fund. She advised that the United Way of Southwest Alabama drive recently ended with South Alabama employees giving more than \$220,000. She conveyed excitement for prospective projects, citing plans for a new College of Medicine building, a new pediatric emergency department at USA Health Children's & Women's Hospital and initiatives related to marine and environmental sciences. Mr. Windom thanked the Mitchell family for their broad philanthropic reach at the University of South Alabama.

Mr. Windom asked Ms. Sullivan to discuss **Item 10**, a resolution thanking the Mobile County Commission for appropriating \$12,000 to support Project 110, and approving the University's entry into a contract with the Mobile County Commission, as well as the program expenditures. Ms. Sullivan explained that Project 110 was a documentary and teaching curriculum spearheaded by College of Education Professor Dr. Joe'l Lewis Billingsley to honor the 110 enslaved individuals who were unlawfully brought from Africa to the United States aboard the schooner Clotilda in 1860. She stated grant assistance provided by the Alabama Humanities Foundation required matching funds and she credited Mobile County Commissioner Ms. Merceria Ludgood for her help to secure the additional funding. On motion by Ms. Brown Stewart, seconded by Ms. Mitchell, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.



Mr. Windom asked Ms. Sullivan to address **Item 11**, a resolution recognizing the generosity of USA alumni Mr. Jake and Mrs. Pat Gosa and expressing gratitude for their leadership and loyalty to South Alabama. Ms. Sullivan shared that the Gosas were avid supporters of Mitchell College of Business and College of Nursing scholarships and recently pledged a \$5 million legacy gift, as part of the Upward & Onward Campaign, that would be transformative for programs of both colleges and for students receiving Gosa scholarship assistance. On motion by Ms. Mitchell, seconded by Mr. Yance, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Windom asked Ms. Sullivan to present **Item 12**, a resolution honoring Dr. Steve and Mrs. Angelia Stokes for visionary leadership of the \$150 million Upward & Onward Campaign and acknowledging the profound impact of their service as Campaign Co-Chairs upon the future course of the University. Ms. Sullivan talked about the tireless work of the Stokeses over the five years of the campaign, as well as their decades of distinguished service and giving to advance the mission of the University, citing their generous support of marine sciences and creative writing programs and of USA Health initiatives, and Dr. Stokes' tenure as Chair *pro tempore* of the Board of Trustees. On motion by Ms. Mitchell, seconded by Mr. Yance, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

There being no further business, the meeting was adjourned at 2:35 p.m.

Respectfully submitted:

On behalf of:

Michael P. Windom

James A. Yance, Chair

# University of South Alabama Endowment Investment Performance Review/Analysis

Fiscal Year 2021

## USA Endowment Fund Performance

October 1, 2020 to December 31, 2020

- Total USA Endowment returned 9.72% versus its blended benchmark return of 9.15%, outperforming by 0.57%.

## USA Endowment Total Fund and Manager Performance

October 1, 2020 to December 31, 2020

Total Fund versus Index Performance:

- USA returned 9.72% versus its blended benchmark return of 9.15%, outperforming by 0.57% FYT.

Individual Manager versus Index performance:

- Commonfund return 7.93% versus its benchmark return of 7.31%.
- Charles Schwab returned 14.43% versus its benchmark return of 14.34%.
- Douglas Lane returned 14.08% versus its benchmark return of 12.15%.
- Gerber Taylor returned 7.96% versus its benchmark return of 6.50%.
- Forester Diversified returned 9.75% versus its benchmark return of 6.50%.
- Gerber Taylor International returned 14.12% versus its benchmark return of 16.05%.
- Hancock Whitney returned 7.08% versus its benchmark return of 8.20%.
- JP Morgan returned 22.54% versus its benchmark return of 19.94%.

## USA Endowment Asset Allocation Breakdown

As of December 31, 2020

- Money Market balance is \$1,159,000 or <1% of invested assets.
- Large Cap Equity balance is \$68,602,000 or 36% of invested assets.
- Small Cap Equity balance is \$8,724,000 or 5% of invested assets.
- International Equity balance is \$21,970,000 or 12% of invested assets.
- Fixed Income balance is \$43,982,000 or 23% of invested assets.
- Private Equity balance is \$5,605,000 or 3% of invested assets.
- Hedge Investments balance is \$39,019,000 or 21% of invested assets.
- Invested assets total balance is \$189,063,000 as of December 31, 2020.

## USA Endowment Performance Since Inception

March 31, 2000 to December 31, 2020

- Total USA Endowment Fund returned 5.85% versus its blended benchmark return of 4.77%, outperforming by 1.08%.

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**



**HEALTH AFFAIRS  
COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**Health Affairs Committee**

**December 2, 2020**

**2:35 p.m.**

A meeting of the Health Affairs Committee of the University of South Alabama Board of Trustees was duly convened by Dr. Steve Furr on behalf of Dr. Scott Charlton, Chair, on Wednesday, December 2, 2020, at 2:35 p.m. in the Chief Calvin W. McGhee Grand Ballroom of the MacQueen Alumni Center. Public access was provided via YouTube livestream.

**Members:** Chandra Brown Stewart and Steve Furr were present and Arlene Mitchell, Margie Tuckson and Jim Yance participated by video/phone conference.

**Members Absent:** Scott Charlton and Steve Stokes.

**Other Trustees:** Alexis Atkins, Tom Corcoran, Ron Graham, Ron Jenkins, Lenus Perkins, Jimmy Shumock, Ken Simon and Mike Windom.

**Administration & Guests:** Owen Bailey, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Paul Frazier, Mike Haskins, Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Laura Schrott, John Smith, Margaret Sullivan, Tony Waldrop and Scott Weldon.

The meeting came to order and the attendance roll was called. Dr. Furr called for consideration of a resolution authorizing the USA Health Hospitals medical staff appointments and reappointments for August, September and October 2020, **Item 14**. (To view approved resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on December 3, 2020.) On motion by Ms. Mitchell, seconded by Ms. Tuckson, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Dr. Furr called for consideration of **ITEM 15**, a resolution authorizing revisions to the USA Health Hospitals medical staff bylaws and associated documents. On motion by Ms. Tuckson, seconded by Ms. Brown Stewart, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Dr. Furr called on Dr. Marymont for an update on the activities of USA Health and the College of Medicine, **ITEM 16**. Dr. Marymont introduced Mr. Bailey to discuss USA Health projects underway and plans for continued growth. Mr. Bailey conveyed pride for the progress of the health system in recent years in the areas of patient volume, facilities, health and safety standards and finances. He credited the USA Health team for embracing the University's academic mission, a factor he said makes USA Health unique in the market. As photos were shown, he shared information on the new Fanny Meisler Trauma Center at University Hospital (UH); renovation of the 10<sup>th</sup> and 11<sup>th</sup> floors to increase bed capacity at UH; Endoscopy GI Lab at UH; equipment storage warehouse adjacent to UH; two new generators at UH; USA Health Midtown Clinic on Old Shell Road; proposed Mapp Family Campus in Baldwin County; and proposed expansion of the Mitchell Cancer Institute Kilborn Clinic in Fairhope. He discussed plans for projects to be funded with Series 2021 bond proceeds, including the pediatric emergency department at Child-

Health Affairs Committee  
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ren's & Women's Hospital; operating room expansion at UH; and freestanding emergency department and professional office building on Hillcrest Road. Dr. Marymont talked briefly about the proposed new building for the College of Medicine and shared that the emergence of the coronavirus pandemic changed how students are educated and, thus, the plans for the building.

There being no further business, the meeting was adjourned at 2:54 p.m.

Respectfully submitted:

On behalf of:

Steven P. Furr, M.D.

Scott A. Charlton, M.D., Chair



UNIVERSITY OF SOUTH ALABAMA

**MEMORANDUM**

USA Health

DATE: February 4, 2021

TO: Tony G. Waldrop, PhD  
President

A handwritten signature in black ink, appearing to read 'TGW', positioned to the right of the 'TO:' line.

FROM: Owen Bailey, Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'Owen Bailey', positioned to the right of the 'FROM:' line.

SUBJECT: Board Meeting Documents

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

Resolution – USA Health Hospitals Medical Staff Appointments and Reappointments for November and December, 2020 and January 2021

- Medical Staff Appointments/Reappointments Board of Trustees Report

OB/kh

Attachments

**RESOLUTION**

**USA HEALTH HOSPITALS MEDICAL STAFF APPOINTMENTS AND  
REAPPOINTMENTS FOR NOVEMBER AND DECEMBER 2020  
AND JANUARY 2021**

**WHEREAS**, the Medical Staff appointments and reappointments for November and December 2020 and January 2021 for the USA Health Hospitals are recommended for Board approval by the Medical Executive Committees and the USA Health Credentialing Board,

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

**USA HEALTH HOSPITALS  
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS  
BOARD OF TRUSTEE REPORT  
November 2020, December 2020, and January 2021**

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

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Aggen, Ashlen P., MD	Reappt.	Courtesy	Family Medicine	Reappt.	Courtesy	Family Medicine	NA	NA	NA
Aikin, Stephanie D., PA	New Appt.	APP USA	Pediatrics	NA	NA	NA	New Appt.	APP USA	Pediatrics
Allen, Peter C., RN	NA	NA	NA	Reappt.	APP	Internal Medicine	NA	NA	NA
Banerjee, Sara, MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Baranano, Anne E., MD	Reappt.	Courtesy	Surgery	Reappt.	Courtesy	Surgery	NA	NA	NA
Barnett, Cody B., MD	Reappt.	Consulting	Internal Medicine	Reappt.	Consulting	Internal Medicine	NA	NA	NA
Batten, Kenneth D., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	NA	NA	NA
Blair-Elortegui, Judy V., MD	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine
Bodie, Belin F., MD	Reappt.	Comm Staff-HCA	Internal Medicine	Reappt.	Comm Staff-HCA	Internal Medicine	Reappt.	Comm Staff-HCA	Internal Medicine
Bogart, Heather, CRNP	New Appt.	APP USA	Pediatrics	NA	NA	NA	New Appt.	APP USA	Pediatrics
Bolkhovets, Dmitry, MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Brock, Benjamin D., PA	NA	NA	NA	New Appt.	APP HCA	Internal Medicine	NA	NA	NA
Brown, Rhett, CRNP	NA	NA	NA	New Appt.	APP HCA	Internal Medicine	NA	NA	NA
Brown, Roderick S., DO	NA	NA	NA	New Appt.	Active HCA	Internal Medicine	New Appt.	Active HCA	Internal Medicine
Buckley, Stacie L., CMD	NA	NA	NA	Reappt.	APP USA	Radiology	NA	NA	NA
Butler, Thomas W., MD	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine
Campbell, III, Jonathan C., MD	New Appt.	Comm Staff-HCA	Family Medicine	New Appt.	Comm Staff-HCA	Family Medicine	New Appt.	Comm Staff-HCA	Family Medicine
Carlyle, Megan E., PA	Reappt.	APP	Surgery	NA	NA	NA	NA	NA	NA
Carter, Jr., James Elliot, MD	Reappt.	Active USA	Pathology	Reappt.	Active USA	Pathology	Reappt.	Active USA	Pathology
Cartledge, Hollie, CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Chalhub, Elias G., MD	Reappt.	Active USA	Neurology	NA	NA	NA	Reappt.	Active USA	Neurology
Chung, Allison, PharmD	Reappt.	APP	Pediatrics	Reappt.	APP	Pediatrics	NA	NA	NA
Cohen-Colson, Mary E., MD	Reappt.	Consulting	Psychiatry	Reappt.	Consulting	Psychiatry	NA	NA	NA
Coleman, Jr., Clarence C., MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Coumanis, Lewis, MD	Reappt.	Consulting-USA	Radiology	Reappt.	Active USA	Radiology	NA	NA	NA
Courtney, James V., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	NA	NA	NA
Culpepper, Roy M., MD	NA	NA	NA	Reappt.	Academic	Internal Medicine	NA	NA	NA
Cunningham, Erin B., CRNP	NA	NA	NA	Reappt.	APP USA	Emergency Med.	Reappt.	APP USA	Emergency Med.
Currier, Joseph M., Ph.D.	Reappt.	APP USA	Psychiatry	Reappt.	APP USA	Psychiatry	Reappt.	APP USA	Psychiatry
Daniels, Larkin J., MD	Reappt.	Consulting	Surgery	Reappt.	Consulting	Surgery	NA	NA	NA
Davis, Janelle N., CRNP	New Appt.	Non-Priv. APP	Pediatrics	NA	NA	NA	NA	NA	NA
Delmas, John F., MD	Reappt.	Comm Staff-HCA	Internal Medicine	Reappt.	Comm Staff-HCA	Internal Medicine	Reappt.	Comm Staff-HCA	Internal Medicine
Domzalski, Jerome T., MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Duke, Kenneth G., CRNA	Reappt.	APP USA	Anesthesiology	Reappt.	APP USA	Anesthesiology	NA	NA	NA
Eyrich, George A., MD	NA	NA	NA	Reappt.	Courtesy	Internal Medicine	NA	NA	NA
Finan, Michael A., MD	Reappt.	Community Staff	Gynecology	Reappt.	Community Staff	Gynecology	NA	NA	NA
Fiorito, Thomas F., MD	NA	NA	NA	New Appt.	Consulting	Radiology	NA	NA	NA
Foust, Anna C., MD	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine



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	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Foust, Anna C., MD	Reappt.	Active USA	Pediatrics	Reappt.	Active USA	Pediatrics	Reappt.	Active USA	Pediatrics
Fox, Matthew, MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Fox, Shaketa R., RN	Reappt.	APP	Internal Medicine	Reappt.	APP	Internal Medicine	NA	NA	NA
Franklin, Alan J., MD	Reappt.	Consulting	Surgery	Reappt.	Consulting	Surgery	NA	NA	NA
Garcia Lopez de Victoria, Elizabeth, MD	Reappt.	Consulting	Neurology	Reappt.	Consulting	Neurology	NA	NA	NA
Gates, Jill, CRNP	New Appt.	APP HCA	Surgery	New Appt.	APP HCA	Surgery	New Appt.	APP HCA	Surgery
Graf, Jr., Curtis M., MD	Reappt.	Consulting	Surgery	NA	NA	NA	NA	NA	NA
Grant, Michael J., MD	Reappt.	Consulting	Radiology	Reappt.	Consulting	Radiology	NA	NA	NA
Hassell, David R., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	NA	NA	NA
Hanes, II, Charles R., MD	Reappt.	Active HCA	OBGYN	Reappt.	Active HCA	OBGYN	Reappt.	Active HCA	OBGYN
Hardin, Marie, PCT	NA	NA	NA	Reappt.	APP	Internal Medicine	NA	NA	NA
Hartman, Catherine, CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Hassouneh, Linda, MD	New Appt.	Active USA	Pediatrics	NA	NA	NA	New Appt.	Active USA	Pediatrics
Higgs, William R., MD	Reappt.	Courtesy	Surgery	Reappt.	Courtesy	Surgery	NA	NA	NA
Hopper, Hal J., RTT	NA	NA	NA	Reappt.	APP USA	Radiology	NA	NA	NA
Houston, John T., MD	New Appt.	Comm. Staff HCA	Family Medicine	New Appt.	Comm. Staff HCA	Family Medicine	New Appt.	Comm. Staff HCA	Family Medicine
Hoven, Angelia, CMD	NA	NA	NA	Reappt.	APP USA	Radiology	NA	NA	NA
Hudson, Kendra D., CCCSLP	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Hundley, Jr., Terry J., MD	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine	Reappt.	Active USA	Internal Medicine
Hunter, Mary B., CRNP	Reappt.	APP USA	Emergency Med.	Reappt.	APP USA	Emergency Med.	Reappt.	APP USA	Emergency Med.
Illiff, Greire H., CRNP	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Jacobson, Richard D., MD	Reappt.	Consulting	Neurology	Reappt.	Consulting	Neurology	NA	NA	NA
Johnson, George M., DPM	NA	NA	NA	Reappt.	APP	Orthopaedics	NA	NA	NA
Jones, Jessica L., MD	New Appt.	Active	OBGYN	NA	NA	NA	NA	NA	NA
Juersivich, Adam P., MD	Reappt.	Consulting	Neurology	Reappt.	Consulting	Neurology	NA	NA	NA
Jurasek, Meleah A., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Kaplan, Richard T., MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Kellam, Michael E., DMD	Reappt.	Consulting	Surgery	Reappt.	Consulting	Surgery	NA	NA	NA
Kidd, Jonathan L., PCT	New Appt.	APP	Internal Medicine	Reappt.	APP	Internal Medicine	NA	NA	NA
Kings, Kathryn M., PA	Reappt.	APP USA	Neurosurgery	Reappt.	APP USA	Neurosurgery	Reappt.	APP USA	Neurosurgery
Klecker, Rosemary J., MD	New Appt.	Active USA	Radiology	New Appt.	Active USA	Radiology	New Appt.	Active USA	Radiology
Klisch, Gregory, MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Kuebler, Richards S., MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Kyriazis, Dimitris K., MD	Reappt.	Consulting	Surgery	Reappt.	Active	Surgery	NA	NA	NA
Lane, Daniel R., MD	Reappt.	Community Staff	Surgery	Reappt.	Community Staff	Surgery	NA	NA	NA
Leytham, Thomas J., MD	Reappt.	Comm. Staff USA	Family Medicine	Reappt.	Comm. Staff USA	Family Medicine	Reappt.	Comm. Staff USA	Family Medicine
Liriano-Fanduiz, Humberto, MD	New Appt.	Active USA	Ped. Emer. Med.	NA	NA	NA	NA	NA	NA
Macfarlane, Patricia O., MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Maertens, Paul, MD	Reappt.	Active USA	Neurology	NA	NA	NA	Reappt.	Active USA	Neurology
Manci, Elizabeth A., MD	Reappt.	Active USA	Pathology	Reappt.	Active USA	Pathology	Reappt.	Active USA	Pathology

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Martindale, Sr., George H., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	NA	NA	NA
Martinez-Ceballos, Jose E., MD	Reappt.	Academic	Pediatrics	NA	NA	NA	NA	NA	NA
Mbaka, Maryann I., MD	NA	NA	NA	New Appt.	Active USA	Surgery	New Appt.	Active USA	Surgery
McGee, Gregory S., MD	Reappt.	Consulting	Surgery	Reappt.	Consulting	Surgery	NA	NA	NA
McGowin, Alinda G., MD	NA	NA	NA	Reappt.	Consulting	Surgery	NA	NA	NA
Mobley, Norma, MD	Reappt.	Active	Pediatrics	NA	NA	Na	NA	NA	NA
Molokhia, Ehab A., MD	Reappt.	Active USA	Family Medicine	Reappt.	Active USA	Family Medicine	Reappt.	Active USA	Family Medicine
Moore, Jeremy C., DO	Reappt.	Consulting	Psychiatry	Reappt.	Consulting	Psychiatry	NA	NA	NA
Mose, Belinda M., CRNP	New Appt.	APP USA	Pediatrics	NA	NA	NA	New Appt.	APP USA	Pediatrics
Murphy, Patrick L., MD	NA	NA	NA	Reappt.	Consulting	Internal Medicine	NA	NA	NA
Nair, Athira U., MD	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics	New Appt.	Active USA	Pediatrics
Naritoku, Dean, MD	Reappt.	Active USA	Neurology	Reappt.	Active USA	Neurology	Reappt.	Active USA	Neurology
Ngando, George E., MD	NA	NA	NA	Reappt.	Active USA	Emergency Med.	NA	NA	NA
O'Dowd, John M., MD	NA	NA	NA	Reappt.	Courtesy	Internal Medicine	NA	NA	NA
O'Gorman, Ronald B., MD	NA	NA	NA	Reappt.	Consulting	Surgery	NA	NA	NA
Overstreet, Jennifer M., CRNP	New Appt.	APP USA	Internal Medicine	New Appt.	APP USA	Internal Medicine	New Appt.	APP USA	Internal Medicine
Panacek, Edward A., MD	Reappt.	Active USA	Ped. Emerg. Med.	Reappt.	Active USA	Emergency Med.	NA	NA	NA
Park, Christopher, MD	Reappt.	Active	Surgery	Reappt.	Active	Surgery	NA	NA	NA
Parlee, Brandi L., CRNP	NA	NA	NA	Reappt.	APP USA	Surgery	Reappt.	APP USA	Surgery
Patton, Sarah E., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Pennington, Michael A., MD	New Appt.	Active	Radiology	New Appt.	Active	Radiology	NA	NA	NA
Pettaway, Jacqueline, CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Polite, Nathan M., DO	NA	NA	NA	New Appt.	Active USA	Surgery	New Appt.	Active USA	Surgery
Polski, Jacek M., MD	Reappt.	Active USA	Pathology	Reappt.	Active USA	Pathology	Reappt.	Active USA	Pathology
Quick, Felicia D., CRNP	NA	NA	NA	Reappt.	APP USA	Emergency Med.	NA	NA	NA
Rice, Terri L., RN	Reappt.	APP	Surgery	Reappt.	APP	Surgery	Reappt.	APP	Surgery
Rich, Leonard, MD	Reappt.	Consulting	Surgery	Reappt.	Consulting	Surgery	NA	NA	NA
Richards, William O. MD	Reappt.	Active USA	Surgery	Reappt.	Active USA	Surgery	Reappt.	Active USA	Surgery
Ringold, Forrest G., MD	Reappt.	Community Staff	Surgery	Reappt.	Community Staff	Surgery	NA	NA	NA
Rivers, Terry N., MD	NA	NA	NA	Reappt.	Active USA	Emergency Med.	NA	NA	NA
Rodgers, Sandra Y., PCT	NA	NA	NA	Reappt.	APP	Internal Medicine	NA	NA	NA
Saucier, Erin S., MD	Reappt.	Courtesy	OBGYN	NA	NA	NA	NA	NA	NA
Sharbel, Leslie M., CRNP	New Appt.	APP USA	Neurosurgery	New Appt.	APP USA	Neurosurgery	New Appt.	APP USA	Neurosurgery
Shaw, David M., MD	NA	NA	NA	Reappt.	Consulting	Internal Medicine	NA	NA	NA
Shumaker, Robin H., PA	New Appt.	APP USA	Neurosurgery	New Appt.	APP USA	Neurosurgery	New Appt.	APP USA	Neurosurgery
Skific, Karen E., CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Smith, Royshanda C., MD	Reappt.	Active	OBGYN	NA	NA	NA	NA	NA	NA
Smithgall, Sean E., PharmD	Reappt.	APP	Family Medicine	Reappt.	APP	Family Medicine	NA	NA	NA
Soriano, Jason A., MD	Reappt.	Consulting	Neurology	Reappt.	Consulting	Neurology	NA	NA	NA
Stella, Felicia Beth, MD	Reappt.	Community Staff	OBGYN	NA	NA	NA	NA	NA	NA
Terry, Jr., William J., MD	Reappt.	Active HCA	Surgery	Reappt.	Active HCA	Surgery	Reappt.	Active HCA	Surgery

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	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Thrasher, Michelle, CRNP	Reappt.	APP USA	Pediatrics	NA	NA	NA	Reappt.	APP USA	Pediatrics
Tintner, Ron, MD	Reappt.	Consulting	Neurology	Reappt.	Consulting	Neurology	NA	NA	NA
Toris, Amanda J., CRNP	Reappt.	APP USA	Ped. Emerg Med.	Reappt.	APP USA	Emergency Med.	NA	NA	NA
Tubbs, Candiann D., PCT	NA	NA	NA	Reappt.	APP	Internal Medicine	NA	NA	NA
Val-Gallas, John M., MD	Reappt.	Courtesy	OBGYN	NA	NA	NA	NA	NA	NA
Van Kirk, Christian S., MD	Reappt.	Consulting	Radiology	Reappt.	Consulting	Radiology	NA	NA	NA
Vidal, Rosa A., MD	Reappt.	Active USA	Pediatrics	Reappt.	Active USA	Pediatrics	Reappt.	Active USA	Pediatrics
Weaver, Yaffa, MD	NA	NA	NA	Reappt.	Consulting	Surgery	NA	NA	NA
Weidman, Tonya C., PA	New Appt.	APP USA	Pediatrics	NA	NA	NA	New Appt.	APP USA	Pediatrics
West, Jr., James D., MD	Reappt.	Courtesy	OBGYN	NA	NA	NA	NA	NA	NA
Wiley, LaKendra C., PA	New Appt.	APP USA	Neurosurgery	New Appt.	APP USA	Neurosurgery	New Appt.	APP USA	Neurosurgery
Williams, III, Joseph P., MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Willis Curry, Sandra, MD	New Appt.	Consulting	Radiology	New Appt.	Consulting	Radiology	NA	NA	NA
Wilson, Felicia, MD	Reappt.	Active USA	Pediatrics	Reappt.	Active USA	Pediatrics	Reappt.	Active USA	Pediatrics
Woods, Amy R., MD	NA	NA	NA	Reappt.	Community Staff	Internal Medicine	NA	NA	NA
Zhang, Jennie C., MD	Reappt.	Consulting	Radiology	Reappt.	Consulting	Radiology	NA	NA	NA
NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
Change Requests	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser	Type/Stat	Category	Dept/Ser
Baldy, Maureen T., DMD	Add. Priv.	APP	Surgery	Add. Priv.	APP	Surgery	NA	NA	NA
Added dental privileges.									
Hudson, Devin W., CRNP	Add./Del. Priv.	APP USA	Neurosurgery	Add./Del. Priv.	APP USA	Neurosurgery	Add./Del. Priv.	APP USA	Neurosurgery
Added and deleted privileges along with changing collaborative physician.									
Huls, Hallie, MD	Chg. Status	Active USA	Anesthesiology	Added. Priv.	Active USA	Anesthesiology	NA	NA	NA
Changed from Locum Tenens to Active USA status at CW. Added Active status privileges at UH.									
The following Tele-Radiology physicians added privileges at CW.									
Ahmed, Shawn, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Aschkenasi, Carl, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Baginski, Scott, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Blunck, Joshua, DO	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Brooks, Benjamin, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Cavazos, Cristina, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Cobb, Michael, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Conway, Deborah, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Cutler, Jeffrey, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Faliszek, James, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Fiorito, Thomas, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Fox, Stephen, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA

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<b>NAME</b>	<b>USA Health Children's &amp; Women's Hospital</b>			<b>USA Health University Hospital</b>			<b>USA Health Ambulatory Care</b>		
<b>Change Requests (continued)</b>	<b>Type/Stat</b>	<b>Category</b>	<b>Dept/Ser</b>	<b>Type/Stat</b>	<b>Category</b>	<b>Dept/Ser</b>	<b>Type/Stat</b>	<b>Category</b>	<b>Dept/Ser</b>
Frame, Kevin, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Gauriloff-Rothenberg, Jane, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Geatrakas, Christina, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Gibson, Aprile, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Grant, Michael, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Gutstein, Laurie, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Hughes, Douglas, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Hughes, Jason, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Kenyherz, Gregory, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Kraemer, Eric, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Ly, Justin, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
McDonnell, Kevin, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Moon, David M., MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Morais, Joshua, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Nicell, Donald, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Oh, Richard, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Paul, Marc, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Pruett, Wesley, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Rozell, Joseph, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Rulnick, Adam, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Sokol, Joshua, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Sonken, Ronald, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Sparks, Anthony, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Strong, Benjamin, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Van Kirk, Christian, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Vreeland, Thomas, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Wong, Waikeong, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Wong, William, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
Zhang, Jeanie, MD	Add. Priv.	Consulting	Radiology	NA	NA	NA	NA	NA	NA
<b>NAME</b>	<b>USA Health Children's &amp; Women's Hospital</b>			<b>USA Health University Hospital</b>			<b>USA Health Ambulatory Care</b>		
<b>Resigned/Retired</b>	<b>Reason</b>	<b>Date</b>	<b>Dept.</b>	<b>Reason</b>	<b>Date</b>	<b>Dept.</b>	<b>Reason</b>	<b>Date</b>	<b>Dept.</b>
Ambrose, Michael R., MD	NA	NA	NA	Retired	12/31/2020	Emergency Med.	NA	NA	NA
Berch, Barry R., MD	Resigned	11/30/2020	Surgery	NA	NA	NA	NA	NA	NA
Bhagwandin, Vilma, MD	Resigned	10/27/2020	Pediatrics	NA	NA	NA	NA	NA	NA
Booth, Aaron A., MD	Resigned	12/16/2020	Anesthesiology	Resigned	12/16/2020	Anesthesiology	NA	NA	NA
Brooks, Benjamin, MD	Resigned	12/7/2020	Radiology	Resigned	12/7/2020	Radiology	NA	NA	NA

**USA HEALTH HOSPITALS  
MEDICAL STAFF APPOINTMENTS/REAPPOINTMENTS  
BOARD OF TRUSTEE REPORT  
November 2020, December 2020, and January 2021**

NAME	USA Health Children's & Women's Hospital			USA Health University Hospital			USA Health Ambulatory Care		
	Reason	Date	Dept.	Reason	Date	Dept.	Reason	Date	Dept.
<b>Resigned/Retired (continued)</b>									
Brown, Laurie R., CRNA	Resigned	12/29/2020	Anesthesiology	Resigned	12/29/2020	Anesthesiology	NA	NA	NA
Calametti, Karen I., MD	Retired	12/30/2020	Pediatrics	NA	NA	NA	NA	NA	NA
Chalam, Jennifer N., MD	Resigned	11/23/2020	Ped. Emer. Med.	NA	NA	NA	NA	NA	NA
Chromiak, Stephen B., MD	NA	NA	NA	Retired	12/31/2020	Family Medicine	NA	NA	NA
Daugherty, Jr., Manual P., MD	NA	NA	NA	Retired	11/7/2020	Orthopaedics	Retired	11/7/2020	Orthopaedics
Ellor, Susan V., MD	Resigned	12/30/2020	Neurology	Resigned	12/30/2020	Neurology	NA	NA	NA
Fontana, Andre J., MD	Retired	12/28/2020	Orthopaedics	Retired	12/28/2020	Orthopaedics	NA	NA	NA
Gilmore, Shannon M., MD	Resigned	12/17/2020	OBGYN	NA	NA	NA	NA	NA	NA
Hoegsberg, Bente Y., MD	Resigned	12/30/2020	OBGYN	Resigned	12/30/2020	OBGYN	Resigned	12/30/2020	OBGYN
McCann, Laurie A., DO	Resigned	6/30/2020	Pediatrics	NA	NA	NA	Resigned	6/30/2020	Pediatrics
McNeil, Megan V., CRNP	Resigned	12/16/2020	Surgery	Resigned	12/16/2020	Surgery	NA	NA	NA
Mizrahi, Meir, MD	Resigned	12/31/2020	Internal Medicine	Resigned	12/31/2020	Internal Medicine	Resigned	12/31/2020	Internal Medicine
Mullins, Jr., Bennie J., CRNA	Resigned	12/30/2020	Anesthesiology	Resigned	12/30/2020	Anesthesiology	NA	NA	NA
Nehls, Phillip E., MD	Resigned	12/26/2020	Pediatrics	NA	NA	NA	Resigned	12/26/2020	Pediatrics
Petrovich, Linda, MD	NA	NA	NA	Resigned	10/1/2020	Radiology	NA	NA	NA
Presley, Janet K., CRNP	Resigned	11/19/2020	Family Medicine	Resigned	11/19/2020	Family Medicine	NA	NA	NA
Prutzman, Kelley, RN	NA	NA	NA	Resigned	10/31/2020	Surgery	Resigned	10/31/2020	Surgery
Salisbury, Charles, MD	Deceased	10/26/2020	Surgery	NA	NA	NA	NA	NA	NA
Shoemaker, Aneek R., MD	Resigned	10/12/2020	Psychiatry	Resigned	10/12/2020	Psychiatry	NA	NA	NA
Simon, Liliana, MD	Resigned	12/30/2020	Pediatrics	NA	NA	NA	Resigned	12/30/2020	Pediatrics
Starke, Monica E., MD	Retired	12/24/2020	Anesthesiology	Retired	12/24/2020	Anesthesiology	NA	NA	NA

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**



**ACADEMIC AND STUDENT AFFAIRS  
COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**Academic and Student Affairs Committee**

**December 2, 2020**

**2:54 p.m.**

A meeting of the Academic and Student Affairs Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Mike Windom, Chair, on Wednesday, December 2, 2020, at 2:54 p.m. in the Chief Calvin W. McGhee Grand Ballroom of the MacQueen Alumni Center. Public access was provided via YouTube livestream.

Members: Steve Furr, Lenus Perkins and Mike Windom were present and Ron Graham, Ron Jenkins and Margie Tuckson participated by video conference.

Member Absent: Scott Charlton.

Other Trustees: Alexis Atkins, Chandra Brown Stewart, Tom Corcoran, Arlene Mitchell, Jimmy Shumock, Ken Simon and Jim Yance.

Administration & Guests: Zeke Aull, Owen Bailey, Lynne Chronister, Angela Coleman, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Ryan Ferguson, Paul Frazier, Mike Haskins, Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Laura Schrott, John Smith, Margaret Sullivan, Tony Waldrop and Scott Weldon.

The meeting came to order and the attendance roll was called. Mr. Windom called on Dr. Kent for the presentation of **Item 18**, a resolution authorizing sabbatical awards for Fall 2021 through Spring 2022. (To view approved resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on December 3, 2020.) On motion by Ms. Tuckson, seconded by Capt. Jenkins, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Mr. Windom asked Drs. Kent and Marymont to address **ITEM 19**, a resolution granting emeritus status to retired or soon-to-be-retired faculty who served the Division of Academic Affairs and the College of Medicine, and conveying the Board's appreciation for their service to the University. Dr. Kent and Dr. Marymont made brief remarks in support of the candidates. On motion by Mr. Perkins, seconded by Mr. Graham, the Committee voted unanimously to recommend approval of the resolution by the Board of Trustees.

Concerning **ITEM 20**, a report on the activities of the Division of Academic Affairs, Mr. Windom called on Dr. Kent for remarks. Dr. Kent introduced Associate Vice President for Institutional Effectiveness Dr. Angela Coleman to share insight on the SACSCOC (Southern Association of College and Schools Commission on Colleges) decennial reaffirmation of accreditation process. Dr. Coleman stated the University would soon engage in an exhaustive self-certification process that would culminate in the submission of a document showing compliance with SACSCOC principles in September 2022 and be followed by a SACSCOC review team site visit in the spring of 2023. She announced that South was one of a select few institutions approved for a new differentiated review process, meaning that, while USA would document compliance with all standards, the narrative with SACSCOC would concentrate on 40 of the 73 standards. She noted

that South's selection for this process was the result of meeting criteria demonstrating institutional stability and efficiency. She added that the University's decennial reaffirmation leadership team would receive an orientation package within the week.

Mr. Windom called on Dr. Mitchell for a report on the activities of the Division of Student Affairs, **ITEM 21**. Dr. Mitchell shared background on the appointment of Student Health Center Director Mr. Ryan Ferguson in February 2019 and the advantage his knowledge as a health care provider meant for South with the emergence of the coronavirus crisis. He introduced Mr. Ferguson, who gave an overview of the Student Health Center's response during the pandemic. Mr. Ferguson shared information on patient visits in 2019 and 2020; a satellite clinic at the Intramural Field House that provided COVID, flu and strep testing for student athletes, as well as overflow testing of all students as needed and flu vaccinations for employees; COVID test results; the work of a new Contact Tracing Department; and Jag Healthcheck procedures.

Mr. Windom called on Dr. Smith for the presentation of **Item 22**, a report on campus safety. Dr. Smith introduced University Police Chief Mr. Zeke Aull to share Clery crime statistics, which he noted was required annually under federal law, and to update the Committee on diversity training and efforts to diversify South's police force. Chief Aull addressed a chart showing crimes reported in 2017 through 2019 and provided insight on increased burglary offenses in 2019. He discussed a training initiative he developed to prepare South Alabama officers with regard to civil rights and proper officer conduct, which he said had generated interest among other law enforcement agencies in the state and beyond, much like the mental health training program he also founded. He stressed the importance of South Alabama taking a leadership role to impact positive change. He discussed attributes desired of USA officers and talked about a creative marketing campaign launched with the assistance of the Office of Marketing and Communications to attract USA criminal justice graduates who may be interested in joining South's police force.

Mr. Windom asked Ms. Chronister to address **Item 23**, a report on the activities of the Division of Research and Economic Development. Ms. Chronister presented sponsored activity highlights for the 2020 fiscal year, advising of a volume in excess of \$100.7 million. She reviewed a distribution chart showing 31 percent in CARES (Coronavirus Aid, Relief and Economic Security) Act funding in addition to the regular distribution categories, with awards of one percent for clinical trials, seven percent for public service, seven percent for instruction, 24 percent specified as "other," and, as to the 30 percent in federal awards for research, she credited the faculty for their hard work under the trying circumstances of the pandemic. She called the slight decrease in proposals submitted in 2020 a positive result considering that research office operations were largely suspended for close to six months. She stated 338 proposals were funded in 2020 as compared to the 293 proposals funded in 2019, noting this was a positive outcome as well given that many awards were delayed to 2021 because the federal government also paused business due to the pandemic. To conclude, she presented a chart illustrating sponsored activity growth over five years. Brief discussion took place about the national media attention received recently by Professor and Chair of Civil Engineering Dr. Kevin White for his work to improve sewage treatment in Alabama's Black Belt region.

There being no further business, the meeting was adjourned at 3:25 p.m.

Respectfully submitted:

Michael P. Windom, Chair



**RESOLUTION**

**TENURE**

**WHEREAS**, in accordance with University policy, faculty applications for tenure have been reviewed by the respective faculty peers and departmental chair, the Dean of the College of Medicine/Vice President for Medical Affairs, and the President and, as a result of this review process, the individuals listed are hereby recommended for tenure,

**THEREFORE, BE IT RESOLVED**, the University of South Alabama Board of Trustees approves and grants tenure to these individuals effective March 5, 2021.

**MITCHELL CANCER INSTITUTE:**

- Dr. Martin J. Heslin

**COLLEGE OF MEDICINE:**

- Dr. Christopher Davies
- Dr. James R. Slauterbeck



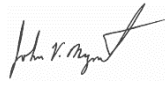
UNIVERSITY OF SOUTH ALABAMA

**MEMORANDUM**

Office of the Dean/College of Medicine

DATE: February 1, 2021

TO: Dr. Tony G. Waldrop  
President, University of South Alabama

FROM: Dr. John V. Marymont   
Vice-President for Medical Affairs and Dean of the College of Medicine

SUBJECT: College of Medicine Tenure Recommendation, March 2021 Board Meeting

Below is my recommendation for the College of Medicine tenure for the March 2021 Board Meeting. With your approval, I request presentation of the recommendation to the Board of Trustees at the March 2021 meeting.

Christopher Davies, Ph.D., Department of Biochemistry and Molecular Biology

Martin J. Heslin, M.D., Department of Surgery

James R. Slauterbeck, M.D., Department of Orthopaedic Surgery

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**



**BUDGET AND FINANCE  
COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**Budget and Finance Committee**

**December 2, 2020**

**3:29 p.m.**

A meeting of the Budget and Finance Committee of the University of South Alabama Board of Trustees was duly convened by Mr. Tom Corcoran, Chair, on Wednesday, December 2, 2020, at 3:29 p.m. in the Chief Calvin W. McGhee Grand Ballroom of the MacQueen Alumni Center. Public access was provided via YouTube livestream.

**Members:** Alexis Atkins, Chandra Brown Stewart and Lenus Perkins were present and Tom Corcoran, Ron Graham and Ken Simon participated by video conference.

**Member Absent:** Steve Stokes.

**Other Trustees:** Steve Furr, Ron Jenkins, Arlene Mitchell, Jimmy Shumock, Margie Tuckson, Mike Windom and Jim Yance.

**Administration & Guests:** Terry Albano, Owen Bailey, Lynne Chronister, Lizzie Del Rio, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Paul Frazier, Mike Haskins, Rod Kanter (Bradley Arant), Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Laura Schrott, John Smith, Margaret Sullivan, Tony Waldrop and Scott Weldon.

The meeting came to order and the attendance roll was called. Mr. Corcoran called on Mr. Weldon, who addressed the University of South Alabama 2020 Financial Report, **Item 27**. Mr. Weldon advised of an increase in net position of approximately \$124 million compared to that of approximately \$57 million reported for fiscal year 2019. He stated the primary factors that contributed to this favorable outcome were the continued improvement in USA Health financial operations; a change in actuarial assumptions related to retiree health insurance; the recognition of approximately \$15.5 million in CARES (Coronavirus Aid, Relief, and Economic Security) stimulus funding; and the improved performance of financial markets. He also attributed the University's strong financial position to the hard work and dedication of the faculty and staff of the main campus and the physicians and staff of USA Health.

As to **Item 28**, a resolution adopting a restated 401(a) money purchase pension plan and authorizing the University President or other university contract officer to execute the plan document, Mr. Weldon introduced Director of Tax Accounting Ms. Lizzie Del Rio to share background. (For copies of resolutions, policies and other authorized documents, refer to the minutes of the Board of Trustees meeting held on December 3, 2020.) Ms. Del Rio explained that a restatement of the plan was required to comply with Internal Revenue Service guidance issued since the last plan restatement occurring in 2012. She said the restatement included substantive updates concerning rollover distributions, as well as expanded definitions, and added the effective date of the restatement would be January 1, 2020.

Concerning a resolution authorizing the University President to execute a bond purchase agreement for Series 2021 bonds, **Item 29**, Mr. Weldon advised of plans for a publicly traded bond issue in the amount of approximately \$50 million to fund capital projects critical for the

continued growth and financial improvement of USA Health. He said the debt service would be funded primarily by USA Health and approval of the resolution would allow the Administration to move forward with the bond sale in order to present the results for final ratification by the Board of Trustees at the March meeting. He conveyed optimism that Standard & Poor's and Moody's would view the transaction favorably in the days ahead and he recognized that Mr. Rod Kanter of Bradley Arant was participating in the meeting and could answer questions.

Ms. Chronister presented **Item 30**, a resolution authorizing the appointment of Mr. Glen Agnew and the reappointment of Mr. David Trent as directors of the USA Foundation for Research and Commercialization (FRAC) with four-year terms expiring November 2024 and the amendment of Mr. Mark Hoffman's term to four-years expiring in November 2022 to comply with the FRAC bylaws. She reminded the group that the FRAC was responsible for managing funds generated from intellectual property, as well as certain grants and contracts.

Mr. Weldon introduced Mr. Albano to discuss **Item 31**, a resolution authorizing the execution of a new rent supplement agreement (RSA) related to the USA Research and Technology Corporation (RTC) and refunding of a loan with PNC Bank. Mr. Albano shared background on the existing loan and RSA, noting a 4.5 percent interest rate and terms under which the University provided PNC extra loan security for the benefit of the RTC. He stated, of several bids received recently from banking institutions, Hancock Whitney Bank's proposal was the most competitive with a 3.08 percent fixed interest rate, 10-year term and 15-year amortization, and would result in a cost savings of approximately \$900,000 over the life of the loan. He said the recommendation included adding \$1.5 million to the new loan to fund the expansion of facilities at the USA Technology and Research Park in order to accommodate more tenants and he credited Mr. Kanter for his work on the transaction documents. Mr. Weldon added that, while the RSA was a guarantee for the debt, payments from the University were not projected.

Mr. Corcoran moved for the approval of **Items 28, 29, 30** and **31**, and Judge Simon seconded. Mr. Corcoran called for a vote on each resolution. The Committee voted unanimously to recommend approval of the resolutions by the Board of Trustees.

Chairman Shumock recognized the service of Alabama Representative Dr. Victor Gaston as a FRAC director and supporter of the University for many years.

There being no further business, the meeting was adjourned at 3:42 p.m.

Respectfully submitted:

E. Thomas Corcoran, Chair

**University of South Alabama**  
**(A Component Unit of the State of Alabama)**

**Basic Financial Statements**

**Three Months Ended December 31, 2020 and 2019**

**Unaudited**

**University of South Alabama**  
**(A Component Unit of the State of Alabama)**

**Quarterly Financial Statements**

**Three Months Ended December 31, 2020 and 2019**

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**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis

**Introduction**

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

During the fiscal year ended September 30, 2020 and into fiscal year 2021, the University realized the onset of the pandemic COVID-19 health crisis that has impacted the United States. For a complete discussion of the potential impact, see the Economic Outlook section of Management's Discussion and Analysis.

**Financial Highlights**

At December 31, 2020 and 2019, the University had total assets and deferred outflows of \$1,586,203,000 and \$1,411,581,000, respectively; total liabilities and deferred inflows of \$1,326,170,000 and \$1,283,874,000, respectively; and net position of \$260,033,000 and \$127,707,000, respectively. Net position increased \$46,400,000 for the three months ended December 31, 2020 compared to an increase of \$37,244,000 for the three months ended December 31, 2019. An overview of each statement is presented herein along with financial analysis of the transactions impacting each statement.

Condensed financial statements for the University at and for the three months ended December 31, 2020 and 2019 follow (in thousands):

**Condensed Schedules of Net Position**

	<b>2020</b>	<b>2019</b>
<b>Assets:</b>		
Current	\$ 380,165	\$ 246,518
Capital and other noncurrent assets	1,113,306	1,075,078
Deferred outflows	92,732	89,985
	1,586,203	1,411,581
<b>Liabilities:</b>		
Current	225,098	171,115
Noncurrent	887,496	1,020,165
Deferred inflows	213,576	92,594
	1,326,170	1,283,874
<b>Net position:</b>		
Net investment in capital assets	381,749	341,223
Restricted, nonexpendable	66,110	58,995
Restricted, expendable	86,401	78,136
Unrestricted	(274,227)	(350,647)
	\$ 260,033	\$ 127,707



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis

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

	<b>2020</b>	<b>2019</b>
Operating revenues:		
Tuition and fees, net	\$ 50,657	\$ 50,783
Patient service revenues, net	145,204	141,045
Federal, state and private grants and contracts	7,958	9,428
Other	14,502	14,708
	218,321	215,964
Operating expenses:		
Salaries and benefits	133,999	130,682
Supplies and other services	76,378	76,750
Other	15,951	16,360
	226,328	223,792
Operating loss	(8,007)	(7,828)
Nonoperating revenues (expenses):		
State appropriations	30,391	30,345
Net investment income (loss)	13,615	7,320
Other, net	5,857	3,953
Net nonoperating revenues	49,863	41,618
Income (loss) before capital contributions and grants and additions to endowment	41,856	33,790
Capital contributions and grants and additions to endowment	4,544	3,454
Increase in net position	46,400	37,244
Beginning net position	213,633	90,463
Ending net position	\$ 260,033	\$ 127,707

**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis

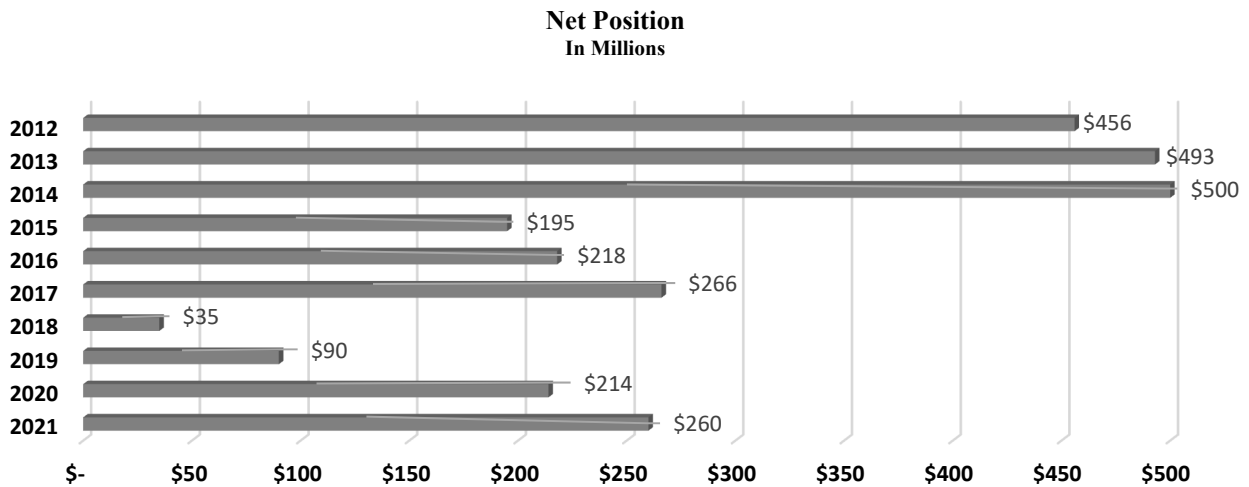
**Analysis of Financial Position and Results of Operations**

*Statements of Net Position*

The statements of net position present the assets, deferred outflows, liabilities, deferred inflows and net position of the University as of the end of the current reporting period. Net position is displayed in three parts: total investment in capital assets net of related debt, restricted and unrestricted. Restricted net position may either be expendable or nonexpendable and are those assets that are restricted by law or by external donors. Unrestricted net position is generally designated by management for specific purposes, and is available for use by the University to meet current expenses for any purpose. The statements of net position, along with all of the University's basic financial statements, are prepared under the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is exchanged.

Assets included in the statements of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, investments, net patient receivables and accounts receivable. Noncurrent assets consist primarily of restricted cash and cash equivalents, restricted investments and net capital assets.

Net position represents the residual interest in the University's assets after liabilities are deducted. Net position of the University as of the end of the current reporting period is as follows:



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

Restricted nonexpendable net position consists primarily of the University's permanent endowment funds. In accordance with the policies of the University, the earnings from these funds may be expended, but the corpus may not be expended and must remain intact with the University in perpetuity. Restricted expendable net position is subject to externally imposed restrictions governing their use. The funds are restricted primarily for debt service, capital projects, student loans and scholarship purposes.

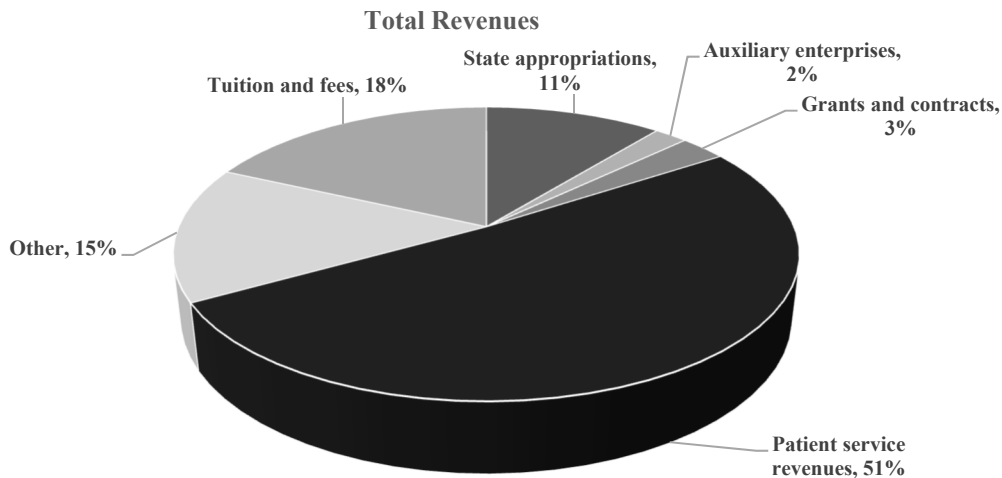
**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis

*Statements of Revenues, Expenses and Changes in Net Position*

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

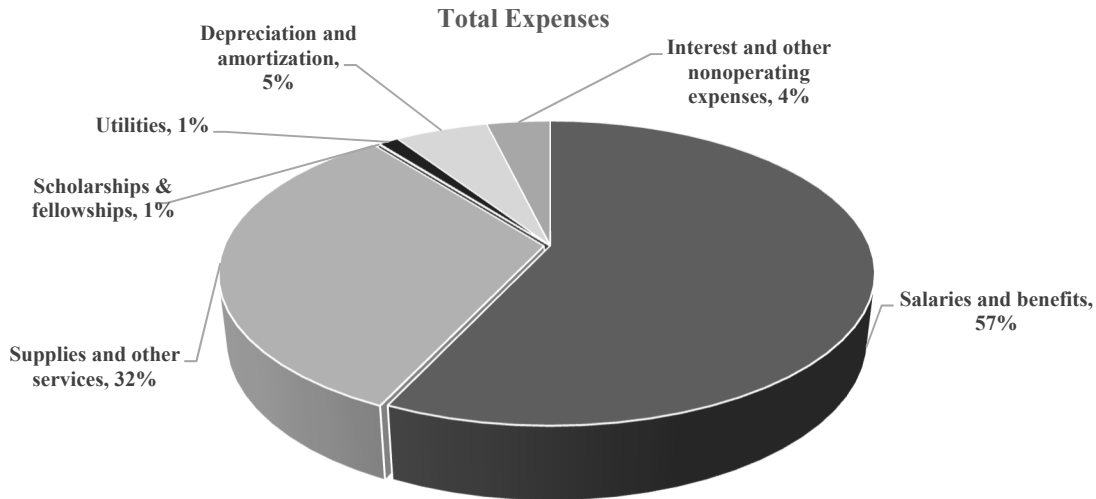
Generally, operating revenues have the characteristics of exchange transactions and are received or accrued for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid or incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues have the characteristics of nonexchange transactions and are generally earned when no goods or services are provided. State appropriations are required by GASB Statement No. 34 to be classified as nonoperating revenues.

Approximately 51% of total revenues of the University are patient service revenues. The remainder consists primarily of tuition and fees, state appropriations, grants and contracts and auxiliary enterprise revenues. The following illustration presents the major sources of total University revenues (operating, nonoperating and other) for the current period:



**UNIVERSITY OF SOUTH ALABAMA**  
(A Component Unit of the State of Alabama)  
Management's Discussion and Analysis

University expenses are presented using natural expense classifications. Salaries and benefits and supplies and other services represent the majority of the University's total expenses. The following illustration presents the University's total expenses, using natural classifications for the current period:



**Capital Assets and Debt Administration**

During the current period, significant construction projects that remain in progress at December 31, 2020 include University Commons Clinic, Freestanding Emergency Room, Supply Warehouse, the Fanny Meisler Trauma Center, the Transportation building, and major upgrades of infrastructure on the University's main campus. Major projects completed and placed into service in fiscal year 2020 include the Medical Simulation Lab Building, Mitchell Center renovations and MacQueen Alumni Center.

In February 2019, the University issued new revenue bonds, Series 2019AB, with a face value of \$66,190,000. The proceeds, along with internal contributions from the University, are financing the construction of Hancock Whitney Stadium and intramural fields. In December 2019, the University refinanced the Series 2010 Bond with the University Facilities Revenue Bond, Series 2019-C, with a face value of \$19,086,000. In February 2020, the University issued a new University Facilities Revenue Bond, Series 2020, with a face value of \$37,005,000. The proceeds, along with internal contributions from the University, are financing the transportation building, supply warehouse and certain USA Health facilities.

The University's bond credit rating is A1 (Stable) as rated by Moody's Investors Service and A+ (Negative) as rated by Standard and Poor's Global Ratings. Neither rating changed during the quarter ended December 31, 2020. Moody's Investors Service and Standard and Poor's Global Ratings affirmed their ratings in conjunction with their assessment of the Series 2019 and 2020 Bond issuances.

**Economic Outlook**

While, tuition and fee rates per credit hour have increased over the past ten years, there have been declines in enrollment since 2016. The University experienced a decline in enrollment of approximately 3% from Fall 2018

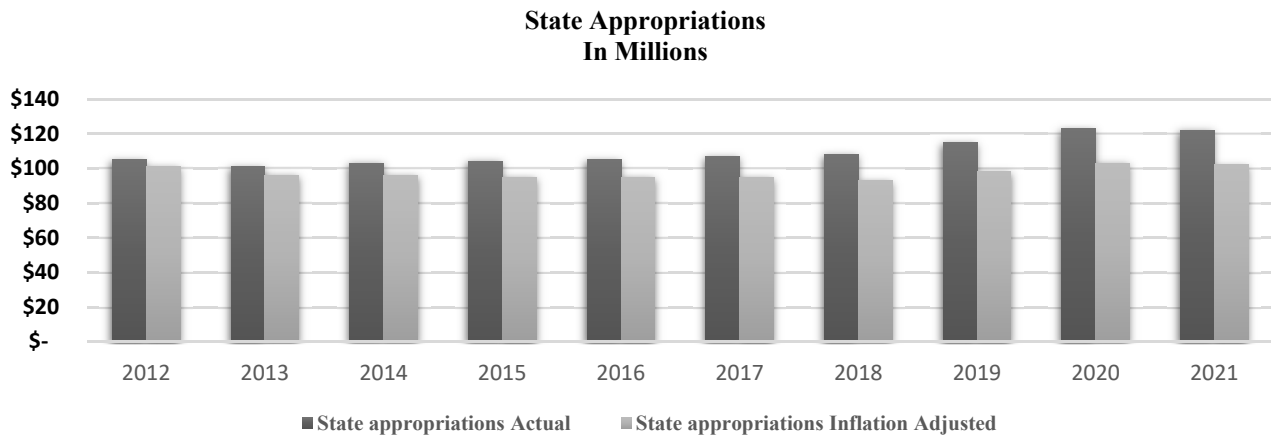
**UNIVERSITY OF SOUTH ALABAMA**  
 (A Component Unit of the State of Alabama)  
 Management's Discussion and Analysis

to Fall 2019 and an additional decline of 1% between Fall 2019 and Fall 2020, with declines primarily resulting from a decrease in international student enrollment and a decrease in the number of incoming freshmen. Tuition rate increases of approximately 5% were approved and became effective for academic year 2018-2019. There was no tuition rate increase for academic year 2019-2020 or 2020-2021.

A state appropriation in the amount of approximately \$118,299,000 and \$115,209,000 was authorized and received for the years ended September 30, 2020 and 2019, respectively. An additional appropriation of approximately \$4,764,000 was received during fiscal year 2020 for advancement and technology, and certain healthcare initiatives.

A state appropriation in the amount of \$121,564,000, representing an increase of approximately 2.76%, has been authorized for the year ending September 30, 2021. While no announcement has been made, the University is aware that reductions in the 2021 appropriation are possible.

The ten-year trend of state appropriations (actual and inflation-adjusted) for the University is as follows:



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

During the second fiscal quarter of 2020, The United States was thrust into the midst of a pandemic health crisis related to the spread of the 2019 novel coronavirus, or COVID-19 (the "Crisis"). While the impact of the pandemic has been managed to date, the ultimate economic impact on the operations of the University could be significant both from an operational and financial standpoint.

As a result of the Crisis, the University moved the delivery of all instruction to an on-line format in March 2020 and required that students, where possible, vacate on-campus residence halls, resulting in a pro-rated refund of housing and dining fees. Additionally, all instruction for the May 2020 and summer terms was delivered online and residence halls remained largely closed. The University returned to modified in-person delivery of education for the fall semester and residence halls reopened at a lower capacity level. As noted earlier fall enrollment remained relatively constant.

**UNIVERSITY OF SOUTH ALABAMA**  
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Management's Discussion and Analysis

This Crisis also impacted the operations of USA Health as most elective procedures at USA University Hospital and USA Children's and Women's Hospital were postponed or canceled resulting in a decline in revenues. As of the first quarter of fiscal year 2021, USA Health operations have returned to a normal level with minimum impact on the finances of USA Health.

Management has taken a number of actions to mitigate the anticipated declines in operations, including a reduction of operational expenses throughout the University, including USA Health. Additionally, the University has taken all necessary steps to ensure that the University takes full advantage of the Coronavirus Aid, Relief and Economic Security Act of 2020 (the "CARES Act"). As of December 31, 2020, the University has been awarded \$51,782,000 in grants from federal and state sources. Of those grants, revenues in the amount of \$6,214,000 were recognized in the December 31, 2020 quarterly financial statements.

Management believes that the impact of the Crisis will continue in the 2021 fiscal year.

Other than the issues presented above, University administration is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the University's financial position or results of operations during fiscal year 2021 or beyond.

# University of South Alabama

## Statements of Net Position

December 31, 2020 and 2019

(In thousands)

	2020	2019
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 153,799	\$ 60,163
Investments	85,813	24,941
Net patient receivables	50,303	70,852
Accounts receivable	70,740	78,644
Notes receivable, net	7,313	2,322
Prepaid expenses, inventories and other	12,197	9,596
Total current assets	<u>380,165</u>	<u>246,518</u>
Noncurrent assets		
Restricted cash and cash equivalents	43,774	50,952
Restricted investments	227,869	170,552
Investments	301	55,864
Accounts receivable	5,673	6,483
Notes receivable, net	417	5,962
Other noncurrent assets	17,752	20,167
Capital assets, net	817,520	765,098
Total noncurrent assets	<u>1,113,306</u>	<u>1,075,078</u>
<b>Deferred outflows</b>	<u>92,732</u>	<u>89,985</u>
Total assets and deferred outflows	<u>1,586,203</u>	<u>1,411,581</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	81,148	69,114
Unrecognized revenues	109,298	70,950
Deposits	3,486	3,466
Current portion of other long-term liabilities	3,310	3,310
Current portion of long-term debt	27,856	24,275
Total current liabilities	<u>225,098</u>	<u>171,115</u>
Noncurrent liabilities		
Long-term debt, less current portion	436,993	415,000
Net pension liability	294,615	282,739
Net OPEB liability	103,288	262,273
Other long-term liabilities, less current portion	52,600	60,153
Total noncurrent liabilities	<u>887,496</u>	<u>1,020,165</u>
<b>Deferred inflows</b>	<u>213,576</u>	<u>92,594</u>
Total liabilities and deferred inflows	<u>1,326,170</u>	<u>1,283,874</u>
<b>Net position</b>		
Net investment in capital assets	381,749	341,223
Restricted, nonexpendable		
Scholarships	34,437	28,065
Other	31,673	30,930
Restricted, expendable		
Scholarships	27,865	24,207
Other	58,536	53,929
Unrestricted	(274,227)	(350,647)
Total net position	<u>\$ 260,033</u>	<u>\$ 127,707</u>

# University of South Alabama

## Statements of Revenues, Expenses and Changes in Net Position

**Three Months Ended December 31, 2020 and 2019**

*(In thousands)*

	2020	2019
<b>Revenues</b>		
Operating revenues		
Tuition and fees (net of scholarship allowances)	\$ 50,657	\$ 50,783
Patient service revenues (net of provision for bad debts)	145,204	141,045
Federal grants and contracts	4,242	3,885
State grants and contracts	1,431	3,705
Private grants and contracts	2,285	1,838
Auxiliary enterprises (net of scholarship allowances)	5,705	6,284
Other operating revenues	8,797	8,424
Total operating revenues	218,321	215,964
<b>Expenses</b>		
Operating expenses		
Salaries and benefits	133,999	130,682
Supplies and other services	76,378	76,750
Scholarships and fellowships	168	293
Utilities	2,786	3,597
Depreciation and amortization	12,997	12,470
Total operating expenses	226,328	223,792
Operating loss	(8,007)	(7,828)
<b>Nonoperating revenues (expenses)</b>		
State appropriations	30,391	30,345
Net investment income	13,615	7,320
Interest on indebtedness	(2,926)	(1,745)
Other nonoperating revenues	14,717	8,671
Other nonoperating expenses	(5,934)	(2,973)
Net nonoperating revenues	49,863	41,618
Income (loss) before capital contributions and additions to endowment	41,856	33,790
Capital contributions and grants	1,071	2,542
Additions to endowment	3,473	912
Increase in net position	46,400	37,244
<b>Net position</b>		
Beginning of period	213,633	90,463
End of period	\$ 260,033	\$ 127,707



# University of South Alabama

## Statements of Cash Flows

**Three Months Ended December 31, 2020 and 2019**

*(in thousands)*

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Receipts related to tuition and fees	\$ 10,232	\$ 10,817
Receipts from and on behalf of patients and third-party payers	145,507	127,714
Receipts from grants and contracts	4,554	10,135
Receipts related to auxiliary enterprises	759	1,685
Payments to suppliers and vendors	(93,298)	(86,436)
Payments to employees and related benefits	(150,588)	(110,734)
Payments for scholarships and fellowships	(37)	(72)
Other operating receipts	26,836	11,475
	<hr/>	<hr/>
Net cash used in operating activities	(56,035)	(35,416)
<b>Cash flows from noncapital financing activities:</b>		
State appropriations	20,261	20,487
Endowment gifts	3,473	912
Agency funds received	0	811
Agency funds disbursed	(132)	(707)
Student loan program receipts	905	1,147
Student loan program disbursements	(918)	(1,126)
Other nonoperating revenues	14,300	5,651
Other nonoperating expenses	(5,390)	(3,667)
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	32,499	23,508
<b>Cash flows from capital and related financing activities:</b>		
Capital gifts and grants	1,071	2,542
Purchases of capital assets	(11,501)	(16,487)
Proceeds from sale of capital assets	-	9
Proceeds from issuance of capital debt	-	551
Principal payments on capital debt	(6,118)	(4,417)
Interest payments on capital debt	(7,365)	(2,366)
	<hr/>	<hr/>
Net cash provided by (used in) capital and related financing activities	(23,913)	(20,168)
<b>Cash flows from investing activities:</b>		
Interest and dividends and realized gains (losses) on investments	13,615	1,869
Proceeds from sales of investments	20,136	15,267
Purchases of investments	(63,095)	(24,824)
	<hr/>	<hr/>
Net cash provided by investing activities	(29,344)	(7,688)
	(76,793)	(39,764)
<b>Cash and cash equivalents (unrestricted and restricted):</b>		
Beginning of period	<hr/> 274,366	<hr/> 150,879
End of period	\$ <hr/> <hr/> 197,573	\$ <hr/> <hr/> 111,115

# University of South Alabama

## Statements of Cash Flows

### Three Months Ended December 31, 2020 and 2019

(in thousands)

	<u>2020</u>	<u>2019</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
<b>Operating loss</b>	\$ (8,007)	\$ (7,828)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	12,997	12,470
Changes in operating assets and liabilities, net:		
Student receivables	(51,525)	(50,964)
Net patient service receivables	(4,507)	(17,748)
Grants and contracts receivables	(2,207)	954
Other receivables	8,979	(4,735)
Prepaid expenses, inventories and other	(4,602)	16,734
Accounts payable and accrued liabilities	(19,729)	893
Unrecognized revenue	12,566	14,808
Net cash used in operating activities	<u>\$ (56,035)</u>	<u>\$ (35,416)</u>

See accompanying notes to basic financial statements.

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

Notes to Basic Financial Statements

December 31, 2020

**(1) Summary of Significant Accounting Policies**

***Reporting Entity***

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

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units*, consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, at year-end, the basic financial statements include the accounts of the University, as the primary government, and the accounts of the entities discussed below as component units.

GASB Statement No. 61 amends GASB Statements No. 14 and No. 39, and provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government. Such criteria include the appointment of a voting majority of the board of the organization, the ability to impose the will of the primary government on the organization and the financial benefits/burden between the primary government and the potential component unit. The statement also clarifies reporting and disclosure requirements for those organizations. Based on these criteria, the University reports the University of South Alabama Foundation (USA Foundation), the USA Research and Technology Corporation (the Corporation) and the University of South Alabama Health Care Authority (HCA) as discretely presented component units in its annual financial statements. For quarterly reporting purposes, discretely presented component unit financial statements are not presented in the basic financial statements of the University.

The University is also affiliated with the South Alabama Medical Science Foundation (SAMSF), Gulf Coast TotalCare (Gulf Coast) and the University of South Alabama Foundation for Research and Commercialization (FRAC). These entities are considered component units of the University under the provisions of GASB Statements No. 14, 39, 61 and 80, but the University does not consider these entities significant enough to warrant inclusion in the University's reporting entity.

GASB Statement No. 61 and GASB Statement No. 80 require the University, as the primary government, to include in its basic financial statements, as a blended component unit, organizations that, even though they are legally separate entities, meet certain requirements as defined by GASB Statement No. 61 and No. 80. Based on these criteria, the University reports the Professional Liability Trust Fund (PLTF), General Liability Trust Fund (GLTF), USA HealthCare Management, LLC (HCM), USA Health Physician Billing Services, LLC, USA Health Hospital Billing Services, LLC and USA Health Anesthesia Billing Services, LLC as blended component units. For quarterly reporting purposes, only HCM is presented as a blended component unit in the basic financial statements of the University. All significant transactions among the University and its blended component unit have been eliminated in consolidation.

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December 31, 2020

***Professional Liability and General Liability Trust Funds***

The medical malpractice liability of the University is maintained and managed in its separate Professional Liability Trust Fund in which the University, HCM, SAMSF and HCA are the only participants. In accordance with the bylaws of the PLTF, the president of the University is responsible for appointing members of the PLTF policy committee. Additionally, the general liability of the University, HCM, SAMSF, the Corporation and HCA is maintained and managed in its General Liability Trust Fund for which the University, as defined by GASB Statement No. 14, is responsible. The PLTF and GLTF are separate legal entities, which are governed by the University Board of Trustees through the University president.

***USA HealthCare Management, LLC***

In June 2010, the University's Board of Trustees approved the formation of USA HealthCare Management, LLC. HCM was organized for the purpose of managing and operating on behalf of, and as agent for, substantially all of the health care clinical enterprise of the University. The University is the sole member of HCM.

***USA Health Billing Limited Liability Companies***

In fiscal year 2019, the University formed the USA Health Physician Billing Services, LLC, USA Health Hospital Billing Services, LLC, USA Health Anesthesia Billing Services, LLC and USA Health Reference Lab Billing Services, LLC as non-profit limited liability companies, whereby the University is the sole member. These companies were created to assist with the complex patient and insurance billing of USA Health, a division of the University that includes two hospitals and a cancer treatment center. There was no activity in these entities in Fiscal Year 2019 and 2020, and so far there has been limited activity in Fiscal Year 2021.

***University of South Alabama Health Care Authority***

In May 2017, the University's Board of Trustees approved the formation of the University of South Alabama Health Care Authority. The HCA is a public corporation created under and pursuant to the provisions of the State of Alabama University Authority Act of 2016 and employs physicians and staff of certain physician practice groups as determined appropriate by the University. Operations commenced on August 1, 2017. Since inception, HCA's operations have been partially funded by the University. Total support amounted to \$10,480,000 during the year ended September 30, 2020 and \$9,394,000 during the year ended September 30, 2019. Due to the significance of the relationship between the University and HCA, the HCA is considered a component unit of the University.

***University of South Alabama Foundation***

The University of South Alabama Foundation is a not-for-profit corporation that was organized for the purpose of promoting education, scientific research, and charitable purposes, and to assist in developing and advancing the University in furthering, improving, and expanding its properties, services, facilities, and activities. Because of the significance of the relationship between the University and the USA Foundation, the USA Foundation is considered a component unit of the University. The Board of Directors of the USA Foundation is not appointed or controlled by the University. The University receives distributions from the

**UNIVERSITY OF SOUTH ALABAMA**  
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December 31, 2020

USA Foundation primarily for scholarship, faculty and other support. The USA Foundation presents its financial statements in accordance with standards issued by the Financial Accounting Standards Board (FASB). The USA Foundation has a June 30 fiscal year end, which differs from the University's September 30 fiscal year end.

***USA Research and Technology Corporation***

USA Research and Technology Corporation is a not-for-profit corporation that exists for the purpose of furthering the educational and scientific mission of the University by developing, attracting, and retaining technology and research industries in Alabama that will provide professional and career opportunities to the University's students and faculty. Because of the significance of the relationship between the University and the Corporation, the Corporation is considered a component unit of the University. The Corporation presents its financial statements in accordance with GASB.

***Measurement Focus and Basis of Accounting***

For financial reporting purposes, the University is considered a special purpose governmental agency engaged only in business type activities, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Accordingly, the University's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

***Use of Estimates***

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

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

***Cash and Cash Equivalents***

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

***Investments and Investment Income***

The University reports the fair value of investments using the three-level hierarchy established under GASB Statement No. 72, *Fair Value Measurement and Application*. The fair value of alternative investments (low-volatility multi-strategy funds of funds) and certain private equity partnerships do not have readily ascertainable market values and the University values these investments in accordance with valuations

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Notes to Basic Financial Statements

December 31, 2020

provided by the general partners or fund managers of the underlying partnerships or companies, typically based on net asset value (NAV) of the partnership or commingled vehicle. Because some of these investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the fair value that would have been used had a ready market for the investment existed. Investments received by gift are recorded at fair value at the date of receipt. Changes in the fair value of investments are reported in net investment income (loss).

***Derivatives***

The University has adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 establishes a framework for accounting and financial reporting related to derivative instruments, requiring the fair value of derivatives to be recognized in the basic financial statements. At December 31, 2020, the University had two hedging derivative instruments, interest rate swaps, in effect. In accordance with hedge accounting, the changes in fair values of the interest rate swaps are reported as changes in deferred inflows and outflows of resources and the fair values of the interest rate swaps are recognized in other long-term liabilities and deferred inflows and outflows of resources on the statements of net position since the interest rate swaps were deemed effective.

***Deferred Outflows and Inflows of Resources***

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

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

***Bond Premiums, Discounts and Debt Extinguishment Costs***

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

***Accounts Receivable***

Patient receivables primarily result from hospital and ambulatory patient service revenues. Accounts receivable - other includes amounts due from students, the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts and patient receivables are recorded net of estimated uncollectible amounts.

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Notes to Basic Financial Statements

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***Inventories***

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

***Capital Assets***

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

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

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

Certain buildings are componentized for depreciation purposes.

Interest costs for certain constructed assets are capitalized as a component of the cost of acquiring those assets. The amount of interest capitalized for the periods ended December 31, 2020 and 2019 was \$920,000 and \$1,903,000, respectively.

***Unrecognized Revenues***

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

***Cost Sharing Multiple-Employer Pension Plan***

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

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***Postemployment Benefits Other Than Pensions (OPEB)***

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

***Classification of Net Position***

The University's net position is classified as follows:

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

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

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

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

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

***Scholarship Allowances and Student Financial Aid***

Student tuition and fees, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the



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University and the amount paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's basic financial statements based on their classification as either an exchange or nonexchange transaction. To the extent that revenues from such programs satisfy tuition and fees and certain other student charges, the University has recorded a scholarship discount and allowance.

***Donor Restricted Endowments***

The University is subject to the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) of the Code of Alabama. This law allows the University, unless otherwise restricted by the donor, to spend net appreciation, realized and unrealized, of the endowment assets. The law also allows the University to appropriate for expenditure or accumulate to an endowment fund such amounts as the University determines to be prudent for the purposes for which the endowment fund was established. The University's endowment spending policy provides that 4.5% of the five-year invested net asset moving average value (inclusive of net realized and unrealized gains and losses), as measured at September 30, is available annually for spending. The University's policy is to retain the endowment interest and dividend income and net realized and unrealized appreciation with the endowment after distributions allowed by the spending policy have been made. These amounts, unless otherwise directed by the donor, are included in restricted, expendable net position.

***Classification of Revenues***

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

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

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

***Gifts and Pledges***

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

***Grants and Contracts***

The University has been awarded grants and contracts for which funds have not been received or expenditures made for the purpose specified in the award. These awards have not been reflected in the basic

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financial statements, but represent commitments of sponsors to provide funds for specific research or training projects. For grants that have allowable cost provisions, the revenue will be recognized as the related expenditures are made. For grants with work completion requirements, the revenue is recognized as the work is completed. For grants without either of the above requirements, the revenue is recognized as it is received.

***Patient Service Revenues and Electronic Health Records Incentive Program***

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

***Compensated Absences***

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

***Recently Adopted Accounting Pronouncements***

In 2020, the University adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, which updates the information that is disclosed in the financial statements related to debt. The University adopted this Statement and applied the effects retroactively. All effected disclosures were updated accordingly. There was no significant impact to the University in the adoption of this statement.

***Restatement of Prior Period***

The Quarterly Financial Statements dated December 31, 2019 were restated in these comparative statements to reflect a timing difference in the December 31, 2019 statements related to the recording of construction in progress.

**(2) Income Taxes**

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

**(3) Cash**

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

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designated for the State of Alabama. Additional collateral was not required for University funds on deposit with QPD institutions. At September 30, 2020 and 2019, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$14.2 billion and \$11.7 billion, respectively. The University's cash and cash equivalents, including restricted cash and cash equivalents, totaled \$197,573,000 and \$111,115,000 at December 31, 2020 and 2019, respectively.

At December 31, 2020, restricted cash and cash equivalents consist of \$28,801,000 related to unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture, \$7,987,000 related to collateral requirements of the interest rate swaps and \$6,986,000 related to contributions restricted for the construction of the football stadium.

At December 31, 2019, restricted cash and cash equivalents consist of \$28,881,000 related to unspent proceeds from the issuance of University bonds for capital purchases as outlined in the bond indenture, \$10,270,000 related to collateral requirements of the interest rate swaps and \$11,801,000 related to contributions restricted for the construction of Hancock Whitney Stadium.

**(4) Investments**

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

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

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Investments of the University, by type, at fair value, are as follows at December 31, 2020 and 2019 (in thousands):

	<u>2020</u>	<u>2019</u>
U.S. Treasury securities	\$ 6,372	\$ 6,116
U.S. federal agency notes	64,676	74,005
Commingled equity funds	66,938	63,018
Commingled fixed income funds	75,040	27,751
Marketable equity securities	41,939	30,737
Marketable debt securities	4,972	3,969
Real estate	—	125
Private equity	16,403	13,074
Managed income alternative investments (low-volatility multi-strategy funds of funds)	37,643	32,562
	<u>\$ 313,983</u>	<u>\$ 251,357</u>

At December 31, 2020, restricted investments consist of \$45,030,000 related to collateral requirements of the interest rate swaps and \$182,839,000 related to endowment funds.

At December 31, 2019, restricted investments consist of \$3,761,000 related to collateral requirements of the interest rate swaps and \$166,791,000 related to endowment funds.

At December 31, 2020 and 2019, \$28,789,000 and \$25,560,000, respectively, of cumulative appreciation in fair value of investments of donor-restricted endowments was recognized and is included in restricted expendable net position in the accompanying statements of net position.

(i) *Credit Risk and Concentration of Credit Risk*

**Non-Endowment Cash Pool Investment Policy**

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

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

**Endowment Fund Investment Policy**

The University Investment Policies limit investment in fixed income securities to securities with a minimum “BAA” rating, at the time of purchase, by both Moody’s and Standard and Poor’s. Money Market

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Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's. Investment in fixed income securities within the fixed income portfolio shall be restricted to only investment grade bonds rated "BAA" or higher. Any investment in below investment grade bonds shall be considered an equity or fixed income alternative investment.

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

*(ii) Interest Rate Risk*

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

*(iii) Mortgage-Backed Securities*

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

*(iv) Fair Value Measurement*

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

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

The level in the fair value hierarchy that determines the classification of an asset or liability depends on the lowest level input that is significant to the fair value measurement. Observable inputs are derived from quoted market prices for assets or liabilities traded on an active market where there is sufficient activity to determine a readily determinable market price. Investments that are not traded on an active exchange and do not have a quoted market price are classified as unobservable inputs. The University of South Alabama's assets that have unobservable inputs consist of the investment in real estate, with fair value based on an independent third party appraisal performed by qualified appraisers specializing in real estate investments, and of investments in private capital, with fair value determined by the investment managers and primarily utilizes management assumptions and best estimates after considering internal and external factors. Other assets included in the University's investment portfolio

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with unobservable inputs are the shares or units in certain partnerships or other commingled funds that do not have readily determinable fair values. For these funds, fair value is estimated using the net asset value reported by the investment managers as a practical expedient to fair value. Such investments have not been categorized within the fair value hierarchy.

**(5) Noncurrent Liabilities**

A summary of the University's noncurrent liability activity for the period ended December 31, 2020 follows (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Less amounts due within one year</u>	<u>Noncurrent liabilities</u>
Long-term debt:						
Bonds payable	\$ 452,651	\$ —	\$ (4,542)	\$ 448,109	\$ 20,529	\$ 427,580
Notes payable	5,431	—	(263)	5,168	924	4,244
Capital lease obligations	13,272	—	(1,700)	11,572	6,403	5,169
	<u>471,354</u>	<u>—</u>	<u>(6,505)</u>	<u>464,849</u>	<u>27,856</u>	<u>436,993</u>
Total long-term debt						
	<u>471,354</u>	<u>—</u>	<u>(6,505)</u>	<u>464,849</u>	<u>27,856</u>	<u>436,993</u>
Other noncurrent liabilities:						
Net pension liability	294,615	—	—	294,615	—	294,615
Net OPEB liability	103,288	—	—	103,288	—	103,288
Other long-term liabilities	56,275	466	(831)	55,910	3,310	52,600
	<u>454,178</u>	<u>466</u>	<u>(831)</u>	<u>453,813</u>	<u>3,310</u>	<u>450,503</u>
Total other noncurrent liabilities						
	<u>454,178</u>	<u>466</u>	<u>(831)</u>	<u>453,813</u>	<u>3,310</u>	<u>450,503</u>
Total noncurrent liabilities						
	<u>\$ 925,532</u>	<u>\$ 466</u>	<u>\$ (7,336)</u>	<u>\$ 918,662</u>	<u>\$ 31,166</u>	<u>\$ 887,496</u>

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A summary of the University's noncurrent liability activity for the period ended December 31, 2019 follows (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Less amounts due within one year</u>	<u>Noncurrent liabilities</u>
Long-term debt:						
Bonds payable	\$ 423,629	\$ —	\$ (2,994)	\$ 420,635	\$ 17,824	\$ 402,811
Notes payable	4,295	—	(201)	4,094	892	3,202
Capital lease obligations	15,502	551	(1,507)	14,546	5,559	8,987
Total long-term debt	<u>443,426</u>	<u>551</u>	<u>(4,702)</u>	<u>439,275</u>	<u>24,275</u>	<u>415,000</u>
Other noncurrent liabilities:						
Net pension liability	282,739	—	—	282,739	—	282,739
Net OPEB liability	259,418	2,855	—	262,273	—	262,273
Other long-term liabilities	61,571	3,293	(1,401)	63,463	3,310	60,153
Total other noncurrent liabilities	<u>603,728</u>	<u>6,148</u>	<u>(1,401)</u>	<u>608,475</u>	<u>3,310</u>	<u>605,165</u>
Total noncurrent liabilities	<u>\$ 1,047,154</u>	<u>\$ 6,699</u>	<u>\$ (6,103)</u>	<u>\$ 1,047,750</u>	<u>\$ 27,585</u>	<u>\$ 1,020,165</u>

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

During 2017, the University entered into a note payable for a period of ten years payable monthly at \$19,000. This agreement commenced in November 2016 to finance improvements of the HVAC system. An amendment to this note agreement was entered into in November 2019 adding additional financed equipment. The monthly payment was increased to \$30,950 for ten years. The amount outstanding on the note at December 31, 2020 and 2019 is \$3,312,000 and \$1,567,000, respectively.

During 2015, the University entered into a variable interest rate revolving line of credit with Compass Bank to, among other reasons, fund the acquisition of certain real property. The total amount available under the line of credit was \$5,000,000 and interest on the outstanding amounts accrued at the rate of the LIBOR plus 1.00%. In July 2018, the University converted the line of credit into a term loan for a period of five years, with monthly payments of \$63,000 and interest accruing at the fixed rate of 3.85% per annum. The amount outstanding at December 31, 2020 and 2019 is \$1,856,000 and \$2,527,000, respectively, and is reported as long-term debt (and current portion thereof) in the statements of net position.

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During 2020, the University entered into a variable rate revolving line of credit with Hancock Whitney Bank to ensure the University was adequately prepared for potential cash-flow issues that could have been caused by the onset of the COVID-19 pandemic. The line of credit expires in June 2021. The total amount available under the line of credit is \$50,000,000. Interest accrues on any outstanding principal balances at a rate of LIBOR plus 1.5%. There is also an unused fee of .15% that is billed to the University quarterly. There have been no draws on the line of credit as of December 31, 2020.

**(6) Bonds Payable**

Bonds payable consisted of the following at December 31, 2020 and 2019 (in thousands):

	<u>2020</u>	<u>2019</u>
University Facilities Revenue and Capital Improvement Bonds, Series 2010, 3.81%, payable through August 2030	—	19,086
University Facilities Revenue Capital Improvement Bonds, Series 2012-A, 2.92%, payable through August 2032	16,523	17,700
University Facilities Revenue Capital Improvement Bonds, Series 2013-A, 2.83%, payable through August 2033	22,764	24,196
University Facilities Revenue Capital Improvement Bonds, Series 2013-B, 2.83%, payable through August 2033	5,691	6,049
University Facilities Revenue Capital Improvement Bonds, Series 2013-C, 2.78%, payable through August 2028	5,841	6,485
University Facilities Revenue Refunding Bonds, Series 2014-A, variable rate payable at 68% of one-month LIBOR plus 0.73%, 2.36% at June 30, 2018, payable through March 2024	31,440	38,365
University Facilities Revenue Capital Improvement Bonds, Series 2015, 2.47%, payable through August 2030	3,750	4,125
University Facilities Revenue Refunding Bonds, Series 2016, 3.00% to 5.00%, payable through November 2037	77,455	80,310
University Facilities Revenue Refunding Bonds, Series 2016-B, variable rate payable at 68% of one-month LIBOR plus 0.72%, 2.35% at June 30, 2019, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2021	20,000	20,000
University Facilities Revenue Refunding Bonds, Series 2016-C, variable rate payable at 68% of one-month LIBOR plus 0.77%, 2.40% at June 30, 2019, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2023	35,000	35,000



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University Facilities Revenue Refunding Bonds, Series 2016-D, variable rate payable at 68% of one-month LIBOR plus 0.83%, 2.46% at June 30, 2019, payable through December 2036, pursuant to the right of the holder to cause all principal to be due after December 1, 2026	\$ 45,000	\$ 45,000
University Facilities Revenue Bonds, Series 2017, 2.00% to 5.00%, payable through October 2037	33,690	34,990
University Facilities Revenue Bonds, Series 2019-A, 5.00%, payable through April 1, 2049	47,750	47,750
Taxable University Facilities Revenue Bonds, Series 2019-B, 3.09% to 4.10%, payable through April 1, 2033	18,440	18,440
University Facilities Revenue Bonds, Series 2019-C, 1.87%, payable through April 1, 2030	17,630	—
University Facilities Revenue Bonds, Series 2020, 4%, payable through April 1, 2040	37,005	—
	417,979	397,496
Plus unamortized premium	31,726	24,844
Less unamortized debt extinguishment costs	(1,596)	(1,705)
	\$ 448,109	\$ 420,635

Substantially all student tuition and fee and auxiliary revenues secure University bonds. Additionally, security for all bonds includes USA Health Children's and Women's Hospital revenues in an amount not exceeding \$10,000,000. The Series 2012-A Bonds began maturing in August 2013. The Series 2012-A Bonds are redeemable beginning in August 2021 and the Series 2012-B Bonds were paid in full in February 2018. The Series 2013-A, 2013-B and 2013-C Bonds began maturing in August 2014 and are redeemable beginning in June 2023. The Series 2014-A Bonds began maturing in March 2015 and are redeemable by the University at any time. The Series 2015 Bonds began maturing in August 2015 and are redeemable beginning in June 2020. The Series 2016 Bonds began maturing in November 2018 and are redeemable beginning in November 2026. The Series 2016-B, C and D Bonds will begin maturing in December 2024 and became redeemable as of December 2017. The Series 2017 Bonds began maturing in October 2017 and are redeemable beginning in October 2027. The Series 2019-A and B Bonds will begin maturing in April 2033 and April 2021, respectively, and are redeemable beginning in April 2029. The Series 2019-C Bonds will begin maturing on April 1, 2020 and are not subject to redemption at the option of the University. Series 2020 Bonds will begin maturing on April 1, 2021 and are redeemable beginning April 1, 2030.

In September 2016, the University issued its University Facilities Revenue Refunding Bonds, Series 2016, with a face value of \$85,605,000. The proceeds from the Series 2016 Bonds were used to partially defease the Series 2008 Bonds. The funds were deposited into escrow trust funds to provide for the subsequent

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repayment of the Series 2008 Bonds when they were called in December 2018. Neither the assets of the escrow trust account nor the defeased indebtedness were included in the accompanying statements of net position. The loss on the defeasement of the Series 2008 Bonds of \$7,859,000 was recorded as a deferred outflow and is being amortized over the remaining life of the Series 2016 Bonds. The undefeased portion of the Series 2008 bonds was paid in full in August 2018.

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

In February 2019, the University issued its University Facilities Revenue Bonds, Series 2019-A and Taxable University Facilities Revenue Bonds, Series 2019-B with a face value of \$47,750,000 and \$18,440,000, respectively. The proceeds from the Series 2019-A and B Bonds are financing the football stadium and intramural fields.

In December 2019, the University issued its University Facilities Revenue Refunding Bonds, Series 2019-C, with a face value of \$19,086,000. The proceeds refunded the remaining Series 2010 Bonds.

In February 2020, the University issued its University Facilities Revenue Bonds, Series 2020, with a face value of \$37,005,000. The proceeds from the Series 2020 Bonds are financing a transportation hub, a warehouse building and improvements and new construction to certain USA Health Facilities.

Approximately \$2,319,000 and \$5,237,000 of proceeds from the issuance of the Series 2017 Bonds remained unspent at December 31, 2020 and 2019, respectively, and is included in restricted cash and cash equivalents on the statements of net position. Approximately \$23,643,000 of proceeds from the issuance of the Series 2019-A and B Bonds remained unspent at December 31, 2019 and was included in restricted cash and cash equivalents on the statement of net position. All of the remaining cash from the issuance of Series 2019-A and B Bonds has been spent as of December 31, 2020. Approximately \$26,482,000 of proceeds from the issuance of the Series 2020 Bonds remained unspent at December 31, 2020 and is included in restricted cash and cash equivalents on the statement of net position. All bond funds are restricted for capital purposes as outlined in the bond indentures. The University is subject to arbitrage restrictions on its bonded indebtedness prescribed by the U.S. Internal Revenue Service. As such, amounts are accrued as needed in the University's basic financial statements for any expected arbitrage liabilities. At December 31, 2020 and 2019, no amounts were due or recorded in the financial statements.

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

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**Debt Service on Long-Term Obligations**

Total debt service (which includes bonds and notes payable) by fiscal period December 31, 2020 is as follows (in thousands):

	<b>Debt service on notes and bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 15,824	\$ 7,516	\$ 23,340
2022	21,189	12,930	34,119
2023	21,970	12,410	34,380
2024	22,266	11,887	34,153
2025	20,209	11,334	31,543
2026-2030	111,616	47,272	158,888
2031-2035	110,297	29,305	139,602
2036-2040	71,980	12,276	84,256
2041-2045	15,285	5,495	20,780
2046-2050	12,510	1,543	14,053
	Subtotal	\$ 151,968	\$ 575,114
Plus (less):			
Unamortized bond premium	31,726		
Unamortized debt extinguishment costs	(1,597)		
Total	\$ 453,275		

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**(7) Capital Lease Obligations**

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

Future minimum capital lease payments at December 31, 2020, are as follows (in thousands):

Period ending June 30:	
2021	4,969
2022	5,083
2023	1,329
2024	536
2025	5
2026-2039	95
	12,017
Less amounts representing interest	(445)
Net minimum lease payments	\$ 11,572

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

**(8) Derivative Transactions – Interest Rate Swaps**

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

In September 2016, Wells Fargo exercised its option with respect to the synthetic advance refunding of the Series 2006 Bonds to enter into an interest rate swap agreement with the University with an effective date of September 1, 2016. The resulting derivative is a “receive-variable, pay-fixed” interest rate swap. As part of the overall plan of the synthetic refunding of the Series 2006 Bonds, the University redeemed those bonds in December 2016 with proceeds from the Series 2016-B, C and D Bonds (see note 6).

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

The 2014 swap will terminate in March 2024, when the Series 2014-A Bonds mature. The notional amount of the swap will at all times match the outstanding principal amount of the bonds. Under the swap, the University pays the counterparty a fixed semi-annual payment based on an annual rate of 4.9753% and

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receives on a monthly basis a variable payment of 68% of the one-month LIBOR plus 0.25%. Conversely, the Series 2014-A Bonds bear interest on a monthly basis at 68% of the one-month LIBOR rate plus 0.73%.

The 2016 swap will terminate in December 2036, when the Series 2016-B, C and D Bonds mature. The notional amount of the swap will at all times match the outstanding principal amount of the bonds. Under the swap, the University pays the counterparty a fixed semi-annual payment based on an annual rate of 5% and receives on a monthly basis a variable payment of 68% of the one-month LIBOR plus 0.25%. Conversely, the Series 2016-B, C and D Bonds bear a weighted average interest on a monthly basis at 68% of the one-month LIBOR rate plus 0.79%.

*Fair value.* The 2014 interest rate swap had a negative fair value of approximately \$(9,138,000) at its inception. This borrowing arising from the 2014 interest rate swap, net of any amortization, is reported as other long-term liabilities on the statements of net position. The change in the fair value of the swap is reported as a deferred inflow and contra liability (other long-term liabilities) on the statements of net position since the interest rate swap is a hedging derivative instrument.

The 2016 interest rate swap had a negative fair value of approximately \$(48,530,000) at its inception. This borrowing arising from the 2016 interest rate swap, net of any amortization, is reported as other long-term liabilities in the statements of net position. The change in the fair value of the swap is reported as a deferred inflow and contra liability (other long-term liabilities) on the statements of net position since the interest rate swap is a hedging derivative instrument.

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

*Risks Associated with these Transactions*

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

*Credit risk.* As of December 31, 2020 and 2019, the University was not exposed to credit risk on the interest rate swaps because they had a negative fair value. However, if interest rates change and the fair value of the derivatives become positive, the University would have a gross exposure to credit risk in the amount of the derivative's fair value. The counterparty was rated Aa2 by Moody's Investor Services and A+ by Standard & Poor's Ratings Services as of September 30, 2020 and 2019.

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

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**(9) Patient Service Revenues**

USA Health, a division of the University, which includes two hospitals, a cancer treatment center and a physicians group, has agreements with governmental and other third-party payers that provide for reimbursement at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the USA Health's billings at established rates for services and amounts reimbursed by third-party payers.

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

**Medicare** – Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, USA Health is reimbursed for both direct and indirect medical education costs (as defined), principally based on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. USA Health is generally paid for certain retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by USA Health and audits by the Medicare fiscal intermediary.

USA Health University Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2015.

USA Health Children's & Women's Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2018.

**Blue Cross** – Inpatient services rendered to Blue Cross subscribers are paid at a contractually determined per diem rate based upon MS-DRG groupings. Outpatient services are reimbursed under a contractually determined reimbursement methodology based on BCBS EAPGs.

Revenues from the Blue Cross program accounted for approximately 28% and 30% of USA Health's net patient service revenues for the years ended September 30, 2020 and 2019, respectively

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

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

Revenues from the Medicaid program accounted for approximately 36% and 29% of USA Health's net patient service revenues for the years ended September 30, 2020 and 2019, respectively.

**Other** – USA Health has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payments to USA Health

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under these agreements include discounts from established charges and prospectively determined daily and case rates.

**(10) Defined Benefit Cost Sharing Pension Plan**

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

***Plan Description***

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

***Benefits Provided***

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

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

***Contributions***

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

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required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

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

Participating employers' contractually required contribution rates were 12.43% of annual pay for Tier 1 members and 11.34% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the University were \$21,413,000 and \$22,481,000 for the years ended September 30, 2020 and 2019, respectively.

***Pension Liabilities, Pension Expenses, Deferred Outflows and Deferred Inflows of Resources Related to Pensions***

At December 31, 2020 and 2019, the University reported a liability of \$294,615,000 and \$282,739,000, respectively, for its proportionate share of the collective net pension liability. At September 30, 2020, the collective net pension liability was measured as of September 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018. The University's proportion of the collective net pension liability is based on the employer's shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At the measurement date of September 30, 2019, the University's proportion of contributions to the pension plan was 2.664536%, which was a decrease of 0.179184% from its proportion measured as of September 30, 2018 of 2.843720%. For the fiscal years ended September 30, 2020 and 2019, the University recognized pension expense of approximately \$17,629,000 and \$9,902,000, respectively, which is included in salaries and benefits on the statements of revenues, expenses, and changes in net position.

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019 as well as prior year reports. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2019. The auditors' report dated March 9, 2020 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities as of September 30, 2019 along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa.al.gov](http://www.rsa.al.gov).



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**(11) Other Employee Benefits**

***Other Pension Plans***

Certain employees of the University also participate in a defined contribution pension plan. The defined contribution pension plan covers certain academic and administrative employees, and participation by eligible employees is optional. The plan is administered by the University and the plan assets are held in annuity contracts and custodial accounts. The annuity contracts are with, and the custodial account assets are invested through investment options offered by, Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA CREF) and Variable Annuity Life Insurance Company (VALIC). Under this plan, contributions by eligible employees are matched equally by the University up to a maximum of 3% of current annual pay. The University contributed \$462,000 and \$506,000 in 2020 and 2019, respectively, representing 197 and 215 employees for 2020 and 2019, respectively, participating in this Plan.

All employees of HCM working at least half time are eligible to participate in a defined contribution pension plan. The plan is administered by HCM and the plan assets are held in annuity contracts and custodial accounts. The annuity contracts are with, and the custodial account assets are invested through investment options offered by, TIAA CREF and VALIC. Under this plan, contributions by eligible employees are matched equally by HCM up to a maximum of 5% of current annual pay. HCM contributed \$5,544,000 and \$4,916,000 in 2020 and 2019, respectively, representing 1,436 and 1,403 employees, respectively, participating in this plan. University employees as of September 30, 2010, who later transfer to HCM, are immediately vested in the plan. All other employees do not vest until they have held employment with HCM for thirty six months; at which time they become 100% vested in the plan.

***Compensated Absences***

Regular University employees accumulate vacation and sick leave and hospital and clinical employees accumulate paid time off. These are subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Upon separation of employment, employees who were hired before January 1, 2012 are paid all unused accrued vacation at their regular rate of pay up to a maximum of two times their annual accumulation rate. Employees hired after January 1, 2012 are not eligible for payment of unused accrued vacation or PTO hours upon separation of employment. The accompanying statements of net position include accruals for vacation pay and paid time off of approximately \$11,460,000 and \$11,432,000 at December 31, 2020 and 2019, respectively. The accrual is included in other long term liabilities (and current portion thereof) in the accompanying financial statements. No accrual is recognized for sick leave benefits since no terminal cash benefit is available to employees for accumulated sick leave.

**(12) Other Post-Employment Benefit Plans**

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

***Plan Description***

The Alabama Retiree Health Care Funding Act of 2007 authorized and directed the Public Education Employees Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare

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

***Benefits Provided***

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

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. The Medicare Advantage Prescription Drug (MAPD) plan is fully insured by United Healthcare and members are able to have all of their Medicare Part A, Part B, and Part D in one convenient plan.

***Contributions***

The employer contribution to the health insurance premium is set forth by the Board annually.

Total employer contributions to the OPEB plan from the University were \$7,947,000 and \$7,772,000 for the years ended September 30, 2020 and 2019, respectively.

***OPEB Liabilities, OPEB Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At December 31, 2020 and 2019, the University reported a liability of \$103,288,000 and \$262,273,000, respectively, for its proportionate share of the net OPEB liability. At September 30, 2020, the net OPEB liability was measured as of September 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. The University's proportion of the net OPEB liability was based on a projection of the University's long term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At the measurement date of September 30, 2019, the University's proportion of contributions to the OPEB plan was 2.737717%, which was a decrease of 0.418703% from its proportion measured as of September 30, 2018 of 3.156420%.

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For the years ended September 30, 2020 and 2019, the University recognized OPEB expense of approximately \$(11,830,000) and \$18,634,000, respectively, which is included in salaries and benefits on the statements of revenues, expenses, and changes in net position.

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan's fiduciary net position is available in the Alabama Retired Education Employees' Health Care Trust's financial statements for the fiscal year ended September 30, 2019 and 2018, respectively. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2019 and 2018. Additional financial and actuarial information is available at [www.rsa.al.gov](http://www.rsa.al.gov).

**(13) Risk Management**

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

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

The University, HCM and HCA each participate in a separate self-insured health plan, administered by unaffiliated entities. Contributions by the University and its employees, together with earnings thereon, pay liabilities arising from healthcare claims. It is the opinion of University administration that plan assets are sufficient to meet future plan obligations.

**(14) Other Related Parties and Related-Party Transactions**

SAMSF is a not for profit corporation that exists for the purpose of promoting education and research at the University. At September 30, 2020, SAMSF had total assets of \$10,244,000, net assets of \$9,097,000, and total revenues of \$1,148,000. At September 30, 2019, SAMSF had total assets of \$10,632,000, net assets of \$9,403,000, and total revenues of \$1,806,000. SAMSF reimburses the University for certain administrative expenses and other related support services. Total amounts received for such expenses were approximately \$0 and \$412,000 in 2020 and 2019, and are reflected as private grants and contracts in the accompanying statements of revenues, expenses, and changes in net position.

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**(15) Commitments and Contingencies**

***Grants and Contracts***

At September 30, 2020 and 2019, the University had been awarded approximately \$53,257,000 and \$36,381,000, respectively, in grants and contracts for which resources had not been received and for which reimbursable expenditures had not been made for the purposes specified. These awards, which represent commitments of sponsors to provide funds for research or training projects, have not been reflected in the accompanying basic financial statements, as the eligibility requirements of the awards have not been met. Advances are included in unrecognized revenues, and include amounts received from grant and contract sponsors which have not been expended under the terms of the agreements and, therefore, have not yet been included in revenues in the accompanying basic financial statements. Federal awards are subject to audit by federal agencies. The University's management believes any potential adjustment from such audits will not be material.

***Letters of Credit***

In connection with USA Health's participation in the State of Alabama Medicaid Program, the University has established a \$55,382 irrevocable standby letter of credit with Wells Fargo. The Alabama Medicaid Agency is the beneficiary of this letter of credit. No funds were advanced under this letter during the period ended December 31, 2020 and 2019. This letter of credit terminated on 12/31/19 and was not renewed.

***Litigation***

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

***Rent Supplement Agreements***

The University has entered into two irrevocable rent supplement agreements with a financial institution. The agreements require that, in the event the Corporation fails to maintain a debt service coverage ratio of one to one with respect to all of its outstanding indebtedness, the University will pay to the Corporation any and all rent amounts necessary to cause the Corporation's net operating income to be equal to the Corporation's annual debt service obligations. As of December 31, 2020 and 2019, no amounts were payable pursuant to these agreements.

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**(16) Recently Issued Accounting Pronouncements**

The GASB issued Statement No. 84, Fiduciary Activities, in January 2017. This statement will be effective for the University beginning with the fiscal year ending September 30, 2021. Statement 84 addresses the criteria for identifying fiduciary activities of all state and local governments. In June 2017, the GASB issued Statement No. 87, Leases, which will be effective for the University beginning with the fiscal year ending September 30, 2021. This statement establishes a single model for lease accounting whereby certain leases that were previously classified as operating leases will now be reported on the statements of net position. In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, which will be effective beginning with fiscal year September 30, 2021. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 90, Majority Equity Interests, was issued in August 2018. Effective for the University beginning with the fiscal year ending September 30, 2021, this statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method, with certain exceptions, if a government holding of the equity interest meets the definition of an investment. In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations, which will be effective beginning with the fiscal year ending September 30, 2022. The objective of this statement is to clarify the definition of conduit debt obligations, establish that conduit debt is not a liability of the issuer, establish standards for reporting additional commitments and voluntary commitments extended by issuers and improve note disclosures.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. Effective for the fiscal year ending September 30, 2021, this statement adds clarifying language and implementation guidance for statements 73, 74, 84 and 87.

In March 2020, the GASB issued statement No. 93 Replacement of Interbank Offered Rates and Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. It is not anticipated that these statements will impact the University.

In May 2020, the GASB issued statement No. 96 Subscription Based Information Technology Arrangements and statement No. 97 Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Plans Deferred Compensation Plans – An Amendment of GASG Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.

The effect of the implementation of GASB Statement Nos. 84, 87, 89, 90, 91, 92, 96 and 97 on the University has not yet been determined. Statements 93 and 94 will not impact the University.



UNIVERSITY OF SOUTH ALABAMA

**MEMORANDUM**

Finance and Administration

DATE: March 1, 2021

TO: President Tony G. Waldrop

A handwritten signature in black ink, appearing to read 'TGW', written over the name 'President Tony G. Waldrop'.

FROM: G. Scott Weldon

A handwritten signature in black ink, appearing to read 'Scott', written over the name 'G. Scott Weldon'.

SUBJECT: Resolution to Authorize Execution of 2021 Bond Documents

Attached is a resolution for consideration by the Board of Trustees concerning the University's 2021 bond issue. This \$50 million bond issue will provide funding for a new medical office building, operating room expansion, and other capital projects and improvements for USA Health as well as roadway, sidewalk, retention pond infrastructure at the Hillcrest Road site. The overall rate of 2.58% is one of the lowest for the University.

This resolution will provide authorization for the President, the Vice President for Finance and Administration and the Secretary of the Board to execute any and all documents related to the 2021 bond issue.

With your consent, this item will be presented to the Board of Trustees for discussion and approval. Further, I recommend the adoption of the resolution by the Board of Trustees.

Attachment

**A RESOLUTION AUTHORIZING THE ISSUANCE OF THE  
\$40,555,000 UNIVERSITY FACILITIES REVENUE BONDS, SERIES 2021**

**BE IT RESOLVED** by the Board of Trustees (herein called the "Board") of the **UNIVERSITY OF SOUTH ALABAMA** (herein called the "University") as follows:

**Section 1.**

**(a) Findings**

The Board has determined and hereby finds and declares as follows:

(1) it is necessary, advisable, in the interest of the University and the public that the University design, acquire, construct, install, furnish and equip various public capital improvements, equipment and assets on the campus of the University including, without limitation, (i) improvements and assets to increase capacity within USA Health, a division of the University, including without limitation a new medical office building, operating room expansion and pediatric emergency room construction, and other improvements and assets, and (ii) roadway improvements, sidewalk improvements, retention pond improvements, utility improvements, and other public capital improvements, equipment and assets for the University (herein collectively called the "2021 Improvements"); and

(2) it is necessary, advisable and in the interest of the University and the public that the University issue its \$40,555,000 University Facilities Revenue Bonds, Series 2021, in order to (i) pay the costs of the 2021 Improvements, (ii) pay the costs and expenses of issuing the said Series 2021 Bonds, and (iii) pay the premium for the municipal bond insurance policy respecting those of the Series 2021 Bonds maturing on April 1 of the years 2024 through 2041, inclusive.

**(b) Series 2021 Bonds to be Issued as Additional Bonds Under the Indenture; Special Findings Under Section 8.2(b) of the Indenture**

The Series 2021 Bonds shall be issued as additional parity bonds under Article VIII of the Indenture hereinafter referred to. In accordance with the provisions of Section 8.2(b) of the Indenture, the Board hereby finds and declares as follows:

(1) the University is not now in default under the Indenture, and no such default is imminent;

(2) the Series 2021 Bonds shall be designated "Series 2021";

(3) the persons to whom the Series 2021 Bonds are to be delivered are set forth in Section 6 hereof;

(4) the Series 2021 Bonds are to be issued by sale in accordance with, and at the sale price set forth in, Section 6 hereof;

(5) the only bonds that have previously been issued by the University under the Indenture are its (i) \$31,680,000 original principal amount University Tuition Revenue Refunding and Capital Improvement Bonds, Series 1996, dated February 15, 1996 (herein called the "Series 1996 Bonds"), which were issued under and pursuant to the Trust Indenture dated as of February 15, 1996 further described in Section 2 hereof; (ii) \$7,055,000 original principal amount University Tuition Revenue Refunding Bonds, Series 1996B, dated October 15, 1996 (herein called the "Series 1996B Bonds"), which were issued under and pursuant to the First Supplemental Trust Indenture dated as of October 15, 1996; (iii) \$40,130,000.70 original principal amount University Tuition Revenue Bonds, Series 1999, dated March 1, 1999 (herein called the "Series 1999 Bonds"), which were issued under and pursuant to the Second Supplemental Trust Indenture dated as of October 15, 1999; (iv) \$51,080,000 original principal amount Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004 (herein called the "Series 2004 Bonds"), which were issued under and pursuant to the Fourth Supplemental Trust Indenture dated March 15, 2004; (v) \$100,000,000 original principal amount University Tuition Revenue Refunding and Capital Improvement Bonds, Series 2006, dated December 1, 2006 (herein called the "Series 2006 Bonds"), which were issued under and pursuant to the Fifth Supplemental Trust Indenture dated as of December 1, 2006; (vi) \$112,885,000 original principal amount University Facilities Revenue Capital Improvement Bonds, Series 2008, dated September 1, 2008 (herein called the "Series 2008 Bonds"), which were issued under and pursuant to the Sixth Supplemental University Facilities Revenue Trust Indenture dated as of September 1, 2008; (vii) \$29,750,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2010, dated June 16, 2010 (herein called the "Series 2010 Bond"), which was issued under and pursuant to the Seventh Supplemental University Facilities Revenue Trust Indenture dated as of June 16, 2010 and will be paid with proceeds of the Series 2019-C Bond hereinafter authorized; (viii) \$25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012 (herein called the "Series 2012-A Bond"), which was issued under and pursuant to an Eighth Supplemental University Facilities Revenue Trust Indenture dated as of January 4, 2012 (herein called the "Eighth Supplemental Indenture"); (ix) \$7,740,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-B, dated January 4, 2012 (herein called the "Series 2012-B Bond"), which was issued under and pursuant to the Eighth Supplemental Indenture; (x) \$32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013 (herein called the "Series 2013-A Bond"), which was issued under and pursuant to the Ninth Supplemental University Facilities Revenue Trust Indenture dated June 28, 2013 (herein called the "Ninth Supplemental Indenture"); (xi) \$8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013 (herein called the "Series 2013-B Bond"), which was issued under and pursuant to the Ninth Supplemental Indenture; (xii) \$10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013 (herein called the "Series 2013-C Bond"), which was issued under and pursuant to the Ninth Supplemental Indenture; (xiii) \$41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014 (herein called the "Series 2014-A Bond"), which was issued under and



pursuant to the Tenth Supplemental University Facilities Revenue Trust Indenture dated March 14, 2014; (xiv) \$6,000,000 University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015 (herein called the "Series 2015 Bond"), which was issued under and pursuant to the Eleventh Supplemental University Facilities Revenue Trust Indenture dated June 15, 2015; (xv) \$85,605,000 University Facilities Refunding Revenue Bonds, Series 2016, dated September 14, 2016 (herein called the "Series 2016 Bonds") which were issued under and pursuant to the Twelfth Supplemental University Facilities Revenue Trust Indenture dated as of March 14, 2014; (xvi) \$20,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-B, dated December 7, 2016 (herein called the "Series 2016-B Bond") which was issued under and pursuant to the Thirteenth Supplemental University Facilities Revenue Trust Indenture dated as of December 7, 2016 (herein called the "Thirteenth Supplemental Indenture"), (xvii) \$35,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-C, dated December 7, 2016 (herein called the "Series 2016-C Bond") which was issued under the Thirteenth Supplemental Indenture, (xviii) \$45,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-D, dated December 7, 2016 (herein called the "Series 2016-D Bond") which was issued under the Thirteenth Supplemental Indenture, (xix) \$38,105,000 original principal amount University Facilities Revenue Bonds, Series 2017, dated June 15, 2017 (herein called the "Series 2017 Bonds") which were issued under a Fourteenth Supplemental University Facilities Revenue Trust Indenture dated June 15, 2017; (xx) \$47,750,000 original principal amount University Facilities Revenue Bonds, Series 2019-A, dated February 7, 2019 (herein called the "Series 2019-A Bonds") which were issued under a Fifteenth Supplemental University Facilities Revenue Trust Indenture dated February 7, 2019 (herein called the "Fifteenth Supplemental Indenture"), (xxi) \$18,440,000 original principal amount Taxable University Facilities Revenue Bonds, Series 2019-B, dated February 7, 2019 (herein called the "Series 2019-B Bonds") which were issued under the Fifteenth Supplemental Indenture, (xxii) \$19,086,000 original principal amount University Facilities Revenue Bond, Series 2019-C, dated December 12, 2019 (herein called the "Series 2019-C Bond") which was issued under a Sixteenth Supplemental University Facilities Revenue Trust Indenture dated December 12, 2019, and (xxiii) \$37,005,000 original principal amount University Facilities Revenue Bonds, Series 2020, dated March 10, 2020 (herein called the "Series 2020 Bonds") which were issued under a Seventeenth Supplemental University Facilities Revenue Trust Indenture dated March 10, 2020. The Series 2012-A Bond, the Series 2013-A Bond, the Series 2013-B Bond, the Series 2013-C Bond, the Series 2014-A Bond, the Series 2015 Bond, the Series 2016 Bonds, the Series 2016-B Bond, the Series 2016-C Bond, the Series 2016-D Bond, the Series 2017 Bonds, the Series 2019-A Bonds, the Series 2019-B Bonds, the Series 2019-C Bond and the Series 2020 Bonds are herein collectively called the "Outstanding Bonds");

(6) the Outstanding Bonds are the only bonds heretofore issued under the Indenture that are at this time and upon issuance of the Series 2021 Bonds outstanding under the Indenture; and

(7) the Series 2021 Bonds will be issued for the purposes described in in paragraph (2) of Section 1 hereof.

The Trustee is hereby requested to authenticate and deliver the Series 2021 Bonds to the purchasers specified in Section 6 hereof upon payment of the purchase price designated therein.

## **Section 2. Authorization of the Series 2021 Bonds.**

For the purposes specified in Section 1 of this resolution, the Board does hereby authorize to be issued by the University its \$40,555,000 University Facilities Revenue Bonds, Series 2021, dated their date of initial issuance (herein called the "Series 2021 Bonds"), all under the terms, conditions and provisions set out in an Eighteenth Supplemental University Facilities Revenue Trust Indenture dated the date of issuance of the Series 2021 Bonds (herein called the "Eighteenth Supplemental Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A., as trustee (herein called the "Trustee"), which is supplemental to the University Facilities Revenue Trust Indenture between the University and the Trustee dated as of February 15, 1996 (the said Trust Indenture, as heretofore supplemented and amended and as further supplemented and amended by the said Eighteenth Supplemental Indenture, herein called the "Indenture"). All the provisions of the Indenture respecting the Series 2021 Bonds are hereby adopted as a part of this resolution as fully as if set out at length herein.

## **Section 3. Sources of Payment of the Series 2021 Bonds**

The principal of and the interest on the Series 2021 Bonds shall be payable solely from Pledged Revenues as defined in the Indenture. Nothing contained in this resolution, in the Series 2021 Bonds or in the Indenture shall be deemed to impose any obligation on the University to pay the principal of or the interest on the Series 2021 Bonds except from and to the extent of the Pledged Revenues. The Series 2021 Bonds shall not represent or constitute obligations of any nature whatsoever of the State of Alabama (herein called the "State") and shall not be payable out of moneys appropriated to the University by the State. The agreements, covenants and representations contained in this resolution, in the Series 2021 Bonds and in the Indenture do not and shall never constitute or give rise to any personal or pecuniary liability or charge against the general credit of the University, and in the event of a breach of any such agreement, covenant or representation, no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the University shall arise therefrom. Neither the Series 2021 Bonds nor the pledge or any agreement contained in the Indenture or in this resolution shall be or constitute an obligation of any nature whatsoever of the State, and neither the Series 2021 Bonds nor any obligations arising from the aforesaid pledge or agreements shall be payable out of any moneys appropriated to the University by the State. Nothing contained in this section shall, however, relieve the University from the observance and performance of the several covenants and agreements on its part herein contained and contained in the Indenture.

## **Section 4. Series 2021 Bonds Payable at Par**

All remittances of principal of and interest on the Series 2021 Bonds to the holders thereof shall be made at par without any deduction or exchange or other cost, fees or expenses. The bank at which the Series 2021 Bonds shall at any time be payable shall be considered by acceptance of its duties under the Indenture to have agreed that it will make or cause to be made remittances of principal of and interest on the Series 2021 Bonds, out of the moneys provided for that purpose, in bankable funds at par without any deduction for exchange or other cost, fees or expenses. The University will pay to such bank all reasonable charges made and expenses incurred by it in making such remittances in bankable funds at par.

## **Section 5. Authorization of Eighteenth Supplemental Indenture**

The Board does hereby authorize and direct the President of the University to execute and deliver, for and in the name and behalf of the University, to The Bank of New York Mellon Trust Company, N.A., as Trustee under the aforesaid Indenture, the Eighteenth Supplemental Indenture in substantially the form presented to the meeting at which this resolution is adopted and attached as Exhibit I to the minutes of said meeting (which form is hereby adopted in all respects as if set out in full in this resolution), and does hereby authorize and direct the Secretary of the Board to affix to the Eighteenth Supplemental Indenture the corporate seal of the University and to attest the same.

## **Section 6. Sale of the Series 2021 Bonds**

The Series 2021 Bonds are hereby sold and awarded to Raymond James & Associates, Inc., Hancock Whitney Investment Services, Securities Capital Corporation, and The Frazer Lanier Company Incorporated (collectively herein called the "Underwriters"), at and for a purchase price equal to \$50,372,096.70 (representing the principal amount of the Series 2021 Bonds, less an underwriting discount of \$162,943.75, plus original issue premium of \$9,980,040.45). The Board does hereby approve, ratify and affirm that certain Bond Purchase Agreement dated February 25, 2021 (the "Bond Purchase Agreement") between the University and the Underwriters, a copy of which is presented to the meeting at which this resolution is adopted and attached as Exhibit II to the minutes of said meeting (which such Bond Purchase Agreement is hereby adopted in all respects as if set out in full in this resolution). The Board does hereby ratify and affirm the execution of the Bond Purchase Agreement on behalf of the University by the Vice President for Finance and Administration. The Series 2021 Bonds shall bear such date, shall mature at such times and in such manner, shall bear such rate or rates of interest, shall be payable at such place, shall be in such denomination, shall bear such numbers and shall be in such form and contain such provisions as are set out in the said Bond Purchase Agreement and the Eighteenth Supplemental Indenture authorized in Section 5 above.

## **Section 7. Preliminary Official Statement; Official Statement.**

- (a) The actions of the Underwriters in circulating, on behalf of the University, a Preliminary Official Statement dated February 17, 2021, respecting the Series 2021 Bonds, a copy of which is attached hereto as Exhibit III, are hereby ratified and affirmed, and the said Preliminary Official Statement is hereby adopted as the Preliminary Official Statement of the University. The Board hereby ratifies and affirms the actions of the President and of other officers of the University in causing the said Preliminary Official Statement to be "deemed final" as of its date within the meaning of Rule 15c2-12(b)(1) promulgated by the U.S. Securities Exchange Commission (the "Rule").
- (b) The Board does hereby authorize and direct the President of the University and the Vice President for Finance and Administration to execute, for and in the name and behalf of the University, an Official Statement dated February 25, 2021, with respect to the Series 2021 Bonds dated the date of sale of the Series 2021 Bonds, in substantially the form of Exhibit IV attached hereto, with such changes as shall be necessary to conform to the provisions of this resolution and to reflect such other changes as shall be approved by the President of the University or the Vice President for Finance and Administration and acceptable to the Underwriters (the "Official Statement"). The Board does hereby declare that the Official Statement so executed

by the President of the University or the Vice President for Finance and Administration shall be the Official Statement of the University with respect to the Series 2021 Bonds.

### **Section 8. Authorization of Continuing Disclosure Agreement**

The President of the University is hereby authorized and directed to execute and deliver, on behalf of the University, a Continuing Disclosure Agreement for the benefit of the beneficial owners of the Series 2021 Bonds, in substantially the form presented to the meeting at which this resolution is adopted (which form shall be attached as Exhibit V to the minutes of said meeting and which is hereby adopted in all respects as if set out in full in this resolution). The said Continuing Disclosure Agreement is to be entered into contemporaneously with the issuance of the Series 2021 Bonds in order to assist the Underwriters of the Series 2021 Bonds in complying with the Rule. The rights of enforcement of the said Continuing Disclosure Agreement shall be as provided therein, and in no event shall a default by the University thereunder constitute a default hereunder or under the Indenture.

### **Section 9. Execution and Delivery of the Series 2021 Bonds**

The Board does hereby authorize the President of the University to execute the Series 2021 Bonds, in the name and on behalf of the University, by manually signing each said bond, and does hereby authorize the Secretary of the Board to cause the corporate seal of the University to be imprinted or impressed on each of the Series 2021 Bonds and to attest the same by signing the Series 2021 Bonds, and the President of the University is hereby authorized and directed to deliver the Series 2021 Bonds, subsequent to their execution as provided herein and in the Indenture, to the Trustee under the Indenture, and to direct the Trustee to authenticate all the Series 2021 Bonds and to deliver them to the Underwriters, upon payment to the University of the purchase price therefor in accordance with the provisions of Section 6 hereof.

### **Section 10. Application of Proceeds.**

The entire proceeds derived by the University from the sale of the Series 2021 Bonds, less the underwriter's discount in the amount of \$162,943.75 to be retained by the Underwriters and the \$155,712.34 premium for the municipal bond insurance policy to be wired directly by the Underwriters to Build America Mutual Assurance Company, the provider thereof, shall be paid to the Trustee under the Indenture, which is thereupon authorized and directed to apply and disburse such moneys for the purposes and in the order specified in Section 1.6 of the Eighteenth Supplemental Indenture herein authorized.

### **Section 11. Resolution Constitutes Contract; Severability.**

The provisions of this resolution shall constitute a contract between the University and the holders of the Series 2021 Bonds. The various provisions of this resolution are hereby declared to be severable. In the event any provision hereof shall be held invalid by a court of competent jurisdiction, such invalidity shall not affect any other portion of this resolution.

### **Section 12. General Authorization; Authorization to Execute Series 2021 Bonds and Other Instruments by the Chair Pro Tempore and the Vice President for Finance and Administration.**

- (a) The President of the University, the Vice President for Finance and Administration of the University, and the Secretary of the Board are hereby authorized to execute such further agreements, certifications, instruments or other documents, and to take such other actions as any of them may deem appropriate or necessary, for the consummation of the transactions covered by this resolution and to the end that the Series 2021 Bonds may be executed, issued and delivered.
- (b) Each of the Chair Pro Tempore of the Board and the Vice President for Finance and Administration of the University, is hereby further authorized to (i) sign and deliver the Series 2021 Bonds, the Eighteenth Supplemental University Facilities Revenue Trust Indenture, the Continuing Disclosure Agreement, the Official Statement, and such other documents as have been authorized for signature by the President of the University in the event it is desirable for the Chair Pro Tempore of the Board or for the Vice President of Finance and Administration of the University, as the case may be, to execute such instruments, or any of them, and (ii) affix the seal of the University to, and to attest, the Series 2021 Bonds, the Eighteenth Supplemental University Facilities Revenue Trust Indenture, and such other documents as the Secretary of the Board has been so authorized in the event it is desirable for the Chair Pro Tempore of the Board or for the Vice President of Finance and Administration of the University, as the case may be, to do so.

**EXHIBIT I**  
**FORM OF EIGHTEENTH SUPPLEMENTAL INDENTURE**

**EIGHTEENTH SUPPLEMENTAL UNIVERSITY FACILITIES  
REVENUE TRUST INDENTURE**

**between**

**UNIVERSITY OF SOUTH ALABAMA**

**and**

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

**Dated March 10, 2021**

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**EXHIBIT A** - Specimen Municipal Bond Insurance Policy



**EIGHTEENTH SUPPLEMENTAL UNIVERSITY FACILITIES REVENUE TRUST INDENTURE** between the **UNIVERSITY OF SOUTH ALABAMA**, public body corporate under the laws of Alabama (herein called the "University"), and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** (as successor Trustee to AmSouth Bank of Alabama and being herein called the "Trustee"), a national banking association in its capacity as Trustee under the University Facilities Revenue Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended (herein called the "Indenture").

### **RECITALS**

The University makes the following findings as a basis for the undertakings herein contained:

(a) Pursuant to the provisions of the Indenture, the University has issued and sold its (i) \$31,680,000 original principal amount of University Tuition Revenue Refunding and Capital Improvement Bonds, Series 1996, dated February 15, 1996, which are no longer outstanding, (ii) \$7,055,000 original principal amount University Tuition Revenue Refunding Bonds, Series 1996B, dated October 15, 1996, which are no longer outstanding, (iii) \$40,130,000.70 original principal amount University Tuition Revenue Bonds, Series 1999, dated March 1, 1999, which are no longer outstanding (the "Series 1999 Bonds"), (iv) \$51,080,000 original principal amount Tuition Revenue Refunding and Capital Improvement Bonds, Series 2004, dated March 15, 2004, which are no longer outstanding, (v) \$100,000,000 original principal amount University Tuition Refunding and Capital Improvement Bonds, Series 2006, dated December 1, 2006 (the "Series 2006 Bonds"), which are no longer outstanding, (vi) \$112,885,000 original principal amount University Facilities Revenue Capital Improvement Bonds, Series 2008, dated September 1, 2008 (the "Series 2008 Bonds"), which are no longer outstanding, (vii) \$29,750,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2010, dated June 16, 2010 (the "Series 2010 Bond"), which is no longer outstanding, (viii) \$25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012 (the "Series 2012-A Bond"), (ix) \$7,740,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-B, dated January 4, 2012, which is no longer outstanding (the "Series 2012-B Bond"), (x) \$32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013 (the "Series 2013-A Bond"), (xi) \$8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013 (the "Series 2013-B Bond"), (xii) \$10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013 (the "Series 2013-C Bond"), (xiii) \$41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014 (the "Series 2014-A Bond"), (xiv) \$6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015 (the "Series 2015 Bond"), (xv) \$85,605,000 original principal amount University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016 (the "Series 2016 Bonds"), (xvi) \$20,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-B, dated December 7, 2016 (the "Series 2016-B Bond"), (xvii) \$35,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-C, dated December 7, 2016 (the "Series 2016-C Bond"), (xviii) \$45,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-D, dated December 7, 2016 (the "Series 2016-D Bond"), (xix) \$38,105,000 original principal amount University Facilities Revenue Bonds, Series 2017, dated June 15, 2017 (the "Series 2017 Bonds"); (xx) \$47,750,000 original principal amount University Facilities Revenue Bonds, Series 2019-A, dated February 7, 2019 (the "Series 2019-A Bonds"), (xxi) \$18,440,000 original principal amount Taxable University Facilities Revenue

Bonds, Series 2019-B, dated February 7, 2019 (the "Series 2019-B Bonds"), (xxii) \$19,086,000 original principal amount University Facilities Revenue Bond, Series 2019-C, dated December 12, 2019 (the "Series 2019-C Bond"), and (xxiii) \$37,005,000 original principal amount University Facilities Revenue Bond, Series 2020, dated March 10, 2020 (the "Series 2020 Bonds").

(b) In Article VIII of the Indenture, the University has reserved the right to issue Additional Bonds, secured by a pledge of the Pledged Revenues on a parity with all Additional Bonds outstanding under the Indenture, including the Series 2012-A Bond, the Series 2013-A Bond, the Series 2013-B Bond, the Series 2013-C Bond, the Series 2014-A Bond, the Series 2015 Bond, the Series 2016 Bonds, the Series 2016-B Bond, the Series 2016-C Bond, the Series 2016-D Bond, the Series 2017 Bonds, the Series 2019-A Bonds, the Series 2019-B Bonds, the Series 2019-C Bond and the Series 2020 Bonds (collectively, the "Outstanding Bonds"), and with such Additional Bonds as shall hereafter be issued upon compliance with the applicable provisions of said Article VIII.

(c) The University has determined it is necessary, wise and in the best interest of the University and the public to (i) pay the costs of various capital improvements at the University hereinafter defined as the 2021 Improvements, and (ii) pay certain issuance costs with the issuance of Additional Bonds in the aggregate principal amount of \$40,555,000. The University has duly adopted a resolution authorizing the issuance of such Additional Bonds and this Eighteenth Supplemental University Facilities Revenue Trust Indenture is executed in order to specify the details with respect to such Additional Bonds.

(d) This Eighteenth Supplemental University Facilities Revenue Trust Indenture is being executed to provide for the issuance of the Series 2021 Bonds (hereinafter referred to) as Additional Bonds under the Indenture.

### **Additional Definitions**

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

**"Authorized University Officer"** means the President of the University, the Vice President for Finance and Administration, or such other officer of the University as either of the foregoing officers shall have designated in writing to serve as an Authorized University Officer hereunder.

**"Insurance Policy"** means the municipal bond insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Insured Series 2021 Bonds as provided therein, the specimen policy being set forth on Exhibit A hereto.

**"Insured Series 2021 Bonds"** means those of the Series 2021 Bonds maturing on April 1, in the years 2024 through 2041, inclusive.

**"Insurer"** means Build America Mutual Assurance Company, or any successor thereto or assignee thereof.

**"Interest Payment Date"** means, with respect to the Series 2021 Bonds, each October 1 and April 1, commencing October 1, 2021.

**"Record Date"** as used in the Indenture shall be, with respect to the Series 2021 Bonds, the September 15 and March 15 immediately preceding each Interest Payment Date.

**"Series 2021 Bonds"** means the University Facilities Revenue Bonds, Series 2021, authorized to be issued in the aggregate principal amount of \$40,555,000 and dated their original date of issuance.

**"2021 Improvements"** means (1) the design, acquisition, construction, installation, furnishing and equipping of (i) certain public capital improvements on the campus of the University consisting of improvements and assets to increase capacity within USA Health, including without limitation a new medical office building, operating room expansion and pediatric emergency room construction, and other improvements and assets, and (ii) public roadway improvements, sidewalk improvements, retention pond improvements, utility improvements, and other public capital improvements, equipment and assets for the University

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

**WITNESSETH:**

It is hereby agreed among the University, the Trustee and its successors in trust under the Indenture and the holders at any time of the Series 2021 Bonds hereinafter referred to and the Outstanding Bonds each with each of the others, as follows:

**ARTICLE I  
SERIES 2021 BONDS**

**Section 1.1** Authorization and Description of the Series 2021 Bonds. (a) There is hereby authorized to be issued by the University under the Indenture a series of Bonds entitled "University Facilities Revenue Bonds, Series 2021", dated March 10, 2021, which shall be issued in the aggregate principal amount of \$40,555,000. The Series 2021 Bonds shall mature and become payable on April 1 in the years and amounts shown below. Interest shall be payable on October 1, 2021, and on each Interest Payment Date thereafter, and the Series 2021 Bonds shall bear interest at the per annum rates set forth below, computed on the basis of a 360-day year of twelve consecutive 30-day months:

<b>Maturity (April 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
2022	\$1,175,000	4.000%
2023	1,335,000	4.000
2024	1,390,000	4.000
2025	1,445,000	4.000
2026	1,500,000	4.000
2027	1,560,000	5.000
2028	1,640,000	5.000
2029	1,720,000	5.000
2030	1,810,000	5.000
2031	1,900,000	5.000
2032	1,995,000	5.000
2033	2,095,000	5.000
2034	2,200,000	5.000
2035	2,310,000	5.000
2036	2,420,000	5.000

2037	2,545,000	5.000
2038	2,670,000	5.000
2039	2,805,000	5.000
2040	2,945,000	5.000
2041	3,095,000	5.000

(b) The Series 2021 Bonds shall be issued in denominations of \$5,000 or any multiple thereof. The Series 2021 Bonds shall be initially issued in the Authorized Denominations and registered in the names of the Holders as shall be designated by the underwriters for the Series 2021 Bonds.

**Section 1.2** Optional Redemption Provisions.

Those of the Series 2021 Bonds having stated maturities on April 1, 2032, and thereafter, shall be subject to redemption prior to their respective maturities, at the option of the University, in whole or in part (but, if in part, in multiples of \$5,000 with those of the maturities to be redeemed to be selected by the University at its discretion, and if less than all the Series 2021 Bonds having the same maturity are to be redeemed, those to be redeemed to be selected by the Trustee by lot), on April 1, 2031, and on any date thereafter, at and for a redemption price for each Series 2021 Bond redeemed equal to the par or face amount thereof plus accrued interest thereon to the date fixed for redemption.

**Section 1.3** Payments into Bond Fund; Method of Payment.

The University will pay into the Bond Fund created in the Indenture, in addition to all other payments required to be paid therein, an amount sufficient to pay the principal of and interest on the Series 2021 Bonds when due. The principal of the Series 2021 Bonds shall be payable at maturity at the designated office of the Trustee in the City of Birmingham, Alabama. Interest on the Series 2021 Bonds shall be payable by check or draft mailed or otherwise delivered by the Trustee to the respective Holders thereof at their addresses as they appear on the registry books of the Trustee pertaining to the registration of the Series 2021 Bonds. The principal and the interest on the Series 2021 Bonds shall be payable only upon maturity and only upon surrender of such Series 2021 Bonds to the Trustee. All installments of principal of and interest on each Series 2021 Bond shall bear interest after the respective maturities of such principal and interest until paid or until moneys sufficient for payment thereof shall have been deposited for that purpose with the Trustee, whichever first occurs, at the rate of interest borne by such Series 2021 Bond.

**Issued in Book-Entry Form.** The Series 2021 Bonds shall be initially issued in book-entry only form, registered in the name of Cede & Co., the nominee of The Depository Trust Company, New York, NY ("DTC") as further described in Article II hereof. So long as the said book-entry only system remains in effect, the provisions of this Eighteenth Supplemental Indenture, including the provisions governing the registration and exchange of Series 2021 Bonds, places and manner of payment of Series 2021 Bonds, and requirements for presentment of Series 2021 Bonds shall be subject to the standard procedures of DTC.

**Section 1.4** Form of Series 2021 Bonds. The form of Series 2021 Bonds and the Trustee's Authentication Certificate applicable thereto shall be in substantially the following form:

Unless this certificate is presented by an authorized representative of The Depository Trust Company ("DTC"), to the University or its agent for registration

of transfer, exchange, or payment, and any certificate issued is registered in the name of DTC or the DTC Nominee (as defined in the Indenture referenced in this certificate), as the case maybe, or in such other name as is requested by an authorized representative of DTC (and any payment is made to DTC or the DTC Nominee or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, DTC or the DTC Nominee, as the case may be, has an interest herein.

**UNITED STATES OF AMERICA  
STATE OF ALABAMA  
UNIVERSITY OF SOUTH ALABAMA  
University Facilities Revenue Bonds  
Series 2021**

**Interest Rate**

**Maturity Date**

**CUSIP Number**

Subject to the provisions as herein stated

For value received, **UNIVERSITY OF SOUTH ALABAMA**, a public body corporate under the laws of the State of Alabama (herein called the "University"), will pay, solely from the sources hereinafter referred to, to **CEDE & CO.**, or registered assigns, the principal sum of

\_\_\_\_\_ **DOLLARS**

on the date specified above, with interest thereon from the date hereof until the maturity hereof at the per annum rate of interest specified above, payable on October 1, 2021, and semiannually thereafter on each April 1 and October 1 until and at the maturity hereof. Interest shall be computed on the basis of a 360-day year with 12 months of 30 days each. The principal of this bond is payable only upon presentation and surrender of this bond at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., in the City of Birmingham, Alabama, or its successor as trustee under the Indenture hereinafter referred to. Interest on this bond is payable by check or draft mailed by the Trustee on the interest payment date to the registered holder hereof and at the address shown on the registry books of the Trustee pertaining to the Series 2021 Bonds as of the close of business on the September 15 or March 15, as the case may be, next preceding the date of payment of such interest.

Interest payments that are due with respect to this bond and that are made by check or draft shall be deemed timely made if such check or draft is mailed by the Trustee on or before the due date of such interest. Both the principal of and the interest on this bond shall bear interest after their respective maturities until paid or until moneys sufficient for payment thereof have been deposited with the Trustee at the per annum rate stated above. The Indenture provides that all payments by the University or the Trustee to the person in whose name a Bond is registered shall to the extent thereof fully discharge and satisfy all liability for the same. Any transferee of this bond takes it subject to all payments of principal and interest in fact made with respect hereto.

This bond is one of a duly authorized issue of bonds (herein called the "Series 2021 Bonds") issuable in series without express limit as to principal amount under a Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended and as further supplemented and amended by an Eighteenth Supplemental University Facilities Revenue Trust Indenture dated the

date of the Series 2021 Bonds (the said Trust Indenture, as so supplemented and amended, being herein called the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A., as trustee (herein called the "Trustee"). The principal of and the interest on the Series 2021 Bonds are payable solely out of and are secured by a lien upon and pledge of (a) certain fees from students levied by the University, (b) the gross revenues derived from certain auxiliary enterprises services furnished by the University, including food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University, (c) additional fees and revenues, if any, that may be subjected to the lien of the Indenture pursuant to a Supplemental Indenture, and (d) an amount not exceeding \$10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's and Women's Hospital (herein called the "Pledged Revenues"), and shall not be payable from any other funds or revenues, on a parity of lien with (I) the University's (a) \$25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012, (b) \$32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013, (c) \$8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013, (d) \$10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013, (e) \$41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014, (f) \$6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015, (g) \$85,605,000 original principal amount University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016, (h) \$20,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-B, dated December 7, 2016, (i) \$35,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-C, dated December 7, 2016, (j) \$45,000,000 original principal amount University Facilities Revenue Refunding Bond, Series 2016-D, dated December 7, 2016, (k) \$38,105,000 original principal amount University Facilities Revenue Bonds, Series 2017, dated June 15, 2017, (l) \$47,750,000 original principal amount University Facilities Revenue Bonds, Series 2019-A, dated February 7, 2019, (n) \$18,440,000 original principal amount Taxable University Facilities Revenue Bonds, Series 2019-B, dated February 7, 2019, (o) \$19,086,000 original principal amount University Facilities Revenue Bond, Series 2019-C, dated December 12, 2019, and (p) \$37,005,000 original principal amount University Facilities Revenue Bond, Series 2020, dated March 10, 2020, and (II) any Additional Bonds hereafter issued pursuant to Article VIII of the Indenture.

Reference is hereby made to the Indenture for a description of the nature and extent of the security afforded thereby, the rights and duties of the University and the Trustee with respect thereto, the rights of the holders of the Series 2021 Bonds and the terms and conditions on which additional series of Bonds may be issued. The Indenture provides, inter alia, (a) that in the event of default by the University in the manner and for the time therein provided, the Trustee may declare the principal of and the interest accrued on this bond immediately due and payable, whereupon the same shall become immediately due and payable, and the Trustee shall be entitled to pursue the remedies provided in the Indenture, (b) that the holder of this bond shall have no right to enforce the provisions of the Indenture except as provided therein and then only for the equal and pro rata benefit of the holders of all the Bonds, and (c) that if this bond shall not be presented for payment when due (whether by maturity or otherwise) and if funds sufficient for such payment shall have been made available to the Trustee therefore, all liability of the University to the holder of such bond and all rights of such holder against the University under such bond or under the Indenture shall cease and terminate and that the sole right of such holder shall thereafter be against the said funds so made available, which the Trustee is required to set aside

and hold, subject to any applicable escheat or other similar law, for the benefit of such holder. The Indenture also provides that the University and the Trustee, with the written consent of the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding under the Indenture, may at any time and from time to time amend the Indenture or any indenture supplemental thereto, provided that no such amendment shall (1) without the consent of the holder of each Bond affected, reduce the principal of or the rate of interest on any Bond, or (2) without the consent of the holders of all the Bonds then outstanding under the Indenture, extend the maturity of any installment of principal or interest on any of the Bonds, make any change in the schedule of required sinking fund or other similar payments with respect to any series of the Bonds, create a lien or charge on the Pledged Revenues ranking prior to or (except in connection with the issuance of additional parity bonds under the Indenture) on a parity with the lien or charge thereon contained in the Indenture, effect a preference or priority of any Bond over any other Bond or reduce the aggregate principal amount of Bonds the holders of which are required to consent to any such amendment.

The series of Bonds of which this is one is designated Series 2021, and is authorized to be issued in the aggregate principal amount of \$40,555,000.

Those of the Series 2021 Bonds having a stated maturity on April 1, 2032, and on any date thereafter, shall be subject to redemption and payment by the University, at the option of the University, as a whole or in part on April 1, 2031, and on any date thereafter (but if redeemed in part, (i) of such maturity or maturities as the University shall designate, and if less than all the Series 2021 Bonds of a single maturity are to be redeemed, those to be redeemed to be selected by the Trustee by lot, and (ii) only in installments of \$5,000 or any integral multiple thereof), at and for a redemption price equal to the par or face amount thereof plus accrued interest to the date fixed for redemption.

The Series 2021 Bonds are not general obligations of the University, and the covenants and representations herein contained or contained in the Indenture do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the University. The Series 2021 Bonds are not obligations or debts of the State of Alabama nor are the faith and credit of said state pledged for payment thereof, and neither the principal of nor interest on said bonds is payable out of any moneys provided for or appropriated to the University by the State of Alabama.

It is hereby certified that all conditions, actions and things required by the Constitution and laws of Alabama to exist, be performed and happen precedent to or in the issuance of this bond do exist, have been performed and have happened in due and legal form.

The Series 2021 Bonds are issuable only as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. Provision is made in the Indenture for the exchange of Bonds for a like aggregate principal amount of Bonds of the same maturity and interest rate and in an authorized denomination, all as may be requested by the holder surrendering the Bond or Bonds to be so exchanged and upon the terms and conditions specified in the Indenture.

This bond is transferable by the registered holder hereof in person, or by duly authorized attorney, only on the registry books of the Trustee pertaining to the Bonds and only upon surrender of this bond to the Trustee for cancellation, and upon any such transfer a new Bond of like tenor herewith will be issued to the transferee in exchange therefore, all as more particularly provided in the Indenture. Each holder, by receiving and accepting this bond, shall consent and agree and shall be estopped to deny that, insofar as the University and the Trustee are concerned, this bond may be transferred only in accordance with the provisions of the Indenture. The Trustee

shall not be required so to transfer or exchange this bond during the period of fifteen days next preceding any interest payment date with respect thereto.

Execution by the Trustee of its authentication certificate hereon is essential to the validity hereof and is conclusive of the due issue hereof under the Indenture.

**IN WITNESS WHEREOF**, the University has caused this bond to be executed in its name and behalf with the signature of its President, has caused a facsimile of its corporate seal to be hereunto imprinted, has caused this bond to be attested by the signature of the Secretary of its Board of Trustees, and has caused this bond to be dated March 10, 2021.

**UNIVERSITY OF SOUTH ALABAMA**

By: \_\_\_\_\_  
President

[SEAL]

Attest:

\_\_\_\_\_  
Secretary  
of the Board of Trustees

**Form of Trustee's Authentication Certificate**

Date of Authentication and Registration:

The within bond is one of those described in the within-mentioned Trust Indenture.

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

By: \_\_\_\_\_  
Its Authorized Officer

**Form of Assignment**

For value received, the undersigned hereby sell(s), assign(s) and transfer(s) unto  
\_\_\_\_\_ the within bond and hereby irrevocably  
constitute(s) \_\_\_\_\_ and \_\_\_\_\_ appoint(s)

\_\_\_\_\_  
attorney, with full power of substitution in the premises, to transfer this bond on the books of the within-mentioned Trustee.



DATED this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

\_\_\_\_\_

NOTE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within bond in every particular, without alteration, enlargement or change whatsoever.

Signature guaranteed:

\_\_\_\_\_

(Bank, Broker or Firm)\*

By \_\_\_\_\_

(Authorized Officer)

Its Medallion Number: \_\_\_\_\_

\* Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

**Statement Regarding Municipal Bond Insurance Policy**

Build America Mutual Assurance Company ("BAM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on Series 2021 Bonds maturing on April 1 of the years 2024 through 2041, inclusive (the "Insured Bonds") to The Bank of New York Mellon Trust Company, N.A., Birmingham, Alabama, or its successor, as trustee under the Indenture for the Series 2021 Bonds (the "Trustee"). Said Policy is on file and available for inspection at the principal office of the

Trustee and a copy thereof may be obtained from BAM or the Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. By its purchase of the Insured Series 2021 Bonds, the owner acknowledges and consents (i) to the subrogation and all other rights of BAM as more fully set forth in the Policy, and (ii) that upon the occurrence and continuance of a default or an event of default under the Indenture or this Insured Series 2021 Bond, BAM shall be deemed to be the sole owner of the Insured Series 2021 Bonds for all purposes and shall be entitled to control and direct the enforcement of all rights and remedies granted to the owners of the Insured Series 2021 Bonds or the trustee, paying agent, registrar or similar agent for the benefit of such owners under the Indenture, at law or in equity.

**Section 1.5** Execution and Delivery of the Series 2021 Bonds.

The Series 2021 Bonds shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the University by its President, requesting such authentication and delivery and designating the person or persons to receive the same or any part thereof.

**Section 1.6** Application of Proceeds from Sale of Series 2021 Bonds.

The entire proceeds derived by the University from the sale of the Series 2021 Bonds (less the underwriting discount of \$162,943.75 to be retained by the Underwriters, and less the sum of \$155,712.34 to be paid directly by the Underwriters to the Insurer for the premium for the Insurance Policy referable to the Insured Series 2021 Bonds) shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order:

(i)

the sum of \$50,000,000 shall be deposited into a special fund or account of the University and used to pay costs of the 2021 Improvements (the "2021 Construction Fund"); and

(ii)

the balance (\$216,384.36) shall be deposited by the Trustee into a special clearing account herein authorized for the Trustee to create and establish, and applied by the Trustee for payment of those costs of issuing the Series 2021 Bonds identified in a written directive from an Authorized University Officer to the Trustee on the date of issuance of the Series 2021 Bonds, with any funds remaining in said clearing account following the date of issuance of the Series 2021 Bonds to be remitted by the Trustee to the 2021 Construction Fund as directed in writing by the University.

**ARTICLE II**  
**BOOK-ENTRY ONLY SYSTEM**

The Series 2021 Bonds will be issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Series 2021 Bonds. Purchasers of such Series 2021 Bonds will not receive physical delivery of Series 2021 Bond certificates. For purposes of this Eighteenth Supplemental Indenture, so long as all of the Series 2021 Bonds are in the custody of DTC, references to Series 2021 Bondholders or Owners shall mean DTC or its nominee.

DTC will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2021 Bond will be issued for each maturity of the Series 2021 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 7A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2021 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2021 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2021 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2021 Bond documents. For example, Beneficial Owners of Series 2021 Bonds may wish to ascertain that the nominee holding the Series 2021 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2021 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2021 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE UNIVERSITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2021 BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2021 BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2021 BONDHOLDERS UNDER THE EIGHTEENTH SUPPLEMENTAL INDENTURE, THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF PARTIAL REDEMPTION OF THE SERIES 2021 BONDS WITH RESPECT TO LESS THAN ALL OF THE SERIES 2021 BONDS, OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED SERIES 2021 BONDHOLDER.

For every transfer and exchange of the Series 2021 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto, and any reasonable fees and expenses of the Trustee and the costs incurred in preparing Series 2021 Bond certificates.

DTC may discontinue providing its services as securities depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the University. In the event of the discontinuance of the book-entry system for the Series 2021 Bonds, Series 2021 Bond certificates will be printed and delivered and the following provisions of the Indenture will apply: (i) principal of the Series 2021 Bonds will be payable upon surrender of the Series 2021 Bonds at the designated office of the Trustee; (ii) Series 2021 Bonds may be transferred or exchanged for other Series 2021 Bonds of authorized denominations as set forth in the next succeeding two paragraphs; and (iii) Series 2021 Bonds will be issued in denominations as described in the front portion of the Official Statement under "THE SERIES 2021 BONDS".

In the event of the discontinuance of the use of the system of book-entry-only transfers through DTC (or a successor depository), Series 2021 Bond certificates will be printed and delivered to DTC.

The information in this article concerning DTC and DTC's book-entry system has been obtained from sources that the University believes to be reliable, but the University takes no responsibility for the accuracy thereof.

### **ARTICLE III CERTAIN PROVISIONS REGARDING THE INSURER**

#### **Section 3.1** Applicability of this Article.

Notwithstanding anything to the contrary contained in the Indenture, so long as the Insurance Policy remains in full force and effect and the Insurer is not then in payment default under the Insurance Policy, the provisions of this Article 3 shall apply for the benefit of the Insurer; provided that to the extent that the Insurer has made any payment of principal or interest on the Insured Series 2021 Bonds, it shall retain its rights of subrogation hereunder and under the Insurance Policy.

#### **Section 3.2** Requirements of the Insurer.

##### (a) Notice and Other Information to be given to Insurer.

The University will provide Insurer with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Agreement and (ii) to the holders of Insured Obligations or the Trustee under the Security Documents. The notice address of Insurer is: Build America Mutual Assurance Company, 200 Liberty Street, 27th Floor, New York, NY 10281, Attention: Surveillance, Re: Policy No. [\_\_\_\_\_] (Series 2021 Bonds), Telephone: (212) 235-2500, Telecopier: (212) 235-1542, Email: [notices@buildamerica.com](mailto:notices@buildamerica.com). In each case in which notice or other communication refers to an event of default or a claim on the Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at [claims@buildamerica.com](mailto:claims@buildamerica.com) or at Telecopier: (212) 235-5214 and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

##### (b) Defeasance.

The investments in the defeasance escrow relating to Insured Obligation shall be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise maybe authorized under State law and approved by Insurer. At least (three) 3 Business Days prior to any defeasance with respect to the Insured Obligations, the University shall deliver to Insurer draft copies of an escrow agreement, an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Insured Obligations, a verification report (a "Verification Report") prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and Verification Report shall be addressed to Insurer and shall be in form and substance satisfactory to Insurer. In addition, the escrow agreement shall provide that:

(i)

Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Insured Obligations is excludable) from gross income of the holders of the Insured Obligations of the interest on the Insured Obligations for federal income tax purposes and the prior written consent of Insurer, which consent will not be unreasonably withheld.

(ii)

The University will not exercise any prior optional redemption of Insured Obligations secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(iii)

The University shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of Insurer.

(c) Trustee and Paying Agent.

(i)

Insurer shall receive prior written notice of any name change of the trustee (the "Trustee") or, if applicable, the paying agent (the "Paying Agent") for the Insured Obligations or the resignation or removal of the Trustee or, if applicable, the Paying Agent. Any Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise approved by Insurer in writing.

(ii)

No removal, resignation or termination of the Trustee or, if applicable, the Paying Agent shall take effect until a successor, reasonably acceptable to Insurer, shall be qualified and appointed.

(d) Amendments, Supplements and Consents.

Insurer's prior written consent is required for all amendments and supplements to the Security Documents, with the exceptions noted below. The University shall send copies of any such amendments or supplements to Insurer and the rating agencies which have assigned a rating to the Insured Obligations.

(i) *Consent of Insurer.*

Any amendments or supplements to the Security Documents shall require the prior written consent of Insurer with the exception of amendments or supplements:

- (1) To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or
- (2) To grant or confer upon the holders of the Insured Obligations any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Insured Obligations, or
- (3) To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Security Documents other conditions, limitations and restrictions thereafter to be observed, or
- (4) To add to the covenants and agreements of the University in the Security Documents other covenants and agreements thereafter to be observed by the University or to surrender any right or power therein reserved to or conferred upon the University.
- (5) To issue additional parity debt in accordance with the requirements set forth in the Security Documents.

(ii) *Consent of Insurer in Addition to Bondholder Consent.*

Any amendment, supplement, modification to, or waiver of, any of the Security Documents that requires the consent of holders of the Insured Obligations or adversely affects the rights or interests of Insurer shall be subject to the prior written consent of Insurer.

(iii) *Insolvency.*

Any reorganization or liquidation plan with respect to the University must be acceptable to Insurer. Each owner of the Insured Obligations hereby appoint Insurer as their agent and attorney-in-fact with respect to the Insured Obligations and agree that Insurer may at any time during the continuation of any proceeding by or against the University under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding,

including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, each owner of the Insured Obligations delegate and assign to Insurer, to the fullest extent permitted by law, the rights of each owner of the Insured Obligations with respect to the Insured Obligations in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. The Trustee acknowledges such appointment, delegation and assignment by each owner of the Insured Obligations for the Insurer's benefit, and agrees to cooperate with the Insurer in taking any action reasonably necessary or appropriate in connection with such appointment, delegation and assignment.

(iv) *Control by Insurer Upon Default.*

Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Obligations or the Trustee or Paying Agent for the benefit of the holders of the Insured Obligations under any Security Document. No default or event of default may be waived without Insurer's written consent.

(v) *Insurer as Owner.*

Upon the occurrence and continuance of a default or an event of default, Insurer shall be deemed to be the sole owner of the Insured Obligations for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

(vi) *Consent of Insurer for acceleration.*

Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration of the Insured Obligations.

(vii) *Grace Period for Payment Defaults.*

No grace period shall be permitted for payment defaults on the Insured Obligations. No grace period for a covenant default shall exceed 30 days without the prior written consent of Insurer.

(viii) *Special Provisions for Insurer Default.*

If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs (d)(i)-(v) above to the contrary, (1) if at any time prior to or following an Insurer Default, Insurer has made payment under the Policy, to the extent of such payment Insurer shall be treated like any other holder of the Insured Obligations for all purposes, including giving of consents, and (2) if Insurer has not made any payment under the Policy, Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or Insurer makes a payment under the Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) Insurer has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States



Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of Insurer (including without limitation under the New York Insurance Law).

(e) Insurer As Third Party Beneficiary.

Insurer is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

(f) Payment Procedure Under the Policy.

In the event that principal and/or interest due on the Insured Obligations shall be paid by Insurer pursuant to the Policy, the Insured Obligations shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the University, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the University to the registered owners shall continue to exist and shall run to the benefit of Insurer, and Insurer shall be subrogated to the rights of such registered owners.

In the event that on the second (2<sup>nd</sup>) business day prior to any payment date on the Insured Obligations, the Paying Agent or Trustee has not received sufficient moneys to pay all principal of and interest on the Insured Obligations due on such payment date, the Paying Agent or Trustee shall immediately notify Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent or Trustee shall so notify Insurer or its designee.

In addition, if the Paying Agent or Trustee has notice that any holder of the Insured Obligations has been required to disgorge payments of principal of or interest on the Insured Obligations pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Paying Agent or Trustee shall notify Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of Insurer.

The Paying Agent or Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Insured Obligations as follows:

(i)

If there is a deficiency in amounts required to pay interest and/or principal on the Insured Obligations, the Paying Agent or Trustee shall (1) execute and deliver to Insurer, in form satisfactory to Insurer, an instrument appointing Insurer as agent and attorney-in-fact for such holders of the Insured Obligations in any legal proceeding related to the payment and assignment to Insurer of the claims for interest on the Insured Obligations, (2) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from Insurer with respect to the claims for interest

so assigned, (3) segregate all such payments in a separate account (the "Insurer Policy Payment Account") to only be used to make scheduled payments of principal of and interest on the Insured Obligation, and (4) disburse the same to such respective holders; and

(ii)

If there is a deficiency in amounts required to pay principal of the Insured Obligations, the Paying Agent or Trustee shall (i) execute and deliver to Insurer, in form satisfactory to Insurer, an instrument appointing Insurer as agent and attorney-in-fact for such holder of the Insured Obligations in any legal proceeding related to the payment of such principal and an assignment to Insurer of the Insured Obligations surrendered to Insurer, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefore from Insurer, (iii) segregate all such payments in the Insurer Policy Payment Account to only be used to make scheduled payments of principal of and interest on the Insured Obligation, and (iv) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on Insured Obligations paid by Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Obligations registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Obligation to Insurer, registered in the name directed by Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Obligation shall have no effect on the amount of principal or interest payable by the University on any Insured Obligation or the subrogation or assignment rights of Insurer.

Payments with respect to claims for interest on and principal of Insured Obligations disbursed by the Paying Agent or Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the University with respect to such Insured Obligations, and Insurer shall become the owner of such unpaid Insured Obligations and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. The Security Documents shall not be discharged or terminated unless all amounts due or to become due to Insurer have been paid in full or duly provided for. Irrespective of whether any such assignment is executed and delivered, the University, and the Paying Agent and Trustee agree for the benefit of Insurer that:

- (i) they recognize that to the extent Insurer makes payments directly or indirectly (*e.g.*, by paying through the Paying Agent or Trustee), on account of principal of or interest on the Insured Obligations, Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the University, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Insured Obligations; and
- (ii) they will accordingly pay to Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Insured Obligations, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Insured Obligations to holders, and will otherwise treat Insurer as the owner of such rights to the amount of such principal and interest.

(g) Additional Payments.

The University agrees unconditionally that it will pay or reimburse Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that Insurer may pay or incur, including, but not limited to, fees and expenses of Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Security Documents ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of Insurer spent in connection with the actions described in the preceding sentence. The University agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to Insurer until the date Insurer is paid in full.

Notwithstanding anything herein to the contrary, the University agrees to pay to Insurer (i) a sum equal to the total of all amounts paid by Insurer under the Policy ("Insurer Policy Payment"); and (ii) interest on such Insurer Policy Payments from the date paid by Insurer until payment thereof in full by the University, payable to Insurer at the Late Payment Rate per annum (collectively, "Insurer Reimbursement Amounts") compounded semi-annually. The University hereby covenants and agrees that the Insurer Reimbursement Amounts are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Insured Obligations on a parity with debt service due on the Insured Obligations.

(h) Exercise of Rights by Insurer.

The rights granted to Insurer under the Security Documents to request, consent to or direct any action are rights granted to Insurer in consideration of its issuance of the Policy. Any exercise by Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Insured Obligations and such action does not evidence any position of Insurer, affirmative or negative, as to whether the consent of the holders of the Insured Obligations or any other person is required in addition to the consent of Insurer.

(i) Entitlement to Pay Debt Service.

Insurer shall be entitled to pay principal or interest on the Insured Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the University (as such terms are defined in the Policy) and any amounts due on the Insured Obligations as a result of acceleration of the maturity thereof in accordance with the Security Documents, whether or not Insurer has received a claim upon the Policy.

(j) No Contract.

No contract shall be entered into or any action taken by which the rights of Insurer or security for or source of payment of the Insured Obligations may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of Insurer. Notwithstanding the foregoing, the University may, without the consent of the Insurer, (i) issue Additional Bonds pursuant to the terms of the Indenture on a parity of lien with the Outstanding Bonds and any Additional Bonds outstanding under the Indenture, and (ii) enter into contracts and incur indebtedness (a) that are not secured by a lien on or pledge of Pledge Revenues or (b) with a lien

on or pledge of Pledged Revenues that is junior and subordinate to the lien and pledge of the Pledged Revenues under the Indenture.

(k) Definitions.

For purposes of this Article IV, the following terms have the following meanings:

"Insurer" shall mean Build America Mutual Assurance Company, or any successor thereto.

"Insured Obligations" shall mean those of the Series 2021 Bonds maturing on April 1 in the years 2024 through 2041, inclusive.

"Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

"Policy" shall mean the Municipal Bond Insurance Policy issued by Insurer that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

"Security Documents" shall mean the Indenture.

#### **ARTICLE IV MISCELLANEOUS**

##### **Section 4.1** Concerning the Code.

###### **(a) General.**

The University recognizes that the Code imposes certain conditions to the exemption from federal income taxation of interest income on the Series 2021 Bonds. The University agrees that it will continually comply with all requirements imposed by the Code as a condition to the exemption from federal income taxation of the interest income on the Series 2021 Bonds. With respect to any question arising under this Section 5.1, the University may rely upon an opinion of nationally recognized bond counsel acceptable to it.

###### **(b) Series 2021 Bonds not to be "Private Activity Bonds".**

The University will not apply the proceeds of the Series 2021 Bonds in any manner that would cause the Series 2021 Bonds to be "private activity bonds" within the meaning of Section 141(a) of the Code.

**(c) Concerning the Arbitrage Provisions of the Code.**

The University agrees that it will comply with all provisions of the Code necessary to preclude the Series 2021 Bonds from being considered "arbitrage bonds" within the meaning of Section 148 of the Code.

**(d) Provisions Respecting Registration of Series 2021 Bonds to Comply with Provisions of Code.**

The University and the Trustee recognize that the provisions of the Code require that the Series 2021 Bonds be in "registered form" and that, in general, the Series 2021 Bonds must be registered as to both principal and interest and any transfer of the Series 2021 Bonds must be effected only by the surrender of the old bond and either by the reissuance of the old bond to a new Holder or the issuance of a new bond to a new Holder. The Trustee may conclusively rely upon an opinion of nationally recognized bond counsel with respect to any question which may arise pertaining to the transfer, exchange or reissuance of the Series 2021 Bonds.

**Section 4.2** Confirmation of Indenture.

All the terms, covenants and conditions of the Indenture, as supplemented hereby, are hereby in all respects ratified and confirmed, and the Indenture as so supplemented shall continue in full force and effect.

**Section 4.3** Confirmation of Pledges.

The provisions of the Indenture, wherein the Pledged Revenues are pledged for payment of all Bonds issued under the Indenture, are hereby ratified and confirmed.

**Section 4.4** Construction of Eighteenth Supplemental University Facilities Revenue Trust Indenture.

No provisions of this Eighteenth Supplemental University Facilities Revenue Trust Indenture shall be construed to limit or restrict, either expressly or impliedly, the obligations of the University contained in the Indenture or the powers of the Trustee thereunder, nor shall the provisions of this Eighteenth Supplemental University Facilities Revenue Trust Indenture be construed in any manner inconsistent with the provisions of the Indenture or in any manner that would adversely affect the interest of the Holders of any Series 2021 Bonds.

**Section 4.5** Severability.

In the event that any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 4.6** No Broker Confirmations.

The University agrees that broker confirmations of investments in connection with the Series 2021 Bonds are not required to be issued by the Trustee for each month in which a monthly statement is rendered or made available by the Trustee.

#### **Section 4.7 Electronic Communications.**

The Trustee shall have the right to accept and act upon directions or instructions given by the University and delivered using Electronic Means (defined below); provided, however, that the University shall provide to the Trustee an incumbency certificate listing Authorized Officers with the authority to provide such directions or instructions (each an "Authorized Officer") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the University elects to give the Trustee directions or instructions using Electronic Means and the Trustee in its discretion elects to act upon such directions or instructions, the Trustees' understanding of such directions or instructions shall be deemed controlling. The University understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions or instructions and that the Trustee shall conclusively presume that directions or instructions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The University shall be responsible for ensuring that only Authorized Officers transmit such directions or instructions to the Trustee and that all Authorized Officers treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such directions or instructions notwithstanding such directions or instructions conflict or are inconsistent with a subsequent written direction or written instruction. The University agrees: (i) to assume all risks arising out of the use of Electronic Means to submit directions or instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized directions or instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions or instructions to the Trustee and that there may be more secure methods of transmitting directions or instructions; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions or instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. "Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

*[Signature page follows]*

**IN WITNESS WHEREOF**, the University and the Trustee have each caused this Eighteenth Supplemental University Facilities Revenue Trust Indenture to be executed in its name and behalf by an authorized officer thereof, have caused its corporate seal to be hereunto affixed, and have caused this Eighteenth Supplemental University Facilities Revenue Trust Indenture to be dated March 10, 2021.

**UNIVERSITY OF SOUTH ALABAMA**

By: \_\_\_\_\_  
President

[SEAL]

Attest:

\_\_\_\_\_  
Secretary  
Board of Trustees

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

By: \_\_\_\_\_

Its: \_\_\_\_\_

[SEAL]

Attest:

By: \_\_\_\_\_

Its: \_\_\_\_\_

STATE OF ALABAMA)

COUNTY OF MOBILE )

I, \_\_\_\_\_ a Notary Public in and for said county in said state, hereby certify that Tony Waldrop, whose name as the President of the **UNIVERSITY OF SOUTH ALABAMA**, a public body corporate under the laws of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said public corporation.

GIVEN under my hand and official seal of office, this \_\_\_\_\_ day of March, 2021.

[NOTARIAL SEAL]

\_\_\_\_\_  
Notary Public



STATE OF ALABAMA)

COUNTY OF JEFFERSON )

I, \_\_\_\_\_, a Notary Public in and for said county in said state, hereby certify that Stuart Statham, whose name as Vice President of **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, in its capacity as Trustee under that certain Trust Indenture dated as of February 15, 1996, between it and the University of South Alabama, as supplemented, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, as such officer and with full authority, executed the same voluntarily for and as the act of said bank, in its capacity as trustee as aforesaid.

GIVEN under my hand and official seal of office, this \_\_\_\_\_ day of March, 2021.

[NOTARIAL SEAL]

\_\_\_\_\_  
Notary Public

# EXHIBIT A

## Specimen Municipal Bond Insurance Policy



### MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

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

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

**EXHIBIT II**  
**BOND PURCHASE AGREEMENT**

**UNIVERSITY OF SOUTH ALABAMA**  
**UNIVERSITY FACILITIES REVENUE BONDS,**  
**SERIES 2021**  
**BOND PURCHASE AGREEMENT**

February 25, 2021

University of South Alabama  
Mobile, Alabama

Ladies and Gentlemen:

Raymond James & Associates, Inc. (the “Representative”), for itself and on behalf of the firms listed on Exhibit A attached hereto (collectively, the “Underwriters”), offers to enter into the following agreement (this “Bond Purchase Agreement”) with University of South Alabama (the “University”), which upon the University’s acceptance of this offer, will be binding upon the Underwriters and upon the University. This offer is made subject to the University’s acceptance on or before 2:00 p.m., Mobile, Alabama time, on February 25, 2021, and if not so accepted, will be subject to withdrawal by the Representative upon notice to the University at any time prior to the acceptance hereof by the University.

1. **Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations and agreements set forth herein, the Underwriters hereby agree to purchase from the University for offering to the public and the University hereby agrees to sell and deliver to the Underwriters for such purpose, all of the University’s \$40,555,000 University Facilities Revenue Bonds, Series 2021 (the “Series 2021 Bonds”). The Series 2021 Bonds shall be dated their date of initial delivery and shall be issued in such principal amounts, mature on such dates, bear such rates of interest and be subject to redemption as set forth in Exhibit B attached hereto. Interest on the Series 2021 Bonds shall be payable on April 1 and October 1 in each year to maturity or earlier redemption, commencing October 1, 2021. The Series 2021 Bonds shall be paid for by the Underwriters by wire transfer on the Closing Date (as hereinafter defined) at the purchase price of \$50,372,096.70 (which takes into account original issue premium of \$9,980,040.45 and an Underwriters’ discount of \$162,943.75). The Series 2021 Bonds shall be issued pursuant to the Constitution and the laws of the State of Alabama, and pursuant to the provisions of a University Facilities Revenue Trust Indenture, dated as of February 15, 1996, between the University and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), as previously supplemented and as further supplemented by an Eighteenth Supplemental University Facilities Revenue Trust Indenture to be dated the date of the Series 2021 Bonds (as so supplemented, the “Indenture”). The Series 2021 Bonds are being issued for the purposes of (i) paying the costs of certain capital improvements on the campus of the University; (ii) paying the costs and

expenses of issuing the Series 2021 Bonds; and (iii) paying the premium for a financial guaranty insurance policy with respect to certain of the Series 2021 Bonds. The Series 2021 Bonds are limited obligations of the University, payable solely from, and secured by a pledge of, the “Pledged Revenues,” as more fully described in the Preliminary Official Statement described below.

2. **Offering.** Subject to the terms and conditions set forth herein, the Underwriters agree to make a public offering of the Series 2021 Bonds at the initial offering prices or yields and subject to the redemption terms set forth in Exhibit B attached hereto prior to 1:00 p.m. on the Closing Date; provided, however, the Underwriters reserve the right to change such initial offering prices or yields as the Underwriters shall deem necessary in connection with the marketing of the Series 2021 Bonds and to offer and sell the Series 2021 Bonds to certain dealers (including dealers depositing the Series 2021 Bonds into investment trusts) and others at prices lower than the initial offering prices or higher yields than set forth on the inside cover page of the Official Statement (as hereinafter defined).

It shall be a condition of the University’s obligation to sell and deliver the Series 2021 Bonds to the Underwriters, and the obligation of the Underwriters to purchase and accept delivery of the Series 2021 Bonds, that the entire aggregate initial principal amount of the Series 2021 Bonds shall be sold and delivered by the University and accepted and paid for by the Underwriters on the Closing Date on the terms herein provided unless otherwise agreed to by the University by formal official action and by the Representative in writing.

3. **Official Statement and Other Documents.** The University hereby ratifies the use and distribution of the Preliminary Official Statement with respect to the Series 2021 Bonds, dated February 17, 2021 (the “Preliminary Official Statement”), and certifies that the Preliminary Official Statement, as of its date, was deemed final by the University for purposes of Rule 15c2-12 (“Rule 15c2-12”) of the Securities and Exchange Commission (the “SEC”), except for the omission of certain information permitted by Rule 15c2-12.

The final Official Statement with respect to the Series 2021 Bonds (the “Official Statement”) shall be provided for distribution, at the expense of the University, in such quantity as may be requested by the Underwriters no later than the earlier of (i) seven (7) business days after the date of this Bond Purchase Agreement or (ii) one (1) business day prior to the Closing Date, in order to permit the Underwriters to comply with Rule 15c2-12, and the applicable rules of the Municipal Securities Rulemaking Board (the “MSRB”), with respect to distribution of the Official Statement. The University shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriters no later than one (1) business day prior to the Closing Date to enable the Underwriters to comply with MSRB Rule G-32.

The Underwriters agree to file the Official Statement with the MSRB as required by the applicable SEC or MSRB Rule. The filing with the MSRB shall be in accordance with the procedures of the Electronic Municipal Market Access System (“EMMA”).

The Underwriters agree that they will not confirm the sale of any Series 2021 Bonds unless a final written confirmation of the sale is accompanied or preceded by the delivery of a copy of the Official Statement, either directly or by notice that it is available through EMMA.

In order to assist the Underwriter in complying with Rule 15c2-12, the University has covenanted for the benefit of the owners of the Series 2021 Bonds to provide certain financial and operating information on an annual basis and to provide notices of the occurrence of certain events within ten (10) business days of their occurrence, all pursuant to a Continuing Disclosure Agreement, dated the date of the Series 2021 Bonds (the “Continuing Disclosure Agreement”).

4. **Representations and Agreements.** The University hereby represents and agrees as follows:

(a) The University is duly created and existing under the constitution and laws of the State of Alabama.

(b) Except for the statements and information contained under the captions “BOND INSURANCE,” “RATINGS,” “FINANCIAL ADVISOR” and “UNDERWRITING” and in Appendix D – DTC PROCEDURES (collectively, the “Excluded Sections”), the statements and information contained in the Preliminary Official Statement, as of its date and as of the Closing Date, and in the Official Statement, as of the date hereof and as of the Closing Date, were and will be true and correct in all material respects and did not and will not contain any misstatement of any material fact and did not and will not omit any statement and information that is necessary to make the statements and information contained therein not misleading in any material respect.

(c) The University has full legal right, power and authority to: (i) enter into this Bond Purchase Agreement, (ii) execute and deliver the Eighteenth Supplemental University Facilities Revenue Trust Indenture, the Continuing Disclosure Agreement, the Tax Certificate and Agreement (as hereinafter defined) and such other documents as shall be contemplated hereby and thereby for execution by the University (collectively, the “University Documents”), (iii) sell, issue and deliver the Series 2021 Bonds to the Underwriters as provided herein, and (iv) carry out and consummate the obligations and transactions contemplated by this Bond Purchase Agreement, the University Documents and the Official Statement, and on the Closing Date will be in compliance with the obligations on its part in connection with the issuance of the Series 2021 Bonds contained in the Indenture, the University Documents, the Series 2021 Bonds and this Bond Purchase Agreement.

(d) The University is not now, and will not on the Closing Date be, in breach of or in default under any law, judgement, decree, order, regulation, agreement, indenture,



mortgage, lease, sublease or other instrument to which it is a party or by which it is bound, and no event has occurred or is continuing that, with the passage of time or the giving of notice, or both, would constitute a default or an event of default thereunder, except in either case for such breaches, defaults, or potential defaults or events of default, if any, which individually or in the aggregate would have no material adverse effect on the performance by the University under this Bond Purchase Agreement, the Indenture, the University Documents or the Series 2021 Bonds.

(e) The financial statements included as Appendix A to the Preliminary Official Statement and the Official Statement present fairly, in all material respects, the financial position and results of operations of the University.

(f) When delivered to and paid for by the Underwriters on the Closing Date in accordance with the provisions of this Bond Purchase Agreement, the Series 2021 Bonds will have been duly authorized, executed, issued and delivered and will constitute valid and limited obligations of the University, payable from Pledged Revenues.

(g) The University has neither encumbered nor made a prior pledge of the Pledged Revenues other than to the holders of the Bonds heretofore issued under the terms of the Indenture.

(h) The adoption of the Authorizing Resolution and the authorization, execution and delivery of this Bond Purchase Agreement, the University Documents and compliance with the provisions hereof and thereof, and issuance of the Series 2021 Bonds, will not conflict with, or constitute a breach of or default under, any law, administrative regulation, consent decree or resolution.

(i) On the Closing Date, the University will be in compliance in all respects with the covenants and agreements contained in the Indenture.

(j) All approvals, consents, authorizations and orders of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the issuance of the Series 2021 Bonds, the performance by the University of its obligations hereunder and under the Indenture and the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement have been obtained and are in full force and effect, except for such approvals, consents and orders as may be required under the Blue Sky or securities law of any state in connection with the offering and sale of the Series 2021 Bonds or in connection with the registration of the Series 2021 Bonds under the federal securities laws.

(k) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body pending with respect to which service or notice on the University has been perfected or given or, to the best knowledge of the University, threatened against or affecting the University, which would (i) restrain or enjoin the issuance or delivery of the Series 2021 Bonds or the

collection of Pledged Revenues, (ii) in any way contest or affect any authority for the issuance of the Series 2021 Bonds or the validity, due authorization and execution of the Series 2021 Bonds, the University Documents or this Bond Purchase Agreement, (iii) limit, enjoin or prevent the University from paying the debt service on the Series 2021 Bonds as and when due, or (iv) in any way contest the corporate existence or powers of the University;

(1) During the period from the date hereof to and including a date which is 25 days following “the end of the underwriting period” (as hereinafter defined) for the Series 2021 Bonds:

(1) the University will not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter shall reasonably object in writing, unless the University has obtained an opinion of counsel stating that such amendment or supplement is necessary in order to make the Official Statement as then supplemented or amended, not contain any untrue statement of a material fact or not omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading at the time that they are delivered to a purchaser of a Series 2021 Bond;

(2) if any event relating to or affecting the University or the Series 2021 Bonds shall occur which would or might cause the information contained in the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the University shall so notify the Representative, and, if as a result of which it is necessary in the opinion of the University or counsel to the Underwriters to amend or supplement the Official Statement in order to make the Official Statement not misleading, the University shall forthwith prepare and furnish to the Underwriters (at the expense of the University) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriters and the University) which will amend or supplement the Official Statement so that such Official Statement, as amended or supplemented, will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in any material respect;

(3) for the purpose of this section, the University will furnish to the Underwriters through the end of the underwriting period such information to confirm the truth, accuracy and completeness of the statements and information contained in the Official Statement as the Underwriters may from time to time reasonably request. The “end of the underwriting period” for purposes of Rule 15c2-12 shall mean the Closing Date unless the Representative notifies the University in writing, on or prior to the Closing Date, that the Closing Date will not be the “end of the underwriting

period.” In the event such notice is given in writing by the Representative to the University, the “end of the underwriting period” for the Series 2021 Bonds as used in this Bond Purchase Agreement shall mean the earlier to occur of (i) 65 days after the Closing Date or (ii) the date on which the Underwriters no longer have any of the Series 2021 Bonds for sale to the public.

(m) The University shall cooperate with the Underwriters and their counsel in any endeavor to qualify the Series 2021 Bonds for offering and sale under the securities laws of such jurisdictions of the United States of America as the Underwriters may request and to continue such qualifications in effect as long as may be required for the distribution of the Series 2021 Bonds; provided, however, the University shall not be required to consent to service of process in any such jurisdiction.

5. **Closing.** At 9:00 a.m., local time, on March 10, 2021, or at such time on such earlier or later date as shall be agreed upon by the University and the Representative (the “Closing Date”), the activities relating to the execution and delivery of certain documents and the delivery of the certificates, opinions and other instruments as described in Section 6(e) hereof shall occur at the offices of the University, 307 University Boulevard, Administrative Building, Mobile, Alabama, or such other location as shall be mutually agreed upon by the University and the Representative. Such simultaneous execution and delivery of such documents, certificates, opinions and other instruments are herein referred to as the “Closing.” On the Closing Date:

(a) The University shall deliver to the Underwriters (i) the Series 2021 Bonds, duly authorized, executed and authenticated, and (ii) the other instruments and documents required to be delivered to the Underwriters pursuant to Section 6 hereof.

(b) The purchase price for the Series 2021 Bonds shall be paid to the University by wire transfer or by such other method as may be agreeable to the University and the Underwriters.

6. **Underwriters’ Closing Conditions.** The Underwriters have entered into this Bond Purchase Agreement in reliance upon the representations of the University herein contained and the performance by the University of its obligations hereunder, both as of the date hereof and as of the Closing Date. The obligations of the Underwriters under this Bond Purchase Agreement are and shall be subject to the following conditions:

(a) The representations and agreements of the University contained herein shall be true and correct and complied with as of the date hereof and as of the Closing Date.

(b) At the time of the Closing, the Indenture shall be in full force and effect in accordance with its terms and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except to the extent that such amendments have been agreed to by the Underwriters.

(c) At the time of the Closing, the Board of Trustees of the University shall have adopted a resolution authorizing the issuance and sale of the Bonds, and all official action of the University relating to this Bond Purchase Agreement, the Indenture and the Series 2021 Bonds, and all other documents contemplated hereby and thereby, shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented in any material respect, except in each case as may have been agreed to by the Representative.

(d) At any time on or prior to the Closing Date, the Representative shall have the right to cancel the agreement contained herein to purchase the Series 2021 Bonds by notifying the University in writing of their intention to do so if between the date hereof and the Closing Date:

(i) legislation shall have been enacted by the Congress of the United States, or recommended to the Congress for passage by the President of the United States, or favorably reported for passage to either House of Congress by any Committee of such House, or passed by either House of Congress, or a decision shall have been rendered by a court of the United States or the United States Tax Court, or a ruling shall have been made or a regulation shall have been proposed or made by the Treasury Department of the United States or the Internal Revenue Service, with respect to the federal taxation of interest received on obligations of the general character of the Series 2021 Bonds, which, in the opinion of Counsel for the Underwriters or Bond Counsel, has or will have the effect of making such interest subject to inclusion in gross income for purposes of federal income taxation, except to the extent such interest shall be includable in gross income on the date hereof; or

(ii) legislation shall be enacted or any action shall be taken by the United States Securities and Exchange Commission which, in the opinion of Counsel for the Underwriters, has the effect of requiring the contemplated issuance or distribution of the Series 2021 Bonds to be registered under the Securities Act of 1933, as amended; or

(iii) in the opinion of the Representative, payment for and delivery of the Series 2021 Bonds is rendered impracticable or inadvisable because (A) trading in securities generally shall have been suspended on the New York Stock Exchange, Inc., or (B) a general banking moratorium shall have been established by federal, New York or Alabama authorities, or (C) there shall have occurred any outbreak of hostilities or other local, national or international calamity or crisis on the financial markets of the United States which, in the Representative's reasonable judgment, renders it impracticable for the Underwriters to market the Series 2021 Bonds or to enforce contracts for the sale of the Series 2021 Bonds; or

(iv) any order, decree or injunction of any court of competent jurisdiction, or any order, ruling, regulation or administrative proceeding by any governmental

body or board, shall have been issued or commenced, or any legislation enacted, with the purpose or effect of prohibiting the issuance, offering or sale of the Series 2021 Bonds as contemplated hereby or by the Official Statement or prohibiting the entering or performance of the Indenture; or

(v) the President of the United States, the Office of Management and Budget, the Department of Treasury, the Internal Revenue Service or any other governmental body, department, agency or commission of the United States or the State of Alabama shall take or propose to take any action or implement or propose regulations, rules or legislation which, in the reasonable judgment of the Representative, materially adversely affects the market price of the Series 2021 Bonds or causes any material information in the Official Statement, in light of the circumstances under which it appears, to be misleading in any material respect; or

(vi) any executive order shall be announced, or any legislation, ordinance, rule or regulation shall be proposed by or introduced in, or be enacted by any governmental body, department, agency or commission of the United States or the State of Alabama, having jurisdiction over the subject matter, or a decision by any court of competent jurisdiction within the United States or within the State of Alabama, shall be rendered which, in the reasonable judgment of the Representative, materially adversely affects the market price of the Series 2021 Bonds or causes any information in the Official Statement to be misleading in any material respect; or

(vii) any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance, sale or delivery of the Series 2021 Bonds or in any way contesting or affecting any authority for or the validity of the Series 2021 Bonds, the Indenture or this Bond Purchase Agreement, or any of the proceedings of the University taken with respect to the issuance or sale of the Series 2021 Bonds or the execution of and performance of this Bond Purchase Agreement, the Indenture or the University Documents; or

(viii) there shall have occurred or any notice shall have been given of any intended downgrading, suspension, withdrawal or negative change in credit watch status by any national rating service to any of the University's obligations; or

(ix) the marketability of the Series 2021 Bonds or the market price thereof, in the opinion of the Representative, has been materially and adversely affected by disruptive events, occurrences or conditions in the securities or debt markets; or

(x) any event shall have occurred or shall exist which, in the reasonable opinion of the Representative, would cause the information contained in the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under

which they were made, not misleading as of such time and which would materially adversely affect the marketability of the Series 2021 Bonds; or

(xi) there shall have been any materially adverse change in the financial condition of the University that is not contemplated in the Official Statement, as then amended and supplemented, which in the reasonable opinion of the Representative, materially and adversely affects the market price or marketability of the Series 2021 Bonds;

(e) On or prior to the Closing Date, the Underwriters shall receive the following documents:

(i) the Official Statement, and any supplements, amendments or modifications, if any, thereto, executed on behalf of the University by the President or the Vice President for Finance and Administration of the University;

(ii) the Eighteenth University Facilities Revenue Trust Indenture, certified by the Secretary of the University under seal as having been duly executed by the President or the Vice President for Finance and Administration of the University and such modifications or amendments as may have been agreed to by the Underwriters;

(iii) a certified copy of the Authorizing Resolution;

(iv) an opinion of Bradley Arant Boult Cummings LLP, Birmingham, Alabama, Bond Counsel to the University (“Bond Counsel”), in substantially the form included in the Official Statement as Appendix B;

(v) a supplemental opinion of Bond Counsel in form and substance satisfactory to the Representative and Underwriter’s Counsel;

(vi) an opinion of General Counsel to the University, addressed to Bond Counsel and the Underwriters, and dated the date of the Closing, in form and substance satisfactory to the Representative and Underwriter’s Counsel;

(vii) an opinion of Hand Arendall LLC, as Counsel to the Underwriters, in form and substance satisfactory to the Underwriters;

(viii) A Tax Certificate and Agreement of the University (the “Tax Certificate and Agreement”), prepared by Bond Counsel and executed by an authorized officer of the University, dated as of the Closing Date, setting forth facts, estimates and circumstances concerning the use or application of the Series 2021 Bond proceeds, in form and substance satisfactory to Bond Counsel;

(ix) evidence of an underlying rating of (i) "A1" issued by Moody's Investors Service, Inc. with respect to the Series 2021 Bonds and (ii) "A+" by S&P Global Ratings with respect to the Series 2021 Bonds;

(x) the Continuing Disclosure Agreement executed by an authorized officer of the University;

(xi) A certificate of the University, dated the date of the Closing, signed by the President or the Vice President for Finance and Administration of the University and in form and substance satisfactory to the Representative and Underwriters' Counsel, to the effect that:

(1) since the date hereof no material and adverse change has occurred in the financial condition of the University or results of operations of the University, except as set forth in the Official Statement;

(2) the University has not, since September 30, 2020, incurred any material liabilities other than in the ordinary course of business or as set forth in the Official Statement;

(3) no litigation or proceeding is pending with respect to which service or notice on the University has been perfected or given or, to their knowledge, threatened which would (i) restrain or enjoin the issuance or delivery of the Series 2021 Bonds or the collection of Pledged Revenues, (ii) in any way contest or affect any authority for the issuance of the Series 2021 Bonds or the validity, due authorization and execution of the Series 2021 Bonds, the University Documents or this Bond Purchase Agreement, (iii) limit, enjoin or prevent the University from paying the debt service on the Series 2021 Bonds as and when due, or (iv) in any way contest the corporate existence or powers of the University;

(4) the Preliminary Official Statement (except for omissions permitted by Rule 15c2-12) did not as of its date and as of the date hereof does not, and the Official Statement, as of its date and at all times through the date of the Closing, will not, contain any misstatement of a material fact or omit to state any material fact required to be stated therein in order for the statements made therein, in the light of the circumstances under which they were made, not to be misleading;

(5) the representations of the University contained herein are true and correct in all material respects as of the date of the Closing, as if made on the date of the Closing; and

(6) none of the proceedings or authority for the execution and delivery of the Series 2021 Bonds and the transactions related thereto have been

modified, amended or repealed;

(xii) an insurance policy issued by Build America Mutual Assurance Company (the “Bond Insurer”) guaranteeing the scheduled payment when due of the principal of and interest on those of the Series 2021 Bonds maturing in the year 2024 and thereafter (the “Insured Bonds”);

(xiii) an opinion of counsel to the Bond Insurer, dated the date of Closing, in form and substance satisfactory to the Representative;

(xiv) evidence of a rating of “AA” by S&P Global Ratings with respect to the Insured Bonds; and

(xv) such additional legal opinions, consents, certificates, proceedings, instruments and other documents as the Underwriters, or counsel therefor or Bond Counsel may reasonably request to evidence compliance by the University with legal requirements, the truth and accuracy, as of the Closing Date, of the representations of the University herein and the due performance or satisfaction by the University at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the University.

If the University shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, accept delivery of and pay for the Series 2021 Bonds contained in this Bond Purchase Agreement and the Representative does not waive such inability in writing, or if the obligations of the Underwriters to purchase, accept delivery of and pay for the Series 2021 Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, including the exercise of the Representative’s right to cancel this Bond Purchase Agreement as provided in Section 6(d) hereof, this Bond Purchase Agreement shall terminate and neither the Underwriters nor the University shall be under any further obligation hereunder, except that the respective obligations of the University and the Underwriters set forth in Section 8 hereof shall continue in full force and effect.

#### **7. Establishment of Issue Price.**

(a) The Representative, on behalf of the Underwriters, agrees to assist the University in establishing the issue price of the Series 2021 Bonds and shall execute and deliver to the University on the Closing Date an "issue price" or similar certificate substantially in the form attached hereto as Exhibit B, together with the supporting pricing wires or equivalent communications, and with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the University and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series 2021 Bonds.

(b) The University will treat the first price at which 10% of each maturity of the Series 2021 Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different



interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test).

(c) The Representative confirms that the Underwriters have offered the Series 2021 Bonds to the public on or before the date of this Bond Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth for the Series 2021 Bonds in the final official statement.

(d) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the Series 2021 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Series 2021 Bonds of each maturity allotted to it until it is notified by the Representative that either the 10% test has been satisfied as to the Series 2021 Bonds of that maturity or all Series 2021 Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires, and

(ii) any agreement among underwriters relating to the initial sale of the Series 2021 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Series 2021 Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Series 2021 Bonds of each maturity allotted to it until it is notified by the Representative or the Underwriter that either the 10% test has been satisfied as to the Series 2021 Bonds of that maturity or all Series 2021 Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriter and as set forth in the related pricing wires.

(e) The Underwriters acknowledge that sales of any Series 2021 Bonds to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the University (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2021 Bonds to the public and (B) any person that agrees pursuant to a written

contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2021 Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2021 Bonds to the public),

(iii) a purchaser of any of the Series 2021 Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date of execution of this Series 2021 Bond Purchase Agreement by all parties.

8. **Expenses.** The Underwriters shall be under no obligation to pay, and the University shall pay, any expense incident to the performance of the University's obligations hereunder including, but not limited to: (a) the cost of preparation, printing and delivery of the Series 2021 Bonds, the Eighteenth Supplement University Facilities Revenue Trust Indenture, this Bond Purchase Agreement and all other instruments, agreements and other documents contemplated thereby and hereby; (b) the costs of preparation and the fees and disbursements of Bond Counsel and other legal counsel to the University; (c) fees for bond ratings; (d) the fees and expenses of the Trustee; (e) the costs of preparing, printing and delivering the Official Statement and any supplements or amendments thereto; and (f) such other expenses as may be agreed to in writing at a later date.

The University shall reimburse the Underwriters for actual expenses incurred or paid for by the Underwriters on behalf of the University for the University's employees and representatives, including, but not limited to, transportation, lodging, and meals in connection with the marketing, issuance, and delivery of the Series 2021 Bonds; provided, however, that (i) reimbursement for such expenses shall not exceed an ordinary and reasonable amount for such expenses and (ii) such expenses are not related to the entertainment of any person and not prohibited from being reimbursed from the proceeds of an offering of municipal securities under MSRB Rule G-20. Such reimbursement may be in the form of inclusion in the expense component of the Underwriter's discount, or direct reimbursement as a cost of issuance.

The Underwriters shall pay: (a) all advertising expenses in connection with a public offering of the Series 2021 Bonds, (b) fees of the CUSIP Service Bureau, (c) all fees and disbursements of

any counsel retained by the Underwriters, and (d) any fees of the MSRB or the Securities Industry and Financial Markets Association.

In the event that either party shall have paid obligations of the other as set forth in this Section 7, adjustment shall be made at the time of the Closing.

9. **Notices.** Any notice or other communications to be given to the University under this Bond Purchase Agreement may be given by mailing the same to University of South Alabama, Attention: Vice President for Finance and Administration, 307 University Boulevard, Administrative Building, Suite 170, Mobile, Alabama 36688, with a copy to Josh McCoy, PFM Financial Management Advisors LLC, 116 Jefferson Street South, Suite 301, Huntsville, Alabama 35801 and any such notice or other communication to be given to the Underwriters may be mailed to Raymond James & Associates, Inc., Attention: Chuck Ellingsworth, 50 N. Front Street, 16th Floor, Memphis, Tennessee 38103.

10. **Parties in Interest.** This Bond Purchase Agreement is made solely for the benefit of the University and the Underwriters and no other party or person shall acquire or have any right hereunder or by virtue hereof. All representations and agreements in this Bond Purchase Agreement shall remain operative and in full force and effect and shall survive the delivery of the Series 2021 Bonds.

11. **Waiver.** Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the University hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriters may be waived by the Underwriters, in their sole discretion, and the approval of the Underwriters when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing, signed by an appropriate officer or officers of the Underwriters and delivered to the University.

12. **Limitations of Liability.** The obligations of the University hereunder shall be limited obligations, and shall be payable only from Pledged Revenues or other funds legally available therefor. No officer, agent or employee of the University shall be charged personally by the Underwriters with any liability, or held liable to the Underwriters under any term or provision of this Bond Purchase Agreement because of its execution or attempted execution, or because of any breach or attempted breach thereof.

13. **Counterparts.** This Bond Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

14. **Governing Law.** This Bond Purchase Agreement, and the terms and conditions herein, shall constitute the full and complete agreement between the University and the Underwriters with respect to the purchase and sale of the Series 2021 Bonds. This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Alabama.

15. **No Advisory or Fiduciary Role.** The University acknowledges and agrees that: (i) the transactions contemplated by this Bond Purchase Agreement are arm's length, commercial transactions between the University and the Underwriters; (ii) in connection with such transaction, including the process leading thereto, the Underwriters are acting solely as principals and not as agents or a fiduciaries of the University; (iii) the Underwriters have neither assumed an advisory or fiduciary responsibility in favor of the University with respect to the offering of the Series 2021 Bonds or the process leading thereto (whether or not the Underwriters or any affiliate of any Underwriter has advised or is currently advising the University on other matters) nor has it assumed any other obligation to the University except the obligations expressly set forth in this Bond Purchase Agreement, (iv) the Underwriters have financial and other interests that differ from those of the University; and (v) the University has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Series 2021 Bonds.

*[Signature page follows.]*

*[Signature page for Bond Purchase Agreement.]*

Very truly yours,

Raymond James & Associates, Inc.,  
on behalf of itself and the other underwriters  
named herein

By:   
As Its: Managing Director

Accepted this \_\_\_\_ day of February, 2021 at \_\_\_\_ a.m/p.m.

UNIVERSITY OF SOUTH ALABAMA

By: \_\_\_\_\_

As its \_\_\_\_\_

[Signature page for Bond Purchase Agreement.]

Very truly yours,

Raymond James & Associates, Inc.,  
on behalf of itself and the other underwriters  
named herein

By: \_\_\_\_\_  
As Its: \_\_\_\_\_

Accepted this 25<sup>th</sup> day of February, 2021 at 2:00 ~~a.m.~~<sup>p.m.</sup>

UNIVERSITY OF SOUTH ALABAMA

By: A. Scott Walker

As its Vice President for Finance  
Administration

**EXHIBIT A**

**UNIVERSITY OF SOUTH ALABAMA  
University Facilities Revenue Bonds, Series 2021**

**Underwriters**

Raymond James & Associates, Inc.  
Protective Securities  
Wells Fargo Securities  
PNC Capital Markets LLC

## EXHIBIT B

### UNIVERSITY OF SOUTH ALABAMA University Facilities Revenue Bonds, Series 2021

#### PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND REDEMPTION PROVISIONS

##### Maturity Schedule:

	Maturity Date	Amount	Rate	Yield	Price
Uninsured Bonds					
	4/1/2022	1,175,000	4.000%	0.380%	103.819
	4/1/2023	1,335,000	4.000%	0.520%	107.115
Insured Bonds					
	4/1/2024	1,390,000	4.000%	0.620%	110.223
	4/1/2025	1,445,000	4.000%	0.770%	112.880
	4/1/2026	1,500,000	4.000%	0.930%	115.134
	4/1/2027	1,560,000	5.000%	1.070%	122.993
	4/1/2028	1,640,000	5.000%	1.240%	125.335
	4/1/2029	1,720,000	5.000%	1.400%	127.342
	4/1/2030	1,810,000	5.000%	1.550%	129.050
	4/1/2031	1,900,000	5.000%	1.650%	130.929
	4/1/2032	1,995,000	5.000%	1.730%	130.068 C
	4/1/2033	2,095,000	5.000%	1.790%	129.426 C
	4/1/2034	2,200,000	5.000%	1.860%	128.682 C
	4/1/2035	2,310,000	5.000%	1.910%	128.154 C
	4/1/2036	2,420,000	5.000%	1.930%	127.943 C
	4/1/2037	2,545,000	5.000%	1.970%	127.523 C
	4/1/2038	2,670,000	5.000%	2.010%	127.105 C
	4/1/2039	2,805,000	5.000%	2.050%	126.688 C
	4/1/2040	2,945,000	5.000%	2.080%	126.377 C
	4/1/2041	3,095,000	5.000%	2.120%	125.963 C

C=Priced to Call

##### Redemption Provisions:

Optional Redemption. Those of the Series 2021 Bonds having a stated maturity on April 1, 2032, and thereafter will be subject to redemption prior to their respective maturities, at the option of the University, as a whole or in part, on April 1, 2031, and on any date thereafter (and if in part, in such maturities as the University shall select, and if less than all of a single maturity is to be redeemed those to be redeemed to be selected by the Trustee by lot) at and for a redemption price with respect to each Series 2021 Bond (or principal portion thereof redeemed) equal to the par or face amount of each Series 2021 Bond redeemed plus accrued interest to the date fixed for redemption.



## EXHIBIT C

### UNIVERSITY OF SOUTH ALABAMA University Facilities Revenue Bonds, Series 2021

#### FORM OF ISSUE PRICE CERTIFICATE

##### Issue Price Certificate

This certificate is being delivered by Raymond James & Associates, Inc. (the "Representative") in connection with the issuance by the University of South Alabama (the "University") of its \$40,555,000 University Facilities Revenue Bonds, Series 2021 (the "Series 2021 Bonds"). The Series 2021 Bonds have been purchased from the University by the underwriters (the "Underwriters") identified in the Bond Purchase Agreement dated February 25, 2021 (the "Bond Purchase Agreement") between the University and the Representative, on behalf of the Underwriters. Capitalized terms not otherwise defined in this certificate have the meaning assigned in the Bond Purchase Agreement.

The Representative, on behalf of the Underwriters, hereby certifies with respect to the sale and issuance of the Series 2020 Bonds:

1. **Pricing Wire.** Attached to this certificate as *Appendix 1* is the pricing wire or equivalent communication establishing the Initial Offering Prices of the Series 2020 Bonds as of the Sale Date. The offering prices in the pricing wire are the same as the Initial Offering Prices identified in Exhibit A to the Bond Purchase Agreement.

2. **Offering at the Initial Offering Prices.** The Underwriters offered the Series 2020 Bonds to the Public for purchase at the Initial Offering Prices identified in Exhibit A to the Bond Purchase Agreement.

3. **Sale of the General Rule Maturities.** Exhibit A to the Bond Purchase Agreement correctly identifies each Maturity of the Series 2021 Bonds for which the 10% Test was satisfied as of the Sale Date.

4. **Defined Terms.** In addition to the terms defined elsewhere in this certificate, the following definitions apply for purposes of this certificate:

(a) *General Rule Maturity* means each Maturity of the Series 2021 Bonds identified in Exhibit A to the Bond Purchase Agreement for which the 10% test was satisfied as of the Sale Date.

(b) *Hold-the-Issue-Price Maturity* means each Maturity of the Series 2021 Bonds identified in Exhibit A to the Bond Purchase Agreement for which the 10% test was not satisfied as of the Sale Date.

(c)  *Holding Period*  means, with respect to a Hold-the-Issue-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of business on the fifth business day after the Sale Date or (ii) the date on which the Underwriters sold at least 10% of such Hold-the-Issue-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Issue-Price Maturity.

(d)  *Maturity* , when used with respect to the Series 2021 Bonds, means Series 2021 Bonds with the same credit and payments terms. Series 2021 Bonds with different maturity dates, or Series 2021 Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(e)  *Public*  means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to the Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f)  *Sale Date*  means the date of execution of the Bond Purchase Agreement by all parties.

(g)  *Underwriter*  means (i) any person that agrees pursuant to a written contract with the University (or with the lead underwriter for form an underwriting syndicate) to participate in the initial sale of the Series 2021 Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Series 2021 Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2021 Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The Representative understands that the forgoing information will be relied upon the University with respect to certain of the representations set forth in the Tax Certificate and Agreement executed by them and with respect to compliance with the federal income tax rules affecting the Series 2021 Bonds, and by bond counsel (Bradley Arant Boult Cummings, L.L.P.) in connection with rendering its opinion that interest on the Series 2021 Bonds is excluded from gross income for federal income tax purposes, the preparation of Form 8038-G, and other federal income tax advice that it may give to the University from time to time relating to the Series 2021 Bonds.

Dated: March \_\_\_\_, 2021

Raymond James & Associates, Inc,  
as Representative of the Underwriters

By: \_\_\_\_\_  
(signature)

Name: \_\_\_\_\_  
(print name)

Title: \_\_\_\_\_

**EXHIBIT III**  
**PRELIMINARY OFFICIAL STATEMENT**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 17, 2021**

	<b>RATINGS:</b>		
	<b>Bond Insurance</b>		
	<b>Applied For<sup>(1)</sup></b>		
<b>Moody's:</b>	<b>Underlying</b>	<b>A1</b>	<input type="checkbox"/>
<b>S&amp;P:</b>	<b>A+</b>		<input type="checkbox"/>

**NEW ISSUE - BOOK-ENTRY ONLY**

In the opinion of Bond Counsel to the University, under existing law and assuming the accuracy of certain representations and certifications and compliance by the University with certain tax covenants, interest on the Series 2021 Bonds will be excluded from gross income for federal income tax purposes. Bond Counsel to the University is of the further opinion that, under existing law, interest on the Series 2021 Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" herein for further information and certain other federal tax consequences arising with respect to the Series 2021 Bonds. Bond Counsel to the University is also of the opinion that, under existing law, interest on the Series 2021 Bonds is exempt from Alabama income taxation.

See "RATINGS" herein



**University of South Alabama**  
**\$39,970,000\***  
**University Facilities Revenue Bonds**  
**Series 2021**

**Dated: Date of Delivery**

**Due: April 1, as shown on inside cover**

**FOR MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIPS, SEE INSIDE COVER**

The \$39,970,000\* University Facilities Revenue Bonds, Series 2021 (the "Series 2021 Bonds") will be issued as fully registered bonds without coupons in denominations of \$5,000 and any integral multiple thereof pursuant to a book-entry only system to be administered by The Depository Trust Company ("DTC") and, when issued, will be registered in the name of and held by Cede & Co., as nominee. Purchases of beneficial interests in the Series 2021 Bonds will be made in book-entry form only and purchasers of a beneficial interest in the Series 2021 Bonds ("Beneficial Owners") will not receive physical delivery of the certificates representing their interests in the Series 2021 Bonds. The principal of and interest on the Series 2021 Bonds will be paid directly to DTC, so long as DTC or its nominee is the registered owner of the Series 2021 Bonds. The final disbursements of such payments to the Beneficial Owners of the Series 2021 Bonds will be the responsibility of the DTC Participants and the Indirect Participants, all as defined and more fully described in this Official Statement under the caption "THE SERIES 2021 BONDS - General Description" and in Appendix D hereto.

The Series 2021 Bonds are being issued by the University of South Alabama (the "University") pursuant to that certain University Facilities Revenue Trust Indenture between The Bank of New York Mellon Trust Company, N.A., as trustee, and the University dated as of February 15, 1996 (as heretofore supplemented and amended and as further supplemented and amended by an Eighteenth Seventeenth Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2021 Bonds, the "Indenture") to (i) pay the costs of various capital improvements at the University hereafter described as the "2021 Improvements", and (ii) pay the costs of issuing the Series 2021 Bonds. The principal of and interest on the Series 2021 Bonds are limited obligations of the University payable from and secured solely by the Pledged Revenues, as defined and further described herein.

Certain Series 2021 Bonds are subject to redemption prior to maturity on such terms and as more fully described herein.

The Series 2021 Bonds are not obligations or debts of the State of Alabama (the "State") nor will any principal of or interest on the Series 2021 Bonds be paid out of any moneys provided for or appropriated to the University by the State of Alabama. The Series 2021 Bonds are special and limited obligations of the University, secured by a pledge of and payable solely from certain fees and revenues of the University as described herein and in the Indenture. Neither the Series 2021 Bonds nor the pledge of the said fees and revenues and other agreements provided in the Indenture shall be or constitute a general obligation of the University or an obligation of any nature whatsoever of the State, or be payable out of any moneys appropriated by the State to the University.

The Series 2021 Bonds are offered when, as and if issued by the University and received by the Underwriters, subject to prior sale, to withdrawal or modifications of the offer without notice, and to the approval of legality of the Series 2021 Bonds by Bradley Arant Boult Cummings LLP, Bond Counsel to the University. Hand Arendall Harrison Sale LLC, Mobile, Alabama, will render an opinion on behalf of the Underwriters. It is expected that the Series 2021 Bonds in definitive form will be available for delivery through DTC on or about \_\_\_\_\_, 2021.

**HANCOCK WHITNEY  
INVESTMENT SERVICES**

**RAYMOND JAMES  
SECURITIES CAPITAL**

**THE FRAZER LANIER COMPANY  
INCORPORATED**

<sup>(1)</sup> The University has applied for, but has not yet received pricing quotes respecting, municipal bond insurance for the Series 2021 Bonds. It is uncertain as of the time of the circulation of this Preliminary Official Statement whether such insurance will be obtained for any of the Series 2021 Bonds. Prospective investors should assume no municipal bond insurance will be obtained for any of the Series 2021 Bonds.

\* Preliminary; subject to change.

## MATURITIES, AMOUNTS, RATES, YIELDS & CUSIPS

\$39,970,000\*

### UNIVERSITY OF SOUTH ALABAMA University Facilities Revenue Bonds Series 2021

<b>Maturity (April 1)</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIPs<sup>(1)</sup></b>
2022	\$1,090,000			
2023	1,270,000			
2024	1,340,000			
2025	1,405,000			
2026	1,470,000			
2027	1,550,000			
2028	1,625,000			
2029	1,705,000			
2030	1,790,000			
2031	1,885,000			
2032	1,980,000			
2033	2,075,000			
2034	2,180,000			
2035	2,285,000			
2036	2,400,000			
2037	2,520,000			
2038	2,645,000			
2039	2,780,000			
2040	2,915,000			
2041	3,060,000			

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\* Preliminary; subject to change.

<sup>(1)</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the University and are included solely for the convenience of the registered owners of the Series 2021 Bonds. The University and the Underwriters are not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness by the University on the Series 2021 Bonds and by the Underwriters on the Series 2021 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2021 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2021 Bonds.

**UNIVERSITY OF SOUTH ALABAMA**

**MEMBERS OF THE BOARD OF TRUSTEES**

Kay Ivey, Ex Officio  
Katherine Alexis Atkins  
Scott A. Charlton  
E. Thomas Corcoran  
Steven P. Furr  
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Arlene Mitchell  
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**PRESIDENT**

Dr. Tony G. Waldrop

**VICE PRESIDENT FOR FINANCE AND ADMINISTRATION**

G. Scott Weldon

**BOND COUNSEL**

Bradley Arant Boult Cummings LLP  
Birmingham, Alabama

**FINANCIAL ADVISOR**

PFM Financial Advisors LLC  
Huntsville, Alabama

**UNDERWRITERS**

Raymond James & Associates, Inc.  
Hancock Whitney Investment Services Inc.  
Securities Capital Corporation  
The Frazer Lanier Company Incorporated

**COUNSEL TO UNDERWRITERS**

Hand Arendall Harrison Sale LLC  
Mobile, Alabama

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Certain information contained in or incorporated by reference in this Official Statement has been obtained by the University from DTC and other sources that are deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the Underwriters or the University.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriters. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

No dealer, broker, salesperson or any other person has been authorized by the University or the Underwriters to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the inside cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2021 Bonds.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information based on the University's beliefs as well as assumptions made by and information currently available to the University. *See* "FORWARD LOOKING STATEMENTS" herein.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2021 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2021 BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC rule 15c2-12.



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## **OFFICIAL STATEMENT**

pertaining to

### **UNIVERSITY OF SOUTH ALABAMA**

**\$39,970,000\***

#### **University Facilities Revenue Bonds Series 2021**

### **INTRODUCTORY STATEMENT**

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to provide information in connection with the issuance by the University of South Alabama of the above-referenced Series 2021 Bonds (the "Series 2021 Bonds"), dated their date of initial delivery and issued as additional parity bonds under a University Facilities Revenue Trust Indenture dated as of February 15, 1996, between the University of South Alabama and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as previously supplemented and amended (the "Base Indenture") and as further supplemented and amended by an Eighteenth Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2021 Bonds (the Base Indenture, as so supplemented and amended, the "Indenture").

Definitions of certain words and terms having initial capital letters used herein are defined in the Indenture or in the instrument or document in the description of which such word or term is used. Reference is hereby made to the full text of the documents and instruments briefly described herein which may be obtained from the Underwriters or from the University during the period of the offering.

The Governor, the State Superintendent of Education and the appointed trustees together constitute a public body corporate under the name University of South Alabama (the "University"). The University is located in the City of Mobile, Alabama.

#### **Purpose of the Issue**

Proceeds of the Series 2021 Bonds will be applied: to pay the costs of (i) certain public capital improvements on the campus of the University consisting of improvements and assets to increase capacity within USA Health, a division of the University, including without limitation a new medical office building, operating room expansion and pediatric emergency room construction, and other improvements and assets, and (ii) public roadway improvements, sidewalk improvements, retention pond improvements, utility improvements, and other public capital improvements, equipment and assets for the University (herein collectively called the "2021 Improvements"). Proceeds will also be used to pay the costs of issuing the Series 2021 Bonds.

Proceeds from the sale of the Series 2021 Bonds to pay the costs of the 2021 Improvements will be held in one or more special funds established by the University (the "2021 Improvements Construction Fund").

#### **Security**

The Series 2021 Bonds are limited obligations of the University payable from, and secured solely by a pledge of, the Pledged Revenues, as more fully described below under "SECURITY AND SOURCE OF PAYMENT - Sources of Payment and Pledged Revenues." The Pledged Revenues include a pledge of the General Fees levied against students enrolled at the University and any additional fees and revenues that may in the future be subjected to the lien of the Indenture pursuant to a Supplemental Indenture, a pledge of the gross revenues derived from certain auxiliary enterprises services furnished by the University, and an amount not exceeding \$10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's & Women's Hospital, each as described herein. See "SECURITY AND SOURCE OF PAYMENT - Sources of Payment and Pledged Revenues."

The Series 2021 Bonds will not constitute a charge against the general credit of the University and will not be payable from moneys appropriated to the University by the State of Alabama. The University has no taxing power. The State of Alabama will not be liable in any manner for the payment of the principal and interest on the Series 2021 Bonds. Holders of the Series 2021 Bonds shall never have the right to demand payment of the Series 2021 Bonds from the University from any source other than the special funds established under the Indenture and the Pledged Revenues and shall be entitled to payment from such sources only on a parity basis with all other bonds outstanding under the Indenture.

### **Existing and Additional Parity Bonds**

The Indenture permits the University to issue additional bonds that will be secured by and be payable from Pledged Revenues on parity of lien with the Outstanding Bonds (defined below), the Series 2021 Bonds and any Additional Bonds (defined below) issued hereafter. For a description of the Outstanding Bonds (i.e., Bonds already outstanding under the Indenture that are secured by and payable from Pledged Revenues on parity of lien with the Series 2021 Bonds), *See* "SECURITY AND SOURCE OF PAYMENT – General." For a description of the terms of the Indenture for the issuance of Additional Bonds in the future, *See* "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Bonds."

## **THE COVID-19 PANDEMIC**

### **General**

*Background.* The spread in early 2020 of the novel coronavirus and the disease it causes named "coronavirus disease 2019" (abbreviated "COVID-19"), along with various governmental measures taken to protect public health in light of the pandemic, has had an adverse impact on travel, commerce and financial markets globally, and has adversely affected economic growth worldwide. COVID-19 has negatively impacted, and is expected to continue to negatively impact, national, state and local economies, most private and public industries, and institutions of higher education like the University. The extent to which COVID-19 impacts the University's financial condition, the receipt of Pledged Revenues or the University's ratings will depend on future developments, some of which are not within the University's control. No assurances can be given that other pandemic events will not occur in the future. The nature, extent and impact of such events on the University cannot be predicted with certainty, but it is possible they could have a material adverse impact on the University's financial condition, the receipt of Pledged Revenues or the University's ratings.

*Proclamations and Orders.* On March 13, 2020, President Trump declared a national emergency under the National Emergencies Act. On the same day, Governor Kay Ivey declared a state public health emergency due to COVID-19 and subsequently issued supplemental state of emergency proclamations in place as of the date of this Official Statement. The Governor and the State Health Officer have also issued a series of orders to address the spread of COVID-19, including orders that (i) every person in the state stay at his or her place of residence except to perform certain essential activities, (ii) required closure of certain non-essential businesses, (iii) essential businesses must comply with certain social distancing and sanitation requirements, (iv) prohibited non-work related gatherings of 10 or more persons, and non-work related gatherings of any size that cannot maintain a consistent six-foot distance between persons and (v) closed all beaches in the state. In-person instruction or classes at all schools, public and private, including elementary, secondary, postsecondary, technical or specialty schools, and colleges and universities, were prohibited starting March 20, 2020. Subsequent orders lifted some of the restrictions on business, education, social and other activities – including the prohibition on in-person instruction at all schools. Such measures have had, and will continue to have, a materially negative impact on national, state and local economies, including without limitation the University and the economy of the areas surrounding it.

Additional orders addressing the spread of COVID-19 in the state, or addressing the impact of new strains of that virus or similar viruses, may be issued by the Governor, the State Health Officer, or others in the future. Such orders may, among other things, add additional restrictions on in-person operations or activities in the state, extend existing restrictions or continue the process of easing restrictions. This could include restrictions on in-person instruction or classes at public and private colleges and universities, such as the University. The University is unable to predict the ultimate duration or impact of any present or future COVID-19-related orders or similar restrictions.

*Uncertainty as to Future Impact.* The implications of COVID-19 are continually changing. While vaccines to treat COVID-19 have been produced by major pharmaceutical companies and are being administered throughout the United States and other parts of the world, such vaccines are not expected to be universally available until much later this year, and the long-term effectiveness of such vaccines are unknown. It is also not certain that such vaccines will be effective against new strains of the virus, which are starting to emerge in other parts of the world.

The University cannot predict with reasonable certainty the range of impacts, or the magnitude of the impacts, of the pandemic (and of any potential future pandemics or similar responses to COVID-19 and COVID-19 related viruses) on the University, including the impact on the receipt of Pledged Revenues. The financial impacts could be adverse and meaningful, and could have a long-term duration; resulting in material reductions in the amount of Pledged Revenues received by the University.

## **University Operations**

*General Impact.* The outbreak of COVID-19 has affected travel, commerce and financial markets globally, in the United States, in the State of Alabama and with various public entities within the state such as the University. The University continues to assess the impact of COVID-19 on social interaction, travel, economies and financial markets, and the responsive measures related thereto, on its financial condition and operations, including the impact on general academic and educational activities and auxiliary enterprises and the revenues derived therefrom.

As noted above, in-person instruction or classes at all schools, including without limitation institutions of higher education like the University, was prohibited effective March 20, 2020. For the Spring 2020 term, delivery of all instruction was moved to an online format in March 2020 and required that students, where possible, vacate on-campus residence halls. All instruction for the May and Summer terms of 2020 was delivered online and residence calls remained largely closed.

*Material Expenditures.* As a result of the COVID-19 pandemic, the University refunded students \$3,754,591.19 in housing and meal plan fees due to the shortened Spring 2020 semester (of which amount the University was reimbursed \$3,604,534.53 from CARES Act funding). The University also provided financial support grants to students who were enrolled at the University during the Spring 2020 semester and impacted by the pandemic. These grants totaled approximately \$5,700,000 and were funded in full by CARES Act funding. Additionally, there were certain other costs associated with moving course instruction online in the Spring of 2020 that were also covered by CARES Act funds.

Many elective surgeries and procedures at USA Health, a division of the University, were delayed during the Spring and early summer of 2020 due to the COVID-19 pandemic. This delay, however, did not have a material negative impact on the University or USA Health.

All other unreimbursed COVID-19 and pandemic response expenses of the University (including its division, USA Health) were not material.

*Pandemic Response Plan.* Shortly after declaration of the pandemic, the University undertook an extensive, proactive response to the COVID-19 pandemic. The University formed several committees and task forces to design policies and procedures to mitigate and respond to the challenges presented to the University and USA Health by COVID-19 and the resulting pandemic, and to help safeguard the financial posture of the University. The University's pandemic response has multiple facets and continues to evolve as the pandemic unfolds. Management took precautionary steps to enhance operational and financial flexibility and to react to the risks the COVID-19 pandemic presents to operations, including the following:

- Establishment of a campus-wide contact tracing office to minimize the spread of the virus and therefore minimize the financial impact on the University.
- As more particularly described below, establishment of a campus-wide reopening committee to address COVID-19 issues related to the reopening of campus, including the return of employees and students to an in-person environment.

- Revisions to the student housing model by increasing the number of single occupant rooms and creating an isolation facility within housing for students who become COVID-19 positive.
- Implementation of a temporary 4.50% pay reduction in lieu of a one-day per month unpaid furlough for most campus employees from May through August of 2020. (This unpaid furlough plan ultimately ended, and funds were returned to employees who remained employed at the time the funds were returned due to positive 2020 fiscal year financial results for the University.)
- Elimination of certain positions, mostly unfilled, in academic and administrative areas.

*Fall 2020 Reopening.* That portion of Governor Kay Ivey's order (described above) limiting in-person instruction or classes at schools and institutions of higher education such as the University was removed by the start of the Fall 2020 semester, and in anticipation of the same the University developed a comprehensive plan for safe and effective delivery of on-campus instruction. Primary highlights of the University's reopening plan include:

- Blended class attendance options to include an online component and some face-to-face instruction with social distancing.
- All students, faculty and staff required to complete a health screening form before returning to work, activities or classes on campus, and potential referral for testing if screening indicates issues or concerns.
- Employees and students regularly coming to campus required to complete a daily health screening via the University's online daily health verification system known as "Jag Healthcheck".
- On campus health screening, COVID-19 testing and contact tracing as needed to maintain the health and safety of campus.
- Requirements for all faculty and staff, as well as students attending on-campus classes and activities, are required to complete health and safety education sessions.
- Face masks required in most circumstances, with the University providing two washable, reusable face masks, free of charge, to every student and employee.

The University adjusted its 2020 Fall calendar by delaying move-in (by appointment only) to residence halls to August 8, 2020, stretching assigned move-in dates/times to residence halls over a longer period in order to reduce density of people in campus on move-in days, commencing class instruction on August 17, 2020, and completing fall classes by November 24, 2020. The University eliminated the traditional "fall break" between Thanksgiving and winter holidays and implemented online final exams that concluded on December 4, 2020, to reduce the need for students travel following the Thanksgiving holiday.

Fall 2020 enrollment for the University was down approximately 1.2% compared to Fall 2019. *See* "CERTAIN GENERAL INFORMATION RESPECTING THE UNIVERSITY – Student Enrollment and Trends" for a discussion regarding the University's strategy to increase admission and enrollment.

The University also created the "University of South Alabama COVID-19 Dashboard" containing information on the number of positive COVID-19 cases on the University's main campus that have been reported to USA's contact tracing team. All employees and students are required to immediately report confirmed or suspected cases of COVID-19 to the University's contact tracing team. This framework was created to promote safe

learning spaces and flexible instructional delivery, while allowing schools, departments and faculty the autonomy necessary to implement strategies that address the unique and specialized needs of each academic program and course. Additional information concerning policies, procedures and other protective measures the University has implemented may be accessed on the University's website at <https://www.southalabama.edu/coronavirus>.

*Spring 2021.* For the Spring 2021 semester, residence halls opened on January 18, 2021, classes commenced on January 19, 2021, and the semester is scheduled to end on April 30, 2021. The University will not have a traditional "spring break", but will have various student breaks throughout the Spring 2021 semester.

The University plans to continue its COVID-19 protocols, including hybrid (i.e., online and in-person) learning, COVID-19 testing and social distancing, for the duration of the Spring 2021 semester. Students on campus will complete training, screening and testing. The training is online and includes a video, a quiz, and a pledge. The screening is recommended daily, but required every three days. Testing protocols, including random testing, will continue throughout the semester.

Spring 2021 semester enrollment is down between 2% - 3% compared to Spring 2020. *See "CERTAIN GENERAL INFORMATION RESPECTING THE UNIVERSITY – Student Enrollment and Trends"* for a discussion regarding the University's strategy to increase admission and enrollment.

*Future Impact of COVID-19.* Notwithstanding its positive financial and operational results for the fiscal year ended September 30, 2020, the University faces uncertainty as to the financial impacts resulting from COVID-19 due to a variety of factors including, without limitation, possible lower student enrollment with resulting reduced housing occupancy and utilization of auxiliary services, increased facility cleaning costs, costs associated with the transition to remote learning, the economic slowdown nationally and in Alabama, levels of state and federal funding and the likely increase in demand for student financial aid as families experience reductions in income. The overall extent of the impact of COVID-19 on the University's operational and financial performance will depend on these and other future developments.

### **CARES Act and Other Funding**

*General.* The Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act (the "CARES Act") was signed into law on March 27, 2020. Among other purposes, the CARES Act provided economic relief to institutions of higher education and other similar entities for a number of situations including the provision of direct financial support for students in need, reimbursement for the costs incurred as a result of moving instruction online, to provide relief funds for healthcare providers for purposes of covering costs incurred and lost revenues due to the pandemic. As of September 30, 2020, the University (including USA Health) has been awarded \$31,437,000 in CARES Act and other funding from federal and state sources for COVID-19 relief. Of this amount, \$14,919,000 has been recognized as nonoperating revenue in the statement of revenues, expenses and changes in net position for the year ended September 30, 2020. The University (including USA Health) received additional CARES Act funding subsequent to September 30, 2020 of approximately \$2,177,800.

*Current Expenditures.* To date, the University has spent \$20,748,000 of CARES Act funding received, of which \$15,013,700 covered general University expenditures and \$5,734,300 cover University expenditures specific to USA Health. Federal regulations restrict and limit the types of expenditures for which CARES Act funds may be used. While the University has not identified the exact expenditures to be covered with the remaining balance of CARES Act funds received to date, it anticipates having costs for which most, if not all, of such funds may be applied.

*Additional Federal Aid.* On December 27, 2020, President Trump signed H.R.133, which includes the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (the "Supplemental Law"). The law provides supplemental relief for institutions of higher education to address the needs of students and institutions, enhanced protections for small businesses, funding for COVID-19 vaccines, testing and tracing, support for broadband, increased SNAP benefits, and more. The emergency spending package contains \$82 billion for education, with \$22.9 billion set aside for higher education. These funds would be distributed through a Higher Education Emergency Relief Fund (HEERF) structure, similar to the CARES Act.

USA expects to receive approximately \$18.2 million in funds through the Supplemental Law. Federal regulations restrict and limit the types of expenditures for which these funds may be used. The University has not identified the exact expenditures to be covered with these funds, but expects to have costs for which most, if not all, of such funding may be applied.

## **USA Health**

*Pandemic Response.* USA Health, a division of the University, undertook an extensive, proactive, multi-faceted response to the COVID-19 pandemic. On March 16, 2020, USA Health, in partnership with the City of Mobile, established a drive-up COVID-19 testing center. The center was first established on USA Health Children's & Women's Hospital's campus, then relocated to city-owned facilities in response to increased demand, extreme heat and rain conditions, and for the continued safety of medical personnel.

USA Health opened a new, 10-bed COVID unit, and converted additional hospital floors to isolate COVID-19 patients during peak times. A 15-bed adult COVID-19 unit was opened at USA Children's & Women's Hospital to handle overflow from USA Health University Hospital. USA Health also implemented and pursued various changes to internal operations and processes to respond to the pandemic, including:

- Restrictions placed on visitors of the hospitals, temperature screening stations established at all hospital and clinic entrances, and delivery of an app for hospital employees to screen for COVID-19 symptoms prior to approaching the hospital.
- Clinic operations were converted to telemedicine visits to reduce face-to-face office visits.
- A personal protective equipment committee was formed to address needs for employees to stay protected while caring for patients infected with COVID-19. This committee addressed utilization, donations of equipment and supplies, internal policies and procedures, staff training and communication related to personal protective equipment.
- An employee website <https://www.usahealthsystem.com/covid-19-employees> and email communication process was created for staff to receive immediate job-critical information and updates, such as personal protective equipment changes, policy and procedure changes, and employee COVID-19 testing procedures.
- A community-wide pandemic testing center was established to serve first responders at USA Health and within the local community.
- Hospital employees were furloughed under both paid and unpaid status types to address reductions in patient volumes.
- Voluntary, unpaid time off was requested from management level employees.
- A voluntary paid time off donation program was established to provide paid time to employees adversely affected by COVID-19 based furlough or illness.

*CARES Act and Other Funding.* A portion of CARES Act funding has been designated to the health care providers for purposes of covering costs incurred and lost revenues due to the pandemic. Subsequent to the passage of this legislation, the Department of Health and Human Services ("HHS") issued additional pronouncements which provides guidance on how healthcare providers can apply, receive and recognize this funding, certain provisions of which have been reversed/significantly modified in succeeding guidance.

The University received approximately \$11,838,000 in CARES Act funding for its USA Health (a division of the University) operations as of September 30, 2020, in both general and targeted distributions. Such funding is accounted for in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Exchange Transactions*, and will be recognized in the statement of revenue, expenses and changes in net position as nonoperating revenue once the applicable terms and conditions have been met. See [Appendix A](#) for additional information concerning the University's accounting of these funds.

Additionally, as part of the CARES Act, the Centers for Medicare and Medicaid Services ("CMS") expanded the existing Accelerated and Advance Payments Program ("MAAPS") to a broader group of healthcare providers. Accelerated or advance payments under the MAAPS program is intended to provide necessary funds when there is a disruption in claims submissions and processing for a healthcare provider. CMS can also offer these payments in circumstances such as a national emergency or natural disasters in order to accelerate cash flow to impacted healthcare providers. During the year ended September 30, 2020, USA Health received accelerated payments under this program of approximately \$35,156,000. These advances must be repaid and, as such, are reflected as unrecognized revenues in the accompanying 2020 statement of net position.

*Overall.* Government orders suspending elective surgical procedures have had an adverse effect on the operations of healthcare providers, including USA Health, primarily due to reduction in overall patient volumes. While patient volumes and revenues experienced gradual improvement starting in July 2020, management is unable to predict the future impact of the pandemic on USA Health's operations.

#### **Additional Considerations; Additional Information**

The continued spread of COVID-19 may additionally adversely affect the University's (i) governmental and non-governmental funding, grants and gifts, (ii) financial markets and, consequently, the returns on and value of the University's investments, and (iii) other sources of funding upon which the University relies to cover operating costs and expenses, such as the level of State support and appropriations therefrom which, although not pledged for payment of the Series 2021 Bonds, could materially and adversely impact the University's ability to generate Pledged Revenues.

The extent to which COVID-19, or other possible pandemic events in the future, impacts the University's operations, financial condition and ratings, cannot be predicted with certainty, but it is possible could have a material adverse impact on the University.

For additional information concerning the impact of COVID-19 on the finances and operations of the University, See [Appendix A](#) hereto, including Note (20) therein entitled "COVID-19 Pandemic."

## **THE SERIES 2021 BONDS**

### **General Description**

The Series 2021 Bonds will be dated their initial date of delivery, and will bear interest (payable on October 1, 2021, and on each April 1 and October 1 thereafter until maturity) at the rates and will mature on April 1 in the years and in the amounts set forth on the inside cover page of this Official Statement. The Series 2021 Bonds will be issuable only as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof.

The Series 2021 Bonds will be initially issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Series 2021 Bonds. Purchasers of such Series 2021 Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the Series 2021 Bonds are in the custody of DTC, references to Bondholders or Owners shall mean DTC or its nominee. DTC will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered securities in the name of Cede & Co., DTC's partnership nominee Cede or such other nominee as may be requested by an authorized representative of DTC. One fully-registered Series 2021 Bond certificate will be issued for each maturity of the Series 2021 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. See [Appendix D](#) hereto for DTC payment and other related provisions.



During any period in which the Series 2021 Bonds are not held in the Book-Entry System, principal of the Series 2021 Bonds will be payable at the designated corporate trust office of the Trustee upon presentation and surrender of the Series 2021 Bonds as they mature. Interest on Series 2021 Bonds will be paid by the Trustee by check or draft mailed to the persons who are the registered owners of record as of the close of business on the March 15 or September 15, as the case may be, immediately preceding each interest payment date by check or draft mailed to such owners at their addresses shown on the registry books of the Trustee pertaining to the Series 2021 Bonds.

No charge will be made for any exchange or transfer of the Series 2021 Bonds, but the registered owners thereof shall be responsible for paying all taxes and other governmental charges relating to such transfer or exchange. In the event a Series 2021 Bond is lost, stolen, destroyed or mutilated, the University and the Trustee may require satisfactory indemnification for the replacement thereof and may charge the holder or owner of such bond with their fees and expenses in connection with the replacement thereof.

### **Optional Redemption**

[Those of the Series 2021 Bonds having a stated maturity on [\_\_\_\_\_], and thereafter, will be subject to redemption prior to their respective maturities, at the option of the University, as a whole or in part, on [\_\_\_\_\_], and on any date thereafter (and if in part, in such maturities as the University shall select, and if less than all of a single maturity is to be redeemed those to be redeemed to be selected by the Trustee by lot) at and for a redemption price with respect to each Series 2021 Bond (or principal portion thereof redeemed) equal to the par or face amount of each Series 2021 Bond redeemed plus accrued interest to the date fixed for redemption.

### **Mandatory Redemption of the Series 2021 Bonds**

Those of the Series 2021 Bonds maturing on [\_\_\_\_\_] shall be subject to mandatory redemption and payment, and the University shall redeem and pay such Series 2021 Bonds, at and for a redemption price, with respect to each such Series 2021 Bonds or portion thereof redeemed, equal to the principal amount thereof plus accrued interest to the date fixed for redemption (those to be redeemed to be selected by the Trustee by lot) but only in the following aggregate principal amounts on April 1 in the following years:

<b>Year</b>	<b>Amount Required to be Redeemed</b>
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In the event that the University shall have partially redeemed Series 2021 having a stated maturity in [\_\_\_\_\_] or shall have provided for a partial redemption of such Series 2021 Bonds in such a manner that the Series 2021 Bonds for the redemption of which provision is made are considered as fully paid, the University may elect to apply all or any part (but only in integral multiples of \$5,000) of the principal amount of such Series 2021 Bonds so redeemed or to be redeemed to the reduction of the principal amount of Series 2021 Bonds required to be redeemed pursuant to the schedule set forth immediately above on any April 1 coterminous with or subsequent to the date such optional redemption actually occurs.

### **Notice of Redemption**

Notice of redemption (other than mandatory redemption) is required to be mailed by United States registered or certified mail to the registered owner of each Series 2021 Bond to be redeemed not more than sixty (60) nor less than thirty (30) days prior to the date fixed for redemption at the address shown on the registry books of the Trustee. No further interest will accrue after the date fixed for redemption on the principal of any Series 2021 Bond called for redemption upon notice duly given as provided in the Indenture and if payment therefor has been duly provided, and in such event any Series 2021 Bond (or portion thereof) called for redemption will no longer be protected by the provisions of the Indenture.

In the event that less than all of the outstanding principal of any Series 2021 Bond is to be redeemed, the registered owner thereof shall surrender the Series 2021 Bond that is to be prepaid in part to the Trustee in exchange, without expense to the owner, for a new Series 2021 Bond of like tenor except in a principal amount equal to the unredeemed portion of the Series 2021 Bond.

## SECURITY AND SOURCE OF PAYMENT

### General

The University has previously issued various series of Bonds under the Indenture, of which fifteen series of Bonds are currently outstanding before giving effect to the issuance of the Series 2021 Bonds. Those series of Bonds consist of the following:

- (a) \$25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012 (the "Series 2012-A Bond");
- (b) \$32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013 (the "Series 2013-A Bond");
- (c) \$8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013 (the "Series 2013-B Bond");
- (d) \$10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013 (the "Series 2013-C Bond");
- (e) \$41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014 (the "Series 2014-A Bond");
- (f) \$6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015 (the "Series 2015 Bond");
- (g) \$85,605,000 University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016 (the "Series 2016 Bonds");
- (h) \$20,000,000 University Facilities Revenue Refunding Bond, Series 2016-B, dated December 7, 2016 (the "Series 2016-B Bond");
- (i) \$35,000,000 University Facilities Revenue Refunding Bond, Series 2016-C, dated December 7, 2016 (the "Series 2016-C Bond");
- (j) \$45,000,000 University Facilities Revenue Refunding Bond, Series 2016-D, dated December 7, 2016 (the "Series 2016-D Bond");
- (k) \$38,105,000 University Facilities Revenue Bonds, Series 2017, dated June 15, 2017 (the "Series 2017 Bonds");
- (l) \$47,750,000 University Facilities Revenue Bonds, Series 2019-A, dated February 7, 2019 (the "Series 2019-A Bonds");
- (m) \$18,440,000 Taxable University Facilities Revenue Bonds, Series 2019-B, dated February 7, 2019 (the "Series 2019-B Bonds");
- (n) \$19,086,000 original principal amount University Facilities Revenue Bond, Series 2019-C, dated December 12, 2019 (the "Series 2019-C Bond"); and
- (o) \$37,005,000 original principal amount University Facilities Revenue Bonds, Series 2020, dated March 10, 2020 (the "Series 2020 Bonds").

The Series 2012-A Bond, the Series 2013-A Bond, the Series 2013-B Bond, the Series 2013-C Bond, Series 2014-A Bond, the Series 2015 Bond, the Series 2016 Bonds, the Series 2016-B Bond, the Series 2016-C Bond, the Series 2016-D Bond, the Series 2017 Bonds, the Series 2019-A Bonds, the Series 2019-B Bonds, the Series 2019-C Bond and the Series 2020 Bonds are herein collectively referred to as the "Outstanding Bonds." The Outstanding Bonds, the Series 2021 Bonds, and any Additional Bonds hereafter issued are referred to herein collectively as the "Bonds."

### **Sources of Payment and Pledged Revenues**

The Series 2021 Bonds will be issued under the Indenture, as supplemented and amended by an Eighteenth Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2021 Bonds (the "Eighteenth Supplemental Indenture") between the University and the Trustee, and will constitute limited obligations of the University payable solely from and secured by a lien on and a pledge of the Pledged Revenues (hereinafter defined) levied and collected by the University. The Series 2021 Bonds are secured pro rata and on an equal lien basis one with the other, with the Outstanding Bonds and with any Additional Bonds that may be hereafter issued under and subject to the terms and conditions of the Indenture, by a pledge of the Pledged Revenues.

The Series 2021 Bonds shall never be payable from any funds at any time provided for or appropriated by the State of Alabama and shall not be a charge on the general credit or tax revenues of the State of Alabama. Neither the State of Alabama nor the University shall be obligated, directly or indirectly, to contribute any funds, property or resources to the payment of the Series 2021 Bonds except the Pledged Revenues.

The Series 2021 Bonds are payable solely out of the Pledged Revenues as defined in the Indenture, as amended, on a parity of lien with the Outstanding Bonds and any Additional Bonds at any time issued under the Indenture. Pledged Revenues is defined in the Indenture as follows:

*"Pledged Revenues"* means the Auxiliary Enterprises Revenues, the Children's & Women's Hospital Revenues, the General Fees, and additional fees and revenues, if any, that may be subjected to the lien of the Indenture pursuant to a Supplemental Indenture.

*"Auxiliary Enterprises Revenues"* means the gross revenues derived from auxiliary enterprises services furnished by the University, including, without limitation, food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University.

*"Children's & Women's Hospital Revenues"* means an amount not exceeding \$10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's & Women's Hospital.

*"General Fees"* means all fees now or hereafter levied as a general tuition fee against students enrolled at the University.

### **Additional Bonds**

In the Indenture, the University has reserved the right to issue and deliver from time to time and at any time Bonds ("Additional Bonds") secured by a pledge of the Pledged Revenues on a parity with the Outstanding Bonds, the Series 2021 Bonds, and any other Additional Bonds then outstanding for any purpose permitted by law and upon compliance with certain requirements set forth under the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" below.

## **ANNUAL DEBT SERVICE REQUIREMENTS**

### **Estimated Debt Service Requirements of the Series 2021 Bonds**

The following sets forth the estimated debt service requirements of the Series 2021 Bonds on a fiscal year basis:

<b>Fiscal Year Ending September 30,</b>	<b><u>Principal*</u></b>	<b><u>Interest*</u></b>	<b><u>Total*</u></b>
2022	\$1,090,000	\$2,115,079	\$3,205,079
2023	1,270,000	1,944,000	3,214,000
2024	1,340,000	1,880,500	3,220,500
2025	1,405,000	1,813,500	3,218,500
2026	1,470,000	1,743,250	3,213,250
2027	1,550,000	1,669,750	3,219,750
2028	1,625,000	1,592,250	3,217,250
2029	1,705,000	1,511,000	3,216,000
2030	1,790,000	1,425,750	3,215,750
2031	1,885,000	1,336,250	3,221,250
2032	1,980,000	1,242,000	3,222,000
2033	2,075,000	1,143,000	3,218,000
2034	2,180,000	1,039,250	3,219,250
2035	2,285,000	930,250	3,215,250
2036	2,400,000	816,000	3,216,000
2037	2,520,000	696,000	3,216,000
2038	2,645,000	570,000	3,215,000
2039	2,780,000	437,750	3,217,750
2040	2,915,000	298,750	3,213,750
2041	3,060,000	153,000	3,213,000

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\* Preliminary; subject to change.

## Debt Service Requirements – Outstanding Bonds and the Series 2021 Bonds

The following table sets forth the scheduled debt service requirements on all Outstanding Bonds (assuming no exercise of Put Rights for the Series 2016 Put Bonds as more particularly described below) and the Series 2021 Bonds on a fiscal year basis:

Fiscal Year Ending Sept. 30	Series 2012-A	Series 2013 <sup>(1)</sup>	Series 2014-A <sup>(2)</sup>	Series 2015	Series 2016	Series 2016-B <sup>(3)</sup>	Series 2016-C <sup>(3)</sup>	Series 2016-D <sup>(3)</sup>	Series 2017 Bonds	Series 2019 Bonds <sup>(4)</sup>	Series 2020 Bonds	Series 2021 Bonds*	Total Debt Service*
2021	\$1,702,516	\$3,470,942	\$8,796,573	\$468,911	\$6,511,275	\$1,094,000	\$1,932,000	\$2,511,000	\$2,975,625	\$6,137,124	\$2,639,053	-	\$38,239,019
2022	1,704,928	3,470,942	8,764,199	459,520	6,509,900	1,094,000	1,932,000	2,511,000	2,978,875	6,176,182	2,622,200	\$3,205,079	41,428,825
2023	1,707,871	3,470,942	8,730,821	450,129	6,511,025	1,094,000	1,932,000	2,511,000	2,978,625	6,215,732	2,621,600	3,214,000	41,437,745
2024	1,709,000	3,470,941	8,685,623	440,918	6,509,275	1,094,000	1,932,000	2,511,000	2,979,750	6,257,567	2,624,400	3,220,500	41,434,974
2025	1,708,589	3,470,941	-	431,347	6,509,275	2,183,368	3,837,904	4,960,692	2,977,125	6,295,603	2,900,400	3,218,500	38,493,744
2026	1,711,363	3,470,942	-	421,956	6,515,400	2,177,545	3,826,709	4,944,748	2,981,688	6,341,736	2,903,600	3,213,250	38,508,937
2027	1,714,520	3,470,942	-	412,565	6,507,050	2,172,495	3,816,814	4,930,396	2,973,250	6,385,960	2,899,600	3,219,750	38,503,342
2028	1,716,929	3,470,942	-	403,251	6,510,200	2,166,053	3,804,431	4,912,760	2,980,375	6,436,123	2,902,100	3,217,250	38,520,414
2029	1,718,505	2,646,549	-	393,782	6,509,575	2,160,056	3,792,768	4,895,964	2,977,875	6,483,325	2,900,600	3,216,000	37,694,999
2030	1,717,616	2,646,549	-	384,391	6,513,325	2,153,312	3,779,738	4,877,317	2,975,750	5,648,528	2,905,100	3,215,750	36,817,376
2031	1,723,729	2,646,548	-	-	6,506,075	2,146,629	3,766,753	4,858,631	2,978,625	4,285,865	2,900,100	3,221,250	35,034,205
2032	925,002	2,646,548	-	-	6,507,325	2,138,817	3,751,725	4,837,216	2,981,125	4,287,333	2,900,850	3,222,000	34,197,941
2033	-	2,646,548	-	-	6,506,325	2,131,656	3,737,767	4,817,069	2,978,125	4,784,230	2,901,850	3,218,000	33,721,570
2034	-	-	-	-	6,507,450	2,123,900	3,722,695	4,795,377	2,979,375	4,560,250	2,902,850	3,219,250	30,811,147
2035	-	-	-	-	6,505,075	2,115,331	3,706,121	4,771,636	2,974,625	4,547,000	2,898,600	3,215,250	30,733,638
2036	-	-	-	-	6,508,950	2,105,729	3,687,661	4,745,344	2,978,500	4,833,750	2,902,000	3,216,000	30,977,934
2037	-	-	-	-	6,511,050	2,096,821	3,670,330	4,720,374	2,975,625	4,500,250	2,906,600	3,216,000	30,597,050
2038	-	-	-	-	6,501,075	-	-	-	1,640,000	4,486,500	2,902,200	3,215,000	18,744,775
2039	-	-	-	-	-	-	-	-	-	4,472,000	2,904,000	3,217,750	10,593,750
2040	-	-	-	-	-	-	-	-	-	4,156,500	2,901,600	3,213,750	10,271,850
2041	-	-	-	-	-	-	-	-	-	4,154,750	-	3,213,000	7,367,750
2042	-	-	-	-	-	-	-	-	-	4,156,500	-	-	4,156,500
2043	-	-	-	-	-	-	-	-	-	4,156,250	-	-	4,156,250
2044	-	-	-	-	-	-	-	-	-	4,158,750	-	-	4,158,750
2045	-	-	-	-	-	-	-	-	-	4,153,500	-	-	4,153,500
2046	-	-	-	-	-	-	-	-	-	4,155,500	-	-	4,155,500
2047	-	-	-	-	-	-	-	-	-	3,254,000	-	-	3,254,000
2048	-	-	-	-	-	-	-	-	-	3,298,750	-	-	3,298,750
2049	-	-	-	-	-	-	-	-	-	3,344,250	-	-	3,344,250

\* Preliminary; subject to change

<sup>(1)</sup> Includes the Series 2013-A Bond, the Series 2013-B Bond and the Series 2013-C Bond

<sup>(2)</sup> Interest on the Series 2014-A Bond is calculated at the net swap rate of 5.4553% under the 2014 Swap described herein.

<sup>(3)</sup> Interest on the Series 2016-B Bond, the Series 2016-C Bond and the Series 2016-D Bond is calculated at the net swap rate for each such bond of 5.47%, 5.52% and 5.58%, respectively, under the 2016 Swap described herein. The amortization shown for each of the 2016-B Bond, the 2016-C Bond, and the 2016-D Bond assumes no exercise of a Put Right prior to maturity, or that such indebtedness is refinanced on any Put Date so as to achieve the same current principal amortization and same net swap rate. See "Put Rights Respecting Certain Outstanding Bonds" below.

<sup>(4)</sup> Includes debt service on Series 2019-A Bonds, Series 2019-B Bonds and the Series 2019-C Bond.

## **Variable Rate Bonds**

Each series of Outstanding Bonds bears interest at a fixed rate, except the Series 2014-A Bond and the Series 2016-B Bond, the Series 2016-C Bond and the Series 2016-D Bond (collectively, the "Series 2016 Put Bonds"). The Series 2014-A Bond and the Series 2016 Put Bonds bear interest at variable rates. These variable rates are computed based on 68% of the one-month London Interbank Offered Rate ("LIBOR"), plus a set number of basis points that differs for each series. The University has entered into an interest rate exchange agreement respecting the Series 2014-A Bond and an interest rate exchange agreement respecting the Series 2016 Put Bonds. *See* "Derivatives" below for a discussion of these interest rate swap agreements.

## **Derivatives**

The University has entered an interest rate swap (the "2014 Swap") with Wells Fargo Bank, N.A., as successor to Wachovia Bank, N.A., (the "Counterparty"), respecting the Series 2014-A Bond. The notional amount of the 2014 Swap will at all times match the outstanding scheduled principal amount of the Series 2014-A Bond, and the 2014 Swap will mature on March 15, 2024. Under the 2014 Swap, the University pays a fixed rate of 4.9753% and receives 68% of one-month LIBOR plus 0.25%.

The University also has entered an interest rate swap (the "2016 Swap") with the Counterparty respecting the Series 2016 Put Bonds. Under the 2016 Swap, the University pays a fixed rate of 5.0% and receives 68% of one-month LIBOR plus 0.25%. The 2016 Swap matures on December 1, 2036. The combined principal amortization of the Series 2016 Put Bonds matches the notional amount on the 2016 Swap through its maturity; however, each of these Series 2016 Put Bonds contains a right exercisable at the sole discretion of the bondholder to cause such Bond to mature and become due and payable prior to its final maturity. *See* "Put Rights Respecting Certain Outstanding Bonds" below for a discussion of these put rights.

Pursuant to the terms of the 2014 Swap and the 2016 Swap, the University is required to post collateral from time to time equal to any then negative valuation of such swaps. For additional information regarding derivative exposure, *See* Note 9 of the University's audited financial statements for the fiscal year ended September 30, 2020 attached hereto at [Appendix A](#).

## **Put Rights Respecting Certain Outstanding Bonds**

Each of the Series 2016 Put Bonds has principal amortized from December 1, 2024, through and including December 1, 2036. However, each Series 2016 Put Bond contains a feature (a "Put Right") permitting its holder to cause all outstanding principal on such Bond to mature and become due and payable by the University on a date (such date, a "Put Date") before scheduled maturity.

The earliest Put Date for the Series 2016-B Bond is December 1, 2021, the earliest Put Date for the Series 2016-C Bond is December 1, 2023, and the earliest Put Date for the Series 2016-D Bond is December 1, 2026. For each Series 2016 Put Bond, the Put Right must be exercised at least 210 days before the applicable Put Date, and if not timely exercised, such right extends immediately to the succeeding bond year until timely exercised or such Bond reaches final maturity, whichever occurs first.

The University intends to refinance any Series 2016 Put Bond for which a Put Right is exercised so as to maintain the Bond's then-current principal amortization. While the University is not aware of any existing obstacles to its ability to refinance the Series 2016 Put Bonds, should Put Rights be exercised, market conditions, the financial condition of the University or the State of Alabama, and various other factors in existence at the time such rights are exercised could hamper or even prevent the University from refinancing Series 2016 Put Bonds as presently intended.

## Pledged Revenues

The following is a summary of the amount of General Fees, Auxiliary Enterprises Revenues and Children's & Women's Hospital Revenues collected by the University for the fiscal years ended September 30, 2016, through September 30, 2020:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Fees <sup>1</sup>	\$172,253,000	\$177,547,000	\$171,429,000	\$175,638,000	\$168,639,000
Auxiliary Enterprises Revenues <sup>1</sup>	30,008,000	29,413,000	26,996,000	22,587,000	20,244,000
Children's & Women's Hospital Revenues <sup>2</sup>	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total	<u>\$212,261,000</u>	<u>\$216,960,000</u>	<u>\$208,425,000</u>	<u>\$208,225,000</u>	<u>\$198,883,000</u>

<sup>1</sup>General Fees and Auxiliary Enterprises Revenues include amounts allocated to scholarship allowances for accounting purposes. General Fees and Auxiliary Enterprises Revenues net of scholarship allowances for fiscal year 2016 were approximately \$137,074,000 and \$28,861,000, respectively, for fiscal year 2017 were approximately \$141,949,944 and \$28,347,000, respectively, for fiscal year 2018 were approximately \$136,222,000, and \$25,907,000, for fiscal year 2019 were \$139,871,000 and \$21,484,000, respectively, and for fiscal year 2020 were \$129,644,000 and \$19,038,000, respectively.

<sup>2</sup> Only \$10,000,000 of the gross revenues from the USA Children's and Women's Hospital, in any fiscal year of the University, are pledged to payment of all the Bonds (*i.e.*, the Outstanding Bonds, the Series 2021 Bonds and any Additional Bonds hereafter issued). See "HEALTH CARE SYSTEM" below for total gross revenues from USA Children's and Women's Hospital for the years shown.

Reference is hereby made to the audited financial statements of the University for the fiscal year ended September 30, 2020, appearing as Appendix A hereto, and the audited financial statements of the University for the other periods which are available on EMMA (as defined herein). See "CONTINUING DISCLOSURE" below for a description of EMMA.

Upon issuance of the proposed Series 2021 Bonds, the total principal amount of indebtedness of the University payable from Pledged Revenues is estimated to be not greater than \$462,103,792.

## Maximum Annual Debt Service Requirement

The estimated Maximum Annual Debt Service Requirement respecting the Series 2021 Bonds and the Outstanding Bonds, based on the amortization schedule set forth above under "Debt Service Requirements – Outstanding Bonds and the Series 2021 Bonds", occurring in the fiscal year of the University ending September 30, 2023 (\$41,437,745), is covered 4.80 times by Pledged Revenues referable to the fiscal year of the University ended September 30, 2020 (\$198,883,000). See "Pledged Revenues" above. This coverage is based on the assumption that the Series 2016 Put Bonds mature in accordance with their scheduled principal amortization and without the exercise of Put Rights by any of the holders of those Bonds. See "Put Rights Respecting Certain Outstanding Bonds" above.

Assuming the exercise of the Put Right for each of the Series 2016-B Bond, the Series 2016-C Bond and the Series 2016-D Bond on the earliest date permitted (*i.e.*, December 1, 2021, for the Series 2016-B Bond, December 1, 2023, for the Series 2016-C Bond, and December 1, 2026, for the Series 2016-D), the estimated annual debt service for the University's fiscal years ending September 30, 2022, September 30, 2024, and September 30, 2027, would be \$61,428,824, \$75,340,973 and \$69,560,281, respectively, and the estimated maximum annual debt service requirement for the Series 2021 Bonds and the Outstanding Bonds would occur in the fiscal year of the University ending September 30, 2024 (\$75,340,973), and would be covered approximately 2.64 times by Pledged Revenues referable to the fiscal year of the University ended September 30, 2020 (\$198,883,000).

## Other University Debt

*USA Line of Credit.* On June 11, 2020, the University entered a short-term Revolving Line of Credit Agreement dated June 11, 2020 (the "Revolving Line of Credit Agreement") with Hancock Whitney Bank (in such capacity, "HW"), under which the University secured the right to borrow funds from time to time from

HW, up to \$50,000,000 as of any time outstanding, to cover operating costs and expenses of the University (the "HW Line of Credit"). Pursuant to the Revolving Line of Credit Agreement, interest on any drawing by the University accrues from the date of such drawing, until repaid, at a variable rate equal to the one-month LIBOR plus 150 basis points.

Like other public institutions, including universities and health care operators, the University secured this facility to ensure access to capital in light of the uncertain impact that COVID-19 and the resulting pandemic could have on University costs and finances. At the time the University authorized the Revolving Line of Credit Agreement, the Trustees approved and authorized, within certain limitations, (i) the power of the University to extend the HW Line of Credit for a period of up to three (3) years, and (ii) to secure an additional \$50,000,000 revolving line of credit (an "Additional Line of Credit").

To date, the University has not accessed any funds under the HW Line of Credit. The University has no plans or expectations to access funds under the HW Line of Credit, to extend the HW Line of Credit past its June 11, 2021 date of expiration or to enter into any Additional Line of Credit.

*Compass Loan.* On March 27, 2015, the University obtained a \$5,000,000 revolving line of credit facility (the "Compass Line of Credit") with Compass Bank ("Compass"). The University was permitted to borrow funds from Compass from time to time under the Compass Line of Credit so long as its outstanding principal balance did not exceed \$5,000,000. The Compass Line of Credit initially provided that principal amounts drawn thereunder would not become due until its April 14, 2018 maturity date. In July 2018, the University amended the Compass Line of Credit (as amended, the "Compass Loan") so that (i) the principal balance at that time of \$3,433,789 was fixed, (ii) additional draws would not be permitted, (iii) interest would be computed at a fixed rate of 3.85% and (iv) principal was amortized to become due and payable in annual installments over a period from 2018 through 2023. This obligation is not secured by Pledged Revenues, and Compass is not entitled to any rights or benefits under the Indenture respecting this obligation.

The Compass Loan is a general obligation of the University and is not secured by Pledged Revenues under the Indenture.

*RCA Lease.* On December 7, 2016, the University entered a Secured Equipment Financing Lease (the "RCA Lease") with Regions Capital Advantage, Inc. to finance a linear accelerator for use at USA Health Mitchell Cancer Institute. The principal component of this lease totals \$2,089,690, and interest is calculated at a fixed per annum rate of 1.88%. This lease reaches final maturity on October 7, 2022. The RCA Lease is subject to annual appropriation by the University, and on each payment date debt service is payable solely out of then-current funds of the University. Such payments are not secured by Pledged Revenues under the Indenture.

*Med One Capital Lease.* The University has entered a capital lease agreement with Med One Capital Funding, LLC for certain medical equipment to be used at USA Health University Hospital. Under this arrangement, the University makes monthly lease payments, over a period of 60 months, aggregating just under \$4,000,000, and pays a nominal price to acquire title to the equipment at conclusion of the lease. Payments under this lease are not secured by Pledged Revenues under the Indenture or other special funds or assets of the University.

*Energy Savings Agreement with Alabama Power.* The University has entered a ten (10) year agreement dated February 1, 2016 (the "Energy Savings Agreement") with Alabama Power Company ("APC") under which APC agrees to design, procure and install certain energy conservation equipment and measures to reduce energy and maintenance costs at USA Health University Hospital. Under this Agreement, the University pays APC \$18,882 per month over a period of 120 months (totaling \$2,265,840 in payments from the University). Payments under the Energy Savings Agreement are not secured by Pledged Revenues under the Indenture or other special funds or assets of the University.

*Master Lease Agreement with Hancock Whitney.* The University has entered a Master Lease Agreement dated June 13, 2019 (the "Master Lease Agreement") with Hancock Whitney Equipment Finance and Leasing, LLC ("Hancock Whitney") under and pursuant to which the University may request and receive extensions of



credit from Hancock Whitney to purchase up to \$10,000,000 in equipment for use by the University. Under the Master Lease Agreement, Hancock Whitney purchases and leases equipment requested by the University. Lease payments from the University include principal and interest components. To date, the University has incurred \$550,703.65 in funding under the Master Lease Agreement, which such amount bears interest at a fixed annual rate of 3.01% and is payable on a monthly basis (with equal monthly payments of principal and interest) from December 22, 2019, through and including November 22, 2023. Payments under the Master Lease Agreement are not secured by Pledged Revenues under the Indenture or other special funds or assets of the University.

*Rent Supplement Agreements for USARTC.* As more particularly described under the section entitled "RESEARCH & TECHNOLOGY CORPORATION", USARTC (hereinafter defined) is a not-for-profit corporation organized by the University to own and operate certain facilities on land of the University incident to research, technological and other enterprises. USARTC has financed these facilities through loans secured by rentals payable from tenants of these facilities to USARTC. There are two such loans currently outstanding; one with a remaining principal balance of \$12,004,155.53 bearing interest at a fixed annual rate of 4.35%, and the other with a remaining outstanding principal amount of \$8,500,000 bearing interest at a fixed annual rate of 3.08%.

For each such loan, the University has entered an agreement (each, a "Rent Supplement Agreement") under which the University agrees to cover any shortfall in payments owed as debt service. Payments under each Rent Supplement Agreement are not secured by Pledged Revenues under the Indenture or any other special funds or assets of the University.

#### **Future Debt**

In 2017, the Board of Trustees approved the University campus master plan, which covered the ten-year period from 2017 to 2027. Some of these projects (to cover capital improvements not appropriate for pay-as-you-go financing) may be funded through the issuance of long-term debt. To date, the construction of the on-campus football stadium (part of the said campus master plan) was funded with a portion of the proceeds of the Series 2019-A Bonds and Series 2019-B Bonds and other amounts.

The University intends to develop and construct a new building to house the USA College of Medicine. Plans for the new facility are still in the early stages, but during a recent visit to the University, the Governor announced a \$50.0 million commitment from the State for construction and development of the new facility. See "SUMMARY INFORMATION RESPECTING STATE AND PRIVATE FUNDING – Alabama Public School and College Authority Funding" herein. It is likely that the University will finance a portion of the costs of this facility through the issuance of one or more series of Additional Bonds secured by Pledged Revenues.

### **THE PLAN OF FINANCING**

The Series 2021 Bonds are being issued for the purpose of (i) paying the costs of certain public capital improvements on the campus of the University consisting of improvements and assets to increase capacity within USA Health, including without limitation a new medical office building, operating room and emergency room renovations and improvements, and other improvements and assets and (ii) paying the costs of public roadway improvements, sidewalk improvements, retention pond improvements, utility improvements, and other public capital improvements, equipment and assets for the University (herein collectively called the "2021 Improvements"). The Series 2021 Bonds are also being issued to pay the costs of issuing the Series 2021 Bonds.

### **ESTIMATED SOURCES AND USES OF PROCEEDS**

The estimated sources and uses of funds for the plan of financing with respect to the issuance of the Series 2021 Bonds are as follows:

**Sources of Funds**

Principal amount of Series 2021 Bonds  
[Plus/Less] [Net] Original Issue [Premium/Discount]

**Total Sources**

**Uses of Funds**

2021 Improvements  
Costs of Issuance<sup>1</sup>

**Total Uses**

<sup>1</sup> Includes underwriting discount, legal and accounting fees, printing costs, rating agency fees, financial advisory fees, and other expenses of issuance.

**CERTAIN GENERAL INFORMATION RESPECTING  
THE UNIVERSITY**

**General**

The University of South Alabama is a public body corporate of the State of Alabama existing under provisions of Act No. 157, Acts of Alabama, Second Special Session 1963, and Chapter 55 of Title 16 of the Code of Alabama 1975, as amended. The University is a comprehensive, coeducational, state-assisted institution, which serves as a major center of undergraduate, graduate, and professional education for Alabama, the Gulf Coast region and the southeastern United States.

The University's mission encompasses the three traditional academic functions of teaching, research, and public service through which it pursues the discovery, preservation and communication of knowledge. The University was admitted to membership in the Southern Association of Colleges and Schools on December 4, 1968.

Total enrollment for Fall 2020 was 14,224. Of those students, 9,046 were classified as undergraduate students, 5,174 were enrolled in graduate or professional programs, and four (4) were unclassified. For the academic year 2019-2020, the University awarded 3,498 degrees, of which 2,109 were Baccalaureate Degrees, 1,067 were Master's Degrees, 256 were Doctoral degrees, and 66 were M.D. degrees.

The University of South Alabama main campus, located in a section of Mobile called Springhill, consists of 1,200 wooded acres. The primary instructional buildings are contained on this campus, as well as the medical college and dormitory facilities. A 750-acre municipal park is adjacent to the main campus.

The University of South Alabama Baldwin County Campus was established as a branch campus in 1984 to better meet the needs of students located in Baldwin County, Alabama, and offers graduate courses, upper-level undergraduate courses, and non-credit courses/public service programs.

The University of South Alabama health system, known as USA Health, is composed of the USA Health University Hospital, the USA Children & Women's Hospital, the USA Health Mitchell Cancer Institute, and USA Health Ambulatory Services. USA Health provides primary and tertiary care for a multi-county service area. The USA Health University Hospital ("USAUH") is a 406-licensed bed hospital which includes a level one trauma center, a burn unit, and state-of-the-art facilities for internal medicine, surgery and cardiovascular diagnostic and treatment techniques. The USA Children's & Women's Hospital ("USACW") is a 152-Licensed bed facility specializing in pediatric, obstetric and gynecological services. USACW includes neonatal and pediatric intensive care nurseries, progressive care nurseries and other facilities for dealing with high-risk deliveries. In 2015, the 195,000 square foot expansion of USACW was placed into service. The USA Health Mitchell Cancer Institute ("USAMCI") is an academic cancer treatment and research enterprise housed in a state-of-the-art 125,000 square foot integrated clinical and research building. USA Health Ambulatory Services ("Ambulatory Services") is a 160-physician multi-specialty faculty practice dedicated to delivering leading-edge

care to patients and supporting the mission of the USA College of Medicine in the education and training of students and resident physicians and in the advancement of medical care through medical research. The Strada Patient Care Center, a 133,000 square foot building located near USACW, was placed in service in December 2016 and provides 153 patient exam rooms, 16 nurses' stations, and seven (7) educational conference rooms for use by University physicians.

For the 2019-2020 academic year, the University employed 831 full-time faculty persons. Approximately 32% of faculty members are tenured. The University employs 6,307 persons in all categories.

The main campuses in Mobile, Alabama, consists of 165 major buildings, including hospital and medical related facilities. Those facilities include buildings currently providing approximately 2,332 beds (with capacity to expand up to 2,400 beds, if needed) available for student residency on campus.

For its fiscal year ended September 30, 2020, the University reported grants and contracts revenue from Federal, State and private sources of approximately \$39,668,000, and an additional \$123,063,000 from direct State of Alabama legislative appropriations. Tuition and fees revenues reported during the fiscal year ended September 30, 2020 (net of scholarship allowances) were approximately \$129,644,000, and net patient service revenues from USA Health during such period were approximately \$554,431,000. See Appendix A.

*Summary Enrollment Profile - Fall 2020  
(excluding Medical Residents)*

	Fall 2020	
	Number	Percent
Covey College of Allied Health Professions	1,509	10.6%
College of Arts and Sciences	2,900	20.4%
Mitchell College of Business	1,148	8.1%
School of Computing	627	4.4%
College of Education & Professional Studies	2,003	14.1%
College of Engineering	1,048	7.4%
Graduate School	44	0.3%
College of Medicine	344	2.4%
College of Nursing	4,601	32.3%
<b>Total</b>	<u>14,224</u>	<u>100.0%</u>

USA offers programs leading to fifty-three baccalaureate degrees, thirty-eight master's degrees, an Education Specialist (Ed.S.) degree, twelve doctoral degrees, and a Medical Doctor (M.D.) degree. USA also offers a number of post-secondary certificates. In addition to the traditional on-campus course offerings, the University offers over two hundred and fifty online courses each semester to fit the needs of a diverse student body.

**Financial**

The following section contains certain financial information for the University, including a comparison of the revenues, expenses and changes in net position for the fiscal years 2016 through 2020 (dollars in thousands).

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Operating revenues:					
Tuition and fees, net	\$137,074	\$142,024	\$136,222	\$139,871	\$129,644
Net patient service revenue	360,657	390,931	416,034	491,796	554,431
Federal, state and private grants and contracts	38,187	36,853	34,093	36,647	39,668
Other	<u>88,943</u>	<u>92,674</u>	<u>66,730</u>	<u>62,527</u>	<u>58,949</u>
<b>Total</b>	624,861	662,482	653,079	730,841	782,692
Operating expenses:					

Salaries and benefits	460,219	483,113	486,156	495,123	491,791
Supplies and other services	198,518	219,362	255,145	268,416	285,289
Other	<u>65,530</u>	<u>64,942</u>	<u>78,081</u>	<u>79,492</u>	<u>81,216</u>
Total	724,267	767,417	819,382	843,031	858,296
Operating loss	<u>(99,406)</u>	<u>(104,935)</u>	<u>(166,303)</u>	<u>(112,190)</u>	<u>(75,604)</u>
Nonoperating revenues (expenses):					
State appropriations	105,024	107,332	108,268	115,209	123,063
Investment income (loss)	2,631	18,398	17,857	8,203	23,378
Other, net	<u>8,135</u>	<u>20,613</u>	<u>22,674</u>	<u>25,189</u>	<u>41,274</u>
Net nonoperating revenues	<u>115,790</u>	<u>146,343</u>	<u>148,799</u>	<u>148,601</u>	<u>187,715</u>
Income (loss) before capital appropriations, capital contributions, grants, and additions to endowment	16,384	41,408	(17,504)	36,411	112,111
Capital appropriations, capital contributions, grants and additions to endowment	<u>9,521</u>	<u>6,417</u>	<u>16,770</u>	<u>20,316</u>	<u>12,042</u>
Change in net position	<u>25,905</u>	<u>47,825</u>	<u>(734)</u>	<u>56,727</u>	<u>124,153</u>
Beginning net position, before cumulative effect of change in accounting principle	195,052	217,994	265,819	35,398	92,125
Cumulative effect of change in accounting principle	<u>(2,963)</u>	<u>-</u>	<u>(229,687)<sup>(1)</sup></u>	<u>-</u>	<u>-</u>
Beginning net position- as adjusted	<u>192,089</u>	<u>217,994</u>	<u>36,132</u>	<u>35,398</u>	<u>92,125</u>
Ending net position	<u>\$217,994</u>	<u>\$265,819</u>	<u>\$ 35,398</u>	<u>\$92,125</u>	<u>\$216,278</u>

<sup>(1)</sup> Active and retired employees of the University are covered by the Public Education Employees Health Insurance Plan ("PEEHIP"), which is a cost-sharing, multiple-employer defined benefit other post-employment benefit ("OPEB") plan administered by the Teachers Retirement System of Alabama. Alabama law requires the Public Education Employees Health Insurance Board to create an irrevocable trust to fund OPEB benefits to retirees participating in PEEHIP. In 2018, the University adopted the provisions of GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* ("GASB 75"). GASB 75 requires that the University recognize its proportional share of net OPEB liability, based on an actuarial valuation, and the OPEB expense, in the University's financial statements. See [Appendix A](#) – note (13) – "Other Post-Employment Benefit Plans".

The University's audited financial statements for the year ended September 30, 2020 are attached as [Appendix A](#).

## Faculty and Staff

Faculty and staff employees for the University were as follows at September 30 for the years shown:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Full-time faculty by rank:					
Professor	172	176	176	187	180
Associate Professor	185	186	186	179	194
Assistant Professor	352	353	342	339	313
Instructor	121	129	138	139	145
Lecturer	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
TOTAL	<u>831</u>	<u>845</u>	<u>843</u>	<u>845</u>	<u>833</u>
Full-time faculty by length of service:					
Up to 2 years	146	164	190	215	205
3-4 years	122	151	131	107	102
5-9 years	210	168	152	151	163
10-14 years	115	137	146	155	147
15+ years	<u>238</u>	<u>225</u>	<u>224</u>	<u>217</u>	<u>216</u>

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
TOTAL	<u>831</u>	<u>845</u>	<u>843</u>	<u>845</u>	<u>833</u>
Percent of faculty tenured	32.0%	31.0%	31.2%	31.8%	33.3%
Part-time faculty	N/A	431	440	428	429
Non-faculty	N/A	5,047	4,707	4,611	4,666
Total University employees	N/A	6,307	5,971	5,866	5,911

### Student Enrollment and Trends

*Enrollment Strategy.* As reflected in the tables below, since 2016 the University has experienced annual declines in total enrollment. This is attributable mostly to annual decreases in undergraduate enrollment. The University is addressing this trend through a strategy designed to better market the University to prospective students in general, and to better target those with higher probabilities of enrolling and matriculating through the University.

Specifically, the University has worked to increase on-campus visits. Tour activity increased more than 40% year-over-year (*i.e.*, Fall 2019 compared to Fall 2020). The University also increased its digital footprint by tripling electronic media name-buys and expanding other digital marketing tools. A new client relationship management system was employed by the University to enhance electronic mail and digital marketing programs. This system helps the University identify and communicate more proactively with those prospective students having higher likelihoods of interest in enrolling at the University.

Other efforts have included more proactive engagement of parents, college counselors, and others in the student recruitment processes. The University has also allowed students to apply with a "test-optional" strategy, and has incorporated a scholarship strategy that includes more need-based funding.

The University continues to focus on its transfer strategy and recruitment of international students. Fall 2021 transfer application activity has been tracking approximately 25% year-over-year (*i.e.*, Spring 2020 compared to Spring 2021). The University is also offering more merit-based scholarships to international students. The University anticipates enrolling more international students in Fall 2021 as this strategy takes hold and more travel pathways open. The University is also employing additional marketing resources with a focus of converting existing undergraduate students into students of the various graduate programs of the University, along with a potential increase in military-affiliated enrollment.

*Short-Term Results.* The University has been encouraged by the short-term results of its enrollment strategy. The University was able to better stabilize Fall 2020 enrollment by enrolling freshman at levels closer to Fall 2019 levels, and by experiencing gains in undergraduate student retention and graduation rates. The University experienced an increase in graduate students for the Fall 2020 semester, and for the subsequent Spring 2021 semester grew levels of new freshmen and transfer students by approximately 25%.

As of January 1, 2021, there was a 30% increase in Fall 2021 freshmen applications and accepted students compared to 2020. The University has a goal to grow freshmen by at least 15% for Fall 2021.

*Enrollment, Application, Acceptance and Related Trends.* The following tables present results for the periods indicated relating to student enrollment, applications, matriculations, and retention:

Total student enrollment by head count was as follows for the semesters shown:

	<u>Fall 2020</u>	<u>Fall 2019</u>	<u>Fall 2018</u>	<u>Fall 2017</u>	<u>Fall 2016</u>
Undergraduate	9,046	9,595	10,275	10,975	11,740
Graduate/Professional	5,174	4,796	4,541	4,581	4,682
Unclassified	<u>4</u>	<u>6</u>	<u>18</u>	<u>13</u>	<u>21</u>
Total	<u>14,224</u>	<u>14,397</u>	<u>14,834</u>	<u>15,569</u>	<u>16,443</u>

Applications, acceptances and matriculations for freshmen students:

	<u>Fall 2020</u>	<u>Fall 2019</u>	<u>Fall 2018</u>	<u>Fall 2017</u>	<u>Fall 2016</u>
Applications	8,057	6,282	6,488	5,855	6,087
Acceptances	5,877	4,929	5,132	4,798	4,882
Matriculations <sup>(1)</sup>	1,551	1,549	1,843	1,843	1,904
Percent of applicants accepted	72.9%	78.5%	79.1%	81.9%	80.2%
Percent of applicants enrolled	19.3%	24.7%	28.4%	31.5%	31.3%

<sup>(1)</sup> Reflects only first-time freshmen that started in the fall semester indicated.

Total enrollment by full-time equivalent:

	<u>Fall 2020</u>	<u>Fall 2019</u>	<u>Fall 2018</u>	<u>Fall 2017</u>	<u>Fall 2016</u>
Undergraduate	8,399	8,928	9,563	10,144	10,842
Graduate/Professional	<u>4,582</u>	<u>4,230</u>	<u>4,027</u>	<u>4,013</u>	<u>4,288</u>
Total	<u>12,981</u>	<u>13,158</u>	<u>13,590</u>	<u>14,156</u>	<u>15,130</u>

Retention rate for full-time freshmen entering in:

	<u>Fall 2019</u>	<u>Fall 2018</u>	<u>Fall 2017</u>	<u>Fall 2016</u>	<u>Fall 2015</u>
Number matriculated <sup>(1)</sup>	1,600	1,889	1,868	1,955	2,082
Number returned	1,223	1,400	1,390	1,517	1,524
Retention rate	76%	74%	74%	78%	73%

<sup>(1)</sup> Includes first-time freshmen that started in the fall semester indicated, plus first-time freshmen that started in the immediately preceding summer semester and reenrolled in the fall semester indicated.

**Graduation Rates**

Cumulative Graduation Rate:

<u>Fall Class</u>	<u>Number Matriculated</u>	<u>Four Years</u>		<u>Five Years</u>		<u>Six Years</u>	
		<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
2016	1,955	620	32%	N/A	N/A	N/A	N/A
2015	2,082	581	28%	894	43%	N/A	N/A
2014	2,030	537	26%	812	40%	908	45%
2013	1,825	449	25%	751	41%	834	46%
2012	1,886	408	22%	707	37%	820	43%
2011	1,826	342	19%	599	33%	726	40%
2010	1,654	262	16%	493	30%	623	38%

**Test Scores**

Average ACT scores of matriculated students for years shown:

<u>Fall 2020</u>	<u>Fall 2019</u>	<u>Fall 2018</u>	<u>Fall 2017</u>	<u>Fall 2016</u>
23.9	23.9	23.9	23.4	23.5

**Geographic Concentrations of Students**

	<u>Fall 2020</u>	<u>Fall 2019</u>	<u>Fall 2018</u>	<u>Fall 2017</u>	<u>Fall 2016</u>
Mobile County	5,038	5,099	5,313	5,655	6,088
Baldwin County	1,243	1,288	1,292	1,366	1,328
Other Alabama counties	2,850	3,128	3,274	3,278	3,186
Florida	1,028	975	1,007	1,033	1,066
Mississippi	1,306	1,231	1,201	1,147	1,217
Other states in the U.S.A.	2,526	2,364	2,362	2,353	2,363
International	<u>233</u>	<u>312</u>	<u>385</u>	<u>737</u>	<u>1,195</u>
Total	<u>14,224</u>	<u>14,397</u>	<u>14,834</u>	<u>15,569</u>	<u>16,443</u>

**Main Schools in Competitive Group and Listed Tuition – 2020-2021 Academic Year:**

	Undergraduate		Graduate	
	<u>Resident</u>	<u>Non-Resident</u>	<u>Resident</u>	<u>Non-Resident</u>
University of South Alabama	\$9,870	\$19,740	\$10,608	\$21,216
In-state reference group:				
Alabama A & M University	8,610	17,220	10,128	20,160
Alabama State University	8,328	16,656	9,888	19,776
Athens State University	6,180	12,360	6,936	12,000
Auburn University	10,080	30,240	10,080	30,240
Auburn University at Montgomery	9,990	22,440	10,104	22,728
Jacksonville State University	9,720	19,440	9,600	19,200
Troy University	9,750	19,500	10,200	20,400
University of Alabama	10,780	30,250	10,780	30,250
University of Alabama at Birmingham	10,710	25,500	10,800	25,584
University of Alabama in Huntsville	9,730	22,126	10,632	24,430
University of Montevallo	12,090	25,110	10,512	25,128
University of North Alabama	9,600	19,200	8,880	17,760
University of West Alabama	9,100	18,200	8,904	17,808
Mean of in-state reference group	9,590	21,403	9,803	22,305
Regional reference group:				
University of Southern Mississippi	8,786	10,786	8,786	10,786
University of New Orleans	8,772	13,608	9,108	13,678
University of West Florida	6,360	19,238	4,536	12,444
Mean of regional reference group	7,973	14,544	7,477	12,203

In-State Reference Group Source: Alabama Commission on Higher Education Annual Tuition Schedule

**Certain Fees and Charges**

The following shows the fee schedule for Undergraduate and graduate Arts and Sciences majors for the periods shown. The course fees for other majors are slightly higher. Except as otherwise indicated, course fees are per semester hour. Graduate School does not include the College of Medicine.

	<u>2020-2021</u>	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017</u>
Application fee	\$35	\$35	\$35	\$35	\$35

	<u>2020-2021</u>	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017</u>
Registration fee (charged only if enrolled in less than 15 semester hours)	150	150	150	150	150
Late registration fee	100	100	100	100	100
<i>In-state course fee, per semester hour</i>					
Undergraduate	329	329	329	313	302
Graduate	442	442	442	421	407
<i>Out-of-state course fee, per semester hour</i>					
Undergraduate	658	658	658	626	604
Graduate	884	884	884	842	814

### College of Medicine

Fees and certain charges for the College of Medicine were as follows for the periods indicated:

	<u>2020-2021</u>	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017</u>
Application fee	\$110	\$110	\$75	\$75	\$75
Resource fee	472	472	436	436	400
Course fee, academic year					
In-state	31,004	31,004	31,004	30,101	29,083
Out-of-state	62,008	62,008	62,008	60,202	58,166

### Degrees Awarded

The University awarded the following degrees for the academic years ending May 31 for the years shown below:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Baccalaureate	2,109	1,902	2,080	2,066	1,996
Masters	1,067	1,126	1,209	1,253	1,080
Para-professional certificates	216	207	273	188	169
Professional:					
M.D.	66	80	73	70	73
Ph.D.	37	33	25	31	32
Au.D.	9	13	11	11	10
D.P.T.	38	39	40	40	37
D.N.P.	166	157	185	96	135
Ed.D.	<u>6</u>	<u>16</u>	<u>10</u>	<u>8</u>	<u>1</u>
Total	<u>3,498</u>	<u>3,366</u>	<u>3,633</u>	<u>3,575</u>	<u>3,364</u>

### Student Financial Aid

The University awarded and paid financial aid at the following levels for the following academic years, as follows:

	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017</u>	<u>2015-2016</u>
Federal government:					
Student Loans	\$ 127,943,857	\$ 128,987,195	\$ 128,510,503	\$ 129,303,631	\$ 118,370,532



	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017</u>	<u>2015-2016</u>
Grants	19,780,863	21,951,792	21,855,448	20,719,720	20,258,516
Student employment	275,438	341,437	295,491	277,393	329,675
University:					
Loans	200,627	173,022	169,711	202,621	137,311
Scholarships	<u>27,357,552</u>	<u>29,944,597</u>	<u>26,338,719</u>	<u>25,093,131</u>	<u>18,924,943</u>
Total	<u>\$175,558,337</u>	<u>\$181,398,043</u>	<u>\$177,169,872</u>	<u>\$175,596,496</u>	<u>\$158,020,977</u>

## GOVERNING BODY

State law provides for a Board of Trustees as the governing body of the University with all of the rights, privileges and authority necessary to promote the purpose of its creation, which is to establish and provide for the maintenance and operation of a state university in Mobile County, Alabama. The Board of Trustees consists of sixteen members. The Governor is the ex officio President of the Board of Trustees. Three members of the Board of Trustees are appointed from Mobile County. Five members are appointed from the State at large. Two members are appointed from the United States at large. One member is appointed from each of the following state senatorial districts, or combinations thereof, as those districts were designated at the time the University was organized: (1) Sixteenth and Seventeenth Districts; (2) Nineteenth and Twentieth Districts; (3) Twenty-first District; (4) Twenty-third, Twenty-fifth, and Thirtieth Districts; and (5) Thirty-fifth District. All Trustees, except ex officio members, are appointed by the Governor by and with the advice and consent of the State Senate, and hold office for a term of six years and until their successors shall be appointed and qualified. The present members of the Board of Trustees are as follows:

<u>Name of Trustee</u>	<u>Occupation</u>	<u>Current Term Expires</u>
Katherine Alexis Atkins	Businesswoman	September 30, 2025
Dr. Scott A. Charlton	Physician	September 30, 2021
Mr. E. Thomas Corcoran	Businessman	September 30, 2021
Dr. Steven P. Furr	Physician	September 30, 2023
William Ronald Graham	Business Administration	September 30, 2023
Mr. Robert D. Jenkins, III	Businessman	September 30, 2025
Mrs. Arlene Mitchell	Philanthropist and Civic Volunteer	September 30, 2021
Lenus M. Perkins	Business Administration	September 30, 2023
Mr. James H. Shumock	Businessman	September 30, 2021
The Honorable Kenneth O Simon	Attorney	September 30, 2025
Mrs. Chandra Brown Stewart	Business Administration	September 30, 2025
Dr. Steven H. Stokes	Physician	September 30, 2023
Margie Malone Tuckson	Business Administration	September 30, 2023
The Honorable Michael P. Windom	Judge	September 30, 2025
Mr. James A. Yance	Attorney, Retired	September 30, 2021
The Honorable Kay Ivey	Governor, State of Alabama	Ex Officio

The organization below the Board of Trustees is composed of the President and eight Vice Presidents: Executive Vice President; Provost and Senior Vice President for Academic Affairs; Vice President for Development and Alumni Relations; Vice President for Student Affairs; Vice President for Medical Affairs and Dean of the College of Medicine; Vice President for Research and Economic Development; Vice President for Marketing and Communications; and Vice President for Finance and Administration.

The Board of Trustees appoints the President of the University. Dr. Tony G. Waldrop has served as President of the University since April 1, 2014. Dr. Waldrop is the third President in the history of the University.

Dr. Waldrop came to the University after serving four years as provost and executive vice president at the University of Central Florida, and in prior roles as vice chancellor for research and economic development at the University of North Carolina and vice chancellor for research at the University of Illinois. Dr. Waldrop received his Ph.D. from the University of North Carolina.

After a seven-year tenure as President of the University, on February 11, 2021, Dr. Waldrop announced his decision to retire from the University. Dr. Waldrop plans to remain as President of the University at least through the remainder of the current academic year. In the meantime, the University will organize a Presidential Search Committee to conduct a national search to identify a successor President of the University.

G. Scott Weldon is the Vice President for Finance and Administration. Mr. Weldon oversees the Finance and Administration Division of the University, which is collectively responsible for developing and overseeing the budget process, treasury and accounting, financial planning and analysis, facilities, human resources, risk management and the telecommunications systems for the University. Prior to his appointment as Vice President for Finance and Administration in October 2015, Mr. Weldon served as Assistant Vice President for Finance and Administration at the University. Mr. Weldon received his B.S. and M.A. from the University of Alabama.

### **HEALTH CARE SYSTEM**

USA Health, a division of the University, is an academic healthcare system that consists of two academic tertiary hospitals, a cancer institute and a physician faculty practice. USAUH is a 406-licensed bed tertiary care center with the region’s only Level 1 trauma center and burn center that supports the adult teaching and research missions of the USA College of Medicine. Recognized as a top performer on key quality measures, USAUH offers advanced treatment of stroke, cardiovascular disease and sickle cell disease. Patients treated at USAUH tend to require medically complex and extensive care and treatment. USAUH has seen a 91% increase in gastroenterology cases from 2013-2020. This growth is a result of USAUH’s focus on research and services unique to the region, as well as high patient satisfaction ratings. Surgery cases at USAUH increased by 55% from fiscal year 2013 – 2020 and increased 10% from fiscal year 2019 to 2020, despite the pandemic. The total number of patients seen in the USAUH Trauma Center in 2019 was 28,914, an increase of 9% from fiscal year 2018. Trauma volume fell to 26,590 patients in fiscal year 2020 due to COVID-19. USAUH held a ribbon-cutting for its new 32,000 square foot trauma center in December 2020. The new center will replace the current 11,000 square foot emergency department. The move will allow for expansion of other services into the current 11,000 square foot old emergency department to include critical care beds. USAUH started fiscal year 2020 with 189 patient beds. In response to COVID-19, a 10-bed COVID-19 unit was opened in March 2020. Additionally, USAUH plans to open 34 inpatient beds on the hospital’s 11<sup>th</sup> floor during fiscal year 2021. Gross Revenues of USAUH for the last nine fiscal years were as follows:

<u>Year</u>	<u>Gross Revenues</u>
2020	\$662,620,142
2019	614,219,907
2018	474,193,133
2017	470,741,917
2016	406,528,233
2015	360,250,280
2014	348,119,160
2013	328,142,373
2012	308,341,443

USACW is a 152-licensed bed hospital dedicated to providing services to children and women. From 2013 to 2019, USACW experienced an 11% increase in pediatric emergency visits, but declined by the same metric in fiscal year 2020 due to COVID-19. Despite the pandemic, USACW experienced a 20% increase in surgeries from fiscal years 2013 through 2020. Between July 2019 and June 2020, USACW delivered 2,408 babies, which represents 40% of the babies born in Mobile County. The overall birth rate for Mobile County fell 9% from 2014 to 2018, with USACW’s percentage of area births remaining constant. The services provided

by USACW are among those provided by fewer than five hospitals nationwide that are dedicated solely to the provision of care for both children and women. USACW has the region’s highest level Neonatal ICU unit, Pediatric ICU unit, 24-hour Pediatric Evaluation Unit, High-Risk Obstetrics program and Pediatric Surgery Anesthesia Services. USACW also supports the teaching and research missions of the University. In 2015, a 195,000 square foot expansion of USACW was placed into service. USACW has plans to renovate mother suites, converting every three (3) rooms into two (2) rooms, creating a better patient experience and making the service more competitive in the market. In addition, plans are being reviewed to enhance the USACW pediatric emergency room.

Gross Revenues of USACW for the last nine (9) fiscal years were as follows:

<u>Year</u>	<u>Gross Revenues</u>
2020	\$393,098,849
2019	287,570,187
2018	249,122,847
2017	243,090,525
2016	248,819,071
2015	241,114,324
2014	219,808,672
2013	203,746,723
2012	211,758,092

USAMCI is the only academic cancer research and treatment center in the upper Gulf Coast corridor. Providing cancer care to a catchment area of over 4.1 million persons in a 150-mile radius, USAMCI brings state-of-the art, research-based cancer treatment to the region, serving over 2,700 new individual patients per year. Its capabilities span the entire continuum of cancer care, from prevention and early detection to treatment and survivorship. With a highly skilled and trained team of oncologists, USAMCI is improving cancer outcomes for patients, including the most vulnerable residents of the county, state and beyond. USAMCI provides cancer treatment in two Mobile, Alabama locations, as well as one in Fairhope, Alabama. For patients who are not candidates for traditional cancer therapy, USAMCI offers a host of clinical trials with over 80 patients enrolled in therapeutic clinical trials per year, approximately 22% of whom are minority patients. USAMCI has 12 Principal Investigators conducting research, funded through the National Institutes of Health, the Department of Defense, the American Cancer Society and other federal sources. As an integrated cancer treatment and research center, USAMCI provides innovative cancer care in a caring environment with 14 clinical faculty members, while accelerating research to enhance care delivery for future patients. USAMCI reported 2,708 new patient visits in fiscal year 2020, with 21,055 follow up visits. Of note, gynecology follow-up visits increased 10% and cyberknife treatments increased 233% from fiscal year 2019 to 2020. In addition, USAMCI opened a specialty pharmacy in July 2018, filling 4,277 prescriptions in fiscal year 2019 and 5,593 in fiscal year 2020 (a 31% increase). At the end of 2018, USAMCI was restructured and placed under USA Health leadership and operations versus operating as a stand-alone facility within the University. As a result, USAMCI has been able to leverage healthcare facilities to grow clinical opportunities. Additionally, USAMCI became provider-based with USACW in September 2019, and added state-of the-art monarch robotic bronchoscopy services, with 84 treatments in fiscal year 2020. These changes contributed to the increase in margin from a negative 7.6% in fiscal year 2019 to a positive 20.8% in fiscal year 2020. Gross Revenues of USAMCI for the last nine fiscal years were as follows:

<u>Year</u>	<u>Gross Revenues</u>
2020	\$62,626,474
2019	51,099,476
2018	19,709,735
2017	19,933,067
2016	15,829,428
2015	18,048,802

2014	25,158,623
2013	22,038,595
2012	22,087,983

Comprised of more than 250 academic physicians on faculty at the USA College of Medicine, the Ambulatory Services physician faculty practice is the region's largest multi-specialty practice and the only academic physician's group along the central Gulf Coast. Ambulatory Services physicians practice throughout Mobile County, including at the University's hospital and clinic campuses and on the University's main campus. The Strada Patient Care Center, a 133,000 square foot building that was placed in service December 2016 and is located near USACW, provided 153 patient exam rooms, 16 nurses' stations, and 7 educational conference rooms. The physicians group has over 250 clinical providers and over 190 advanced practice providers that completed 182,764 clinic visits in fiscal year 2020. The collective mission of the Ambulatory Services health care providers is to deliver leading-edge care to patients and to support the larger mission of the USA College of Medicine in the education and training of students and resident physicians and in the advancement of medical care through medical research. Prior to July 1, 2016, Ambulatory Services was operated by the University of South Alabama Health Services Foundation (the "HSF"), a 501(c)(3) organization that has been included in the University's financial statements as a discretely presented component unit. As of July 1, 2016, Ambulatory Services activities were transferred by HSF to the University and the revenues and expenses of the faculty practice included in the University's Statement of Revenues, Expenses and Changes in Net Position. Gross charges by year from these activities were as follows:

<u>Year</u>	<u>Gross Revenues</u>
2020	\$249,409,682
2019	176,840,712
2018	120,488,250
2017	125,686,741
2016	136,470,653

On May 2, 2017, the University formed the University of South Alabama Health Care Authority, an Alabama public corporation (the "USA HCA"), pursuant to Section 16-17A-1 *et seq.* of the Code of Alabama 1975, as amended. The University utilizes the USA HCA for certain administrative and personnel functions at USA Health. Medical practices included within USA HCA have generated revenues for the University. Indebtedness, if any, issued by USA HCA would not be secured by Pledged Revenues. Moreover, the University does not currently intend or expect the USA HCA to take title to any material health care assets of the University.

USA Health Care Authority has grown to more than 75 providers, including more than 50 physicians. Gross charges by year for HCA were as follows:

<u>Year</u>	<u>Gross Revenues</u>
2020	\$32,026,193
2019	35,128,988
2018	24,243,252

KPMG has audited the financial statements for USA HCA for the fiscal year ended September 30, 2020. See Page 29 of [Appendix A](#) attached hereto.

### **ACADEMIC MEDICAL CENTERS**

Academic Medical Centers ("AMCs") throughout the United States face a dynamic healthcare environment. These changes include potential funding reductions from governmental entities and insurance companies, as well as a transition from productivity to value-based reimbursements.

As a result, AMCs are evaluating their business models and restructuring themselves to respond to the current and future healthcare environments. Nationwide, AMCs are evaluating partnerships with other AMCs

or even non-AMC healthcare providers. Consistent with this national trend, the University, although in the very early stage, is proactively addressing its structure and governance with respect to these issues.

### **USA TECHNOLOGY & RESEARCH CORPORATION**

The USA Research and Technology Corporation ("USARTC") was incorporated in 2002 as a not-for-profit corporation under the laws of the State of Alabama. The mission of USARTC is to facilitate new and enhanced types of interaction between the University and the wider public and private sectors and to serve as a catalyst for regional development by furthering innovation and enterprise in a collaborative and principled fashion that respects and elevates the social and economic well-being of the community. The facilities of USARTC are located on approximately 160 acres adjacent to the main campus of the University, an area known as the USA Technology & Research Park (the "Park"). USARTC owns three buildings in the Park, which together comprise approximately 222,300 square feet of space available for lease, with approximately 200,000 square feet currently under lease.

Since USARTC's inception, total tenant employment (non-University) has grown to approximately 350, including approximately 50 University graduates. There were no student interns employed at the Park over the course of the past year due to COVID-19.

### **FACILITIES**

#### **Current Facilities**

The University has 5,371,008 gross square feet of inventory space presently in use, including the USA Baldwin County-Fairhope Campus, USA Health University Hospital, USA Health Mitchell Cancer Institute, and USA Children's & Women's Hospital. Existing main campus structures include the Administration Building; Instructional Laboratory Building; Library; Biomedical Library; Chemistry Building; Life Science Building; Health, Physical Education and Recreation Building; Student Center; Humanities Building; Medical Sciences Building; Multi-Purpose Arena; Performing Arts Building; Business Building; Student Services Building; Archaeology Building; Intramural Fieldhouse; Transportation Services Building; three Technology and Research buildings; Shelby Hall; Health Science; Dining Facility; Faculty Club; Academic Services; Business Resource Center; Innovation in Learning Center; Education Services Building; Education and Outreach Building, and a variety of residence halls. The Bethel Theater, Mobile Townhouse, and Alumni Hall, all located on the campus, are renovated buildings of great historic value.

Historical details of construction, acquisition and renovations at the University campus are as follows:

Years of construction or <u>acquisition</u>	Gross Square Feet Constructed or <u>Acquired</u>	Gross Square Feet <u>Renovated</u>
Prior to 1960	1,091,119	207,676
1960-1969	813,280	302,671
1970-1979	1,046,420	192,963
1980-1989	597,710	81,712
1990-1999	277,443	-
2000-2009	550,333	153,575
2010-2015	714,605	502,204
2016-2020	<u>859,527</u>	<u>231,306</u>
Total	<u>5,950,437</u>	<u>1,672,107</u>

The campus is served by water, gas and electric utilities supplied by public utilities serving the greater Mobile metropolitan area.

## **Insurance**

Claims for damages to the University's campus property are covered by the State Insurance Fund of the State of Alabama's Division of Risk Management. All buildings and contents are covered by the State Insurance Fund policy. The University uses two self-insured trust funds to pay general liability and professional liability claims. Injuries from work-related incidents to those employees covered by the University's self-insured health plan are covered by that plan. Work-related injuries to employees not covered by the health plan are reviewed by the State Board of Adjustment for final resolution.

## **Student Housing**

*University Owned Housing.* With respect to on-campus student housing, approximately 2,332 beds (with capacity to expand up to 2,400 beds, if needed) are available for occupancy in campus student residences. Over the last five years, occupancy rates have averaged 92%, with the Fall 2020 semester at 79.8%. The decline in Fall 2020 occupancy is a result of the University revising its student housing model to provide a safer environment during COVID-19, which included reducing bed space to account for proper residential social distancing. As a result, the University opened with Fall 2020 capacity for University-owned housing at approximately 1,833 beds. The University intends to return to the space allocations in place prior to the COVID-19 pandemic once current distancing measures are no longer in place. Approximately 13% of total headcount enrollment occupied student housing for the Fall 2020 semester.

The University expects Spring 2021 semester housing to continue operating under current COVID-19 protocols. The residence halls opened January 18, 2021, with an occupancy of 1,778. There are 42 rooms reserved in the Delta residential community to be utilized as quarantine/isolation rooms, as needed, for student residents. The 42 quarantine rooms are typically double occupancy, but were converted to single occupancy in accordance with University COVID-19 protocols. Residence halls are scheduled to close May 7, 2021, for non-graduating residents, and May 9, 2021, for graduating residents.

*Non-University Owned Housing.* In addition to the approximately 2,332 University-owned beds, there are several apartment-style housing complexes not owned by the University but that focus on University students. One is located on campus and the rest are located off-campus. The on-campus complex was built on land leased by the University to a developer under a long-term lease, and the University is under no obligation to guarantee the financing relating to that complex, occupancy within that complex, or any other revenue or performance activity from the same. The off-campus complexes are built on land not owned by the University. These complexes offer approximately 3,000 beds.

**SUMMARY INFORMATION RESPECTING STATE AND PRIVATE FUNDING**

**State Appropriations**

The University has received appropriations from the State of Alabama for certain of its operating costs and other non-operating cash requirements, including capital expenditures. State appropriations may not lawfully be used for the payment of debt service on the Bonds, including the Series 2021 Bonds. There can be no assurance that future Legislatures will continue to make such appropriations, or, if made, that they will be timely or sufficient when added to operating revenues and General Fees, Auxiliary Enterprise Revenues, and Children's & Women's Hospital Revenues remaining after the payment of debt service, to cover in full, operating expenses of the University.

The following tabulation compiled by the University staff from University accounting records shows State appropriations to the University for the fiscal years ended September 30, 2016, through September 30, 2020:

Fiscal year ended <u>September 30</u>	Total Appropriations	
	<u>Authorized</u>	<u>Received</u>
2020	\$123,063,000	\$123,063,000
2019	115,209,000	115,209,000
2018	107,284,718	107,284,718
2017	107,284,717	107,284,717
2016	104,976,761	104,976,756

Although not pledged for payment of debt service on the Bonds or otherwise subject to the lien of the Indenture, the University relies on State appropriations to fund basic operations, student services and other costs of the University. The Alabama State Legislature is considering the implementation of an outcomes-based funding model for a portion of state appropriations paid to State of Alabama universities, such as the University. In theory, an outcomes-based formula increases or reduces appropriations to a particular university based upon its success or failure, respectively, against certain established performance measures. This initiative is in the early phase, and, as such, it is not possible at this time to determine whether this initiative will be adopted and become part of the State appropriation process for public university funding or how the University's funding would be impacted.

**Endowment Assets**

Endowment assets for the University are deposited both in the University and in the Foundation (described below). Net endowment assets in the accounts of the University at September 30, 2020, were \$189,080,729. Of the net endowment assets, \$63,623,529 are classified as restricted, nonexpendable, \$79,364,380 are classified as restricted, expendable, and \$46,092,820 are classified as unrestricted. The Board of Trustees has an approved endowment management and investment policy that includes an established spending rate of 4.5% based on the 5-year moving average of net assets of endowments. In maintaining its endowment, it is the goal of the University to provide revenue while preserving principal to fund those projects which have been endowed for specific purposes. Net assets of endowments are allocated as follows at September 30, 2020:

Equities, Pooled direct investments and mutual funds	\$86,722,799
Fixed income, pooled direct investments and mutual funds	47,661,897
Managed income alternative investments	41,330,347
Other	<u>13,365,686</u>
Total	<u>\$189,080,729</u>

**The University of South Alabama Foundation**

The University of South Alabama Foundation (the "Foundation"), a legally separate entity, exists for the primary purpose of advancing the purpose of the University in furthering, improving and expanding its

properties, services, facilities and activities. Its total assets at June 30, 2020, its most recent audited fiscal year-end, were \$387,872,000, and its net assets were \$387,123,000 at the same date. Assets are primarily invested in marketable securities (41%), timber and mineral properties (43%) and real estate (14%). Cash and non-cash distributions to the University over the past six fiscal years are, as reported in the audited financial statements of the Foundation for the years ended June 30, 2015, through June 30, 2020, as follows:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Distributions</u>
2020	\$10,280,000
2019	9,755,000
2018	9,703,000
2017	9,603,000
2016 <sup>1</sup>	10,561,000
2015	4,731,000

<sup>1</sup> In fiscal year 2010, the University and the Foundation executed a purchase and sale agreement calling for the University to sell approximately 327 acres on Mobile Bay, known as the Brookley campus, to the Foundation. The terms of the agreement required the Foundation to pay the University \$20,000,000 - \$4,000,000 at closing and \$4,000,000 annually thereafter through fiscal year 2015. The distribution for the Foundation's fiscal year ended June 30, 2016 reflects the Foundation's completion of its obligations under the purchase and sale agreement and corresponding increase in annual distributions to the University.

#### **Alabama Public School and College Authority Funding**

On November 4, 2020, the Alabama Public School and College Authority, a public corporation under the laws of the State of Alabama ("APSCA"), issued a series of limited obligation bonds pursuant to Act No. 2020-167 enacted at the 2020 Regular Session of the Legislature of Alabama (the "2020 APSCA Act"). Pursuant to the 2020 APSCA Act, the University was allocated \$18,159,466 in grant funding from APSCA out of proceeds from such bonds for payment of capital improvements on the campus of the University.

On November 19, 2020 Governor Ivey announced intended additional funding from the APSCA totaling \$50,000,000 for application towards a new medical school building.

#### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

The following is a brief summary of certain provisions of the Indenture, as heretofore amended and supplemented and as further amended and supplemented by the Eighteenth Supplemental Indenture, to which Indenture and Eighteenth Supplemental Indenture in their entirety reference is made for the detailed provisions thereof. Unless the context clearly indicates otherwise, all references herein shall be deemed to include the Series 2021 Bonds, the Outstanding Bonds, and any Additional Bonds hereafter issued under the Indenture.

As used in the following summary, the following definitions shall have the following respective meanings.

*"Annual Debt Service Requirement"* means, as of any date of determination, the amount of principal and interest maturing with respect to the then outstanding Bonds in such Bond Year; provided, (i) that the principal amount of any Bonds subject to a Mandatory Redemption Provision during such Bond Year shall, for purposes of this definition, be considered as maturing in the Bond Year during which such redemption is required and not in the Bond Year in which their stated maturity occurs; (ii) in the case of Bonds (whether outstanding or proposed to be issued) that bear interest at a variable or adjustable rate, the interest payable on such Bonds shall be calculated on the assumption that such Bonds bear interest at a fixed rate of interest estimated by a professional consulting firm or investment banking firm acceptable to the Trustee by reference to bonds of similar credit rating maturity and tax characteristics on the date such calculation is made; and (iii) for purposes of the foregoing formula, Bonds that are "deemed paid" under the Indenture shall not be deemed outstanding.

*"Bond Year"* means the period beginning November 2 in each calendar year and ending on November 1 of the next succeeding calendar year.



"*Interest Payment Date*" means (a) with respect to the Series 2021 Bonds, each April 1 and October 1, commencing October 1, 2021, and (b) with respect to any series of Additional Bonds, such date or dates as shall be specified in the Supplemental Indenture pertaining to such Additional Bonds as the dates for payment of interest of such Additional Bonds.

"*Mandatory Redemption Provision*" means any provisions that may be set forth in a Supplemental Indenture for mandatory redemption of any Additional Bonds at a redemption price equal to the principal amount thereof.

"*Principal Payment Date*" means (a) with respect to the Series 2021 Bonds, each April 1 commencing April 1, 2022, and (b) with respect to any series of Additional Bonds, a date (which shall in every case be the first day of a Month) specified in the Supplemental Indenture pertaining to such Additional Bonds as a date for payment of principal of such Additional Bonds.

"*Supplemental Indenture*" means an agreement supplemental to the Indenture.

### **Special Funds**

**Bond Fund.** The Indenture provides for the creation of a special trust fund called the "Bond Principal and Interest Fund." The University is required to pay into the Bond Fund, in addition to all other amounts required by the Indenture, the following:

(a) Contemporaneously with the issuance and sale of any of the Bonds and out of the proceeds derived from such sale, the University (or the Trustee on behalf of the University) is required to pay into the Bond Fund such part of the proceeds from the sale as is allocable to premium (if any) and accrued interest.

(b) On or before the Business Day next preceding each Interest Payment Date until the principal and the interest on the Bonds is paid in full, the University is required to pay into the Bond Fund, out of the Pledged Revenues, an amount equal to the sum of (i) the semiannual installment of interest that will mature on the Bonds on the then next succeeding semiannual Interest Payment Date with respect thereto, plus (ii) the principal that will become due on the Bonds on the then next succeeding Principal Payment Date, plus (iii) the principal required to be redeemed on the next succeeding Principal Payment Date pursuant to any Mandatory Redemption Provision.

All moneys paid into the Bond Fund are required to be used only for payment of the principal of and the interest on the Bonds upon or after the respective maturities of such principal and interest and to redeem Bonds subject to a Mandatory Redemption Provision. If at the final maturity of the Bonds, however, such Bonds may mature, there are in the Bond Fund moneys in excess of what is required to pay in full the principal of and the interest on the Bonds, then any such excess will be returned to the University.

Prior to the issuance of any Additional Bonds, there shall be executed and delivered a Supplemental Indenture containing a provision that the semiannual payments into the Bond Fund be adjusted to provide for such additional amounts as may be necessary to pay the principal of and interest on such Additional Bonds; provided, however, that in making such adjustment the principal amount of any such Additional Bonds required by the terms of the Supplemental Indenture to be redeemed during any Bond Year shall be considered as maturing in the Bond Year during which such redemption is required and not in the Bond Year in which their stated maturity occurs.

### **Additional Bonds**

The Indenture authorizes the issuance of Additional Bonds, subject to the provisions of the Indenture. Among the conditions to the issuance of any Additional Bonds are the following:

(a) **Supplemental Indenture.** Prior to the issuance of any Additional Bonds, there shall be executed and delivered a Supplemental Indenture containing: (i) a description of the Additional Bonds proposed to be issued, including the date, the aggregate principal amount, the series designation, the denomination or denominations, the interest rate or rates (or provisions for determining the same), the maturity or maturities, the

form of such Additional Bonds, and any provisions for redemption thereof prior to their respective maturities; (ii) a statement of the purpose or purposes for which the Additional Bonds are proposed to be issued; and (iii) any other provisions that do not conflict with the provisions of the Indenture.

(b) Certificate as to Pledged Revenues. The item or items required by either of the following subparagraphs (i) or (ii):

(i) A certificate by the Vice President for Finance and Administration of the University certifying that the amount of Pledged Revenues received during the Fiscal Year next preceding the date of the issuance of the Additional Bonds then proposed to be issued was not less than 125% of the maximum Annual Debt Service Requirement with respect to the then current or any then succeeding Bond Year immediately following the issuance of the then proposed Additional Bonds, which certificate shall set forth the figures on which it is based and shall recite that the Pledged Revenues for such Fiscal Year specified therein were taken from the annual audit of the University for such Fiscal Year or, if such audit shall not have been completed for the most recent Fiscal year at the date of such certificate, were taken from the official records of the University, or

(ii) A Resolution or Resolutions adopted by the University after the commencement of the Fiscal Year next preceding the issuance of the then proposed Additional Bonds either (i) increasing the General Fees, or (ii) levying new fees and charges of a type or kind different from the General Fees, or (iii) a combination thereof, accompanied by a certificate of the Vice President for Finance and Administration stating that if the increased General Fees or the new fees set forth in the said Resolution or Resolutions had been in effect throughout the Fiscal Year next preceding the date of issuance of the then proposed Additional Bonds, the amount of Pledged Revenues during the Fiscal Year next preceding the date of issuance of the then proposed Additional Bonds would have been not less than 125% of the maximum Annual Debt Service Requirement during the then current or any then succeeding Bond Year with respect to Bonds that will be outstanding immediately following the issuance of the then proposed Additional Bonds; and

(c) Opinion of Independent Counsel. An opinion dated on the date of issuance of such Additional Bonds, signed by Independent Counsel acceptable to the Trustee, approving the forms of all documents required above to be delivered to the Trustee and reciting that they comply with the applicable requirements set out above.

### **Maintenance of Pledged Revenues**

The University has covenanted in the Indenture that, so long as any of the Bonds remain outstanding and unpaid, the University will fix, levy and collect General Fees and Auxiliary Enterprises Revenues from all students attending the University during each Fiscal Year in such amounts and at such times as shall be required to produce revenues sufficient to pay the principal of, unamortized premium, if any, and interest on the Bonds during the same Fiscal Year. No covenant with respect to the Children's & Women's Hospital Revenues has been made.

### **Supplemental Indentures**

Supplemental Indentures Without Bondholder Consent. The University and the Trustee may at any time and from time to time enter into such Supplemental Indentures (in addition to such Supplemental Indentures as are otherwise provided for in the Indenture) as shall not be inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the University contained in the Indenture other covenants and agreements thereafter to be observed and performed by the University, provided that such other covenants and agreements may not either expressly or impliedly limit or restrict any of the obligations of the University contained in the Indenture;

(b) to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provisions contained in the Indenture or in any Supplemental Indenture or to make any provisions with respect to matters arising under the Indenture or any Supplemental Indenture for any other purpose if such provisions are necessary

or desirable and are not inconsistent with the provisions of the Indenture or any Supplemental Indenture and do not adversely affect the interests of the holders of the Bonds;

(c) to subject to the pledge contained in the Indenture additional revenues or to identify more precisely any of the revenues of the University subject to the Indenture;

(d) to cause the Indenture to comply with the provisions of the Trust Indenture Act of 1939 or such other federal securities laws as may hereafter be applicable to the Indenture; or

(e) to provide for the issuance of Additional Bonds in accordance with the Indenture.

Any such Supplemental Indenture will not require the consent of any bondholders.

Supplemental Indentures Requiring Bondholders Consent. In addition to those Supplemental Indentures described above, the Indenture provides that the University and the Trustee may, at any time and from time to time, with the written consent of the holders of not less than a majority in aggregate principal amount of Bonds then outstanding, enter into such Supplemental Indentures as shall be deemed necessary or desirable by the University and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the term or provisions contained in the Indenture or in any Supplemental Indenture; provided that without the written consent of the Holder of each Bond affected, no reduction in the principal amount of, rate of interest on, or the premium payable upon the redemption of, any Bond shall be made; and provided, further, that, without the written consent of the holders of all the Bonds, none of the following shall be permitted:

(a) an extension of the maturity of any installment of principal of or interest on any Bond;

(b) any change in any Mandatory Redemption Provision;

(c) the creation of a lien or charge on the Pledged Revenues ranking prior to or (except in connection with the issuance of Additional Bonds) on a parity with the lien or charge thereon contained in the Indenture;

(d) the establishment of preferences or priorities as between the Bonds (but only with respect to the security provided for all Bonds); or

(e) a reduction in the aggregate principal amount of Bonds the holders of which are required to consent to such Supplemental Indenture.

[Any Supplemental Indenture that requires the consent of holders of the Series 2021 Bonds or adversely affects the rights or interests of \_\_\_\_\_ shall also be subject to the prior written consent of \_\_\_\_\_.]

Upon the execution of any Supplemental Indenture under and pursuant to the provisions described above, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the University, the Trustee and all holders of the Bonds then outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

## **Defaults and Remedies**

Events of Default under the Indenture include the following:

(a) failure by the University to pay principal of, the interest on or the premium (if any) on any Bond as and when the same shall become due, as provided therein and in the Indenture (whether such shall become due pursuant to any Mandatory Redemption Provisions or otherwise);

(b) failure by the University to perform and observe any of the agreements and covenants on its part contained in the Indenture (other than in the manner described in (a) above) which such failure continues for a period of not less than thirty (30) days after written notice of such failure has been given to the University by the Trustee or by the holders of not less than twenty-five percent (25%) in outstanding amount of Bonds,

unless during such period or any extension thereof the University has commenced and is diligently pursuing appropriate corrective action; or

(c) determination by a court having jurisdiction that the University is insolvent or bankrupt, or appointment by a court having jurisdiction of a receiver for the University or for a substantial part thereof, or approval by a court of competent jurisdiction of any petition for reorganization of the University or rearrangement or readjustment of the obligations of the University under any provisions of the bankruptcy laws of the United States of America or the State of Alabama.

Upon the occurrence of an Event of Default the Trustee shall have the following rights and remedies:

(a) **Acceleration.** The Trustee may, by written notice to the University and with the consent of the bond insurer respecting any Bonds then outstanding and insured thereby, declare the principal of all the Bonds forthwith due and payable, and such principal shall thereupon become and be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding. If, however, the University makes good that default and every other default under the Indenture (except for those installments of principal declared due and payable that would, absent such declaration, not be due and payable), with interest on all overdue payments of principal and interest, and made reimbursement of all of the reasonable expenses of the Trustee, then the Trustee may (and, if requested in writing by the holders of a majority in principal amount of the then outstanding Bonds, shall), by written notice to the University, waive such default and its consequences, but no such waiver shall affect any subsequent default or right relative thereto.

(b) **Mandamus and Other Remedies.** The Trustee shall have the right of mandamus or other lawful remedy in any court of competent jurisdiction to enforce its rights and the rights of the holders of the Bonds against the University and any officers, agents or employees of the University, including but not limited to the right to require the University and its officers, agents or employees to perform and observe all of its or their duties under Section 16-3-28 of the Code of Alabama 1975, as amended.

[Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuation of a default or an Event of Default, \_\_\_\_\_ shall be deemed the sole holder of the Series 2021 Bonds and shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Series 2021 Bonds under the Indenture, and no default or Event of Default may be waived without the prior written consent of \_\_\_\_.]

### **Concerning the Trustee**

The Trustee shall be under no obligation to institute suit or to take any proceedings under the Indenture or to enter any appearance or in any way defend in any suit in which it may be made defendant or to take steps in the execution of trust created or in the enforcement of any rights or powers under the Indenture, until it shall be indemnified to its satisfaction against any and all costs and expense, outlays and counsel fees and other reasonable disbursements and against all liability.

The Trustee shall not be liable in connection with the performance of its duties under the Indenture except for its gross negligence or willful misconduct.

The University has agreed to pay to the Trustee from time to time reasonable compensation for all services rendered by it under the Indenture, including the services of bond registrar and paying agent and also all of its reasonable expenses, charges, counsel fees and other disbursements and those of its attorneys and employees incurred in and about the performance of its powers and duties under the Indenture prior to the Bonds. Nothing contained in the Indenture or any supplemental indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it believes that the repayment of such funds or the making whole in respect of such liability is not reasonably assured to it.

### **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of the McGraw-Hill Companies, Inc. ("S&P"), have given the Series 2021 Bonds an underlying rating of "A1" and "A+", respectively. The underlying rating provided by each of Moody's and S&P (collectively, the "Rating Agencies") reflects that agency's rating of the creditworthiness of the University with respect to obligations payable from the Pledged Revenues.

Any further explanation of the significance of such ratings may be obtained only from the appropriate Rating Agency. The University furnished to the Rating Agencies the information contained in this Official Statement and certain other information respecting the University and the Series 2021 Bonds. Generally, rating agencies base their underlying ratings on such materials and information, as well as on their own investigations, studies and assumptions.

The ratings indicated on the cover page are not recommendations to buy, sell or hold the Series 2021 Bonds, and any such ratings may be subject to revision or withdrawal at any time by the Rating Agencies. Any downward revision or withdrawal of any or all of such rating may have an adverse effect on the market price of the affected Series 2021 Bonds. Neither the University nor the Underwriters have undertaken any responsibility either to bring to the attention of the holders of Series 2021 Bonds any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

### **LITIGATION**

To the best of the University's knowledge, there is no litigation pending or threatened (i) restraining or enjoining the issuance or delivery of the Series 2021 Bonds, (ii) contesting or affecting the validity of the Series 2021 Bonds or the proceedings or authority under which they are to be issued, (iii) contesting the creation, organization or existence of the University or the title of any of its present officials to their respective offices, or (iv) contesting the right of the University to enter into the financing documents to which it is a party or to secure the Series 2021 Bonds in accordance with the Indenture.

The University and its hospitals are immune from suit in medical malpractice matters; however, such claims may still be brought against healthcare providers employed to provide such services on behalf of the University. These providers are insured by the University's Professional Liability Trust Fund. If a final judgment were entered in any professional liability action in an amount in excess of its insurance coverage, the University would not be liable for the excess.

The University has been notified by the Equal Employment Opportunity Office ("EEOC") of charges filed with the EEOC against the University or its employees. The charges arise from alleged employment practices or policies. Should a lawsuit arise out of such charges, they would be covered by the University's General Liability Trust Fund.

Finally, the University has been notified of claims filed against it in the State Board of Adjustment. None of the aforementioned charges or claims involve any significant sums in excess of the sums otherwise provided for and would not have an impact upon the collection of the Pledged Revenues. In the opinion of the University's General Counsel, the aggregate exposure of the University with respect to all pending claims and suits would not be material to the University's financial position.

### **LEGAL MATTERS**

The Series 2021 Bonds will be issued subject to the approving opinion of Bradley Arant Boult Cummings LLP, Birmingham, Alabama, Bond Counsel to the University. It is anticipated that the opinion of Bond Counsel to the University will be in substantially the form set forth in Appendix B.

The various legal opinions to be delivered concurrently with the delivery of the Series 2021 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the authoring firm or attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon or the future performance of parties to the transaction, and the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

## TAX MATTERS

### General

In the opinion of Bradley Arant Boult Cummings LLP, Bond Counsel to the University, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2021 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Series 2021 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In rendering its opinion, Bond Counsel to the University has relied on certain representations, certifications of fact and statements of reasonable expectations made by the University and others in connection with the Series 2021 Bonds, and Bond Counsel to the University has assumed compliance with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2021 Bonds from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Series 2021 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2021 Bonds.

Certain Ongoing Federal Tax Requirements and Covenants. The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the 2020 Bonds in order that interest on the Series 2021 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2021 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2021 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The University has covenanted to comply under the Indenture with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2021 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences. The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2021 Bonds. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of any Series 2021 Bonds. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of Series 2021 Bonds.

Prospective owners of the Series 2021 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes. Interest on the Series 2021 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount. The initial public offering price to be paid for certain of the Series 2021 Bonds (the "Original Issue Discount Series 2021 Bonds") is less than the principal amount thereof. Under existing law, the difference between (i) the amount payable at the maturity of each Original Issue Discount Series 2021 Bond, and (ii) the initial offering price to the public of such Original Issue Discount Series 2021 Bond constitutes original issue discount with respect to such Original Issue Discount Series 2021 Bond in the hands of any owner who has purchased such Original Issue Discount Series 2021 Bond in the initial public offering of the Series 2021 Bonds.

Under existing law, the original issue discount on each Original Issue Discount Series 2021 Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary date of the Series 2021 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Series 2021 Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other taxable disposition thereof. The amount (if any) to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods (if any) multiplied by the yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Series 2021 Bonds.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Series 2021 Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Series 2021 Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Series 2021 Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Discount Series 2021 Bonds.]

Original Issue Premium. The initial public offering price to be paid for the Series 2021 Bonds (the "Original Issue Premium Series 2021 Bonds") is greater than the principal amount thereof. Under existing law, any owner who has purchased an Original Issue Premium Series 2021 Bond in the initial public offering of the Series 2021 Bonds is required to reduce his basis in such Original Issue Premium Series 2021 Bond by the amount of premium allocable to periods during which he holds such Original Issue Premium Series 2021 Bond, and the amount of premium allocable to each accrual period will be applied to reduce the amount of interest received by the owner during each such period. All owners of Original Issue Premium Series 2021 Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Premium Series 2021 Bond and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Premium Series 2021 Bond.]

Bank Qualification. The Series 2021 Bonds have not been designated as "qualified tax-exempt obligations" under Section 265 of the Code.

Post-Issuance Matters. The tax-exempt status of the Series 2021 Bonds could be affected by post-issuance events. See "SPECIAL CONSIDERATIONS RESPECTING THE SERIES 2021 BONDS – Tax-Exempt Status of Series 2021 Bonds" herein. The Indenture does not provide for mandatory redemption of the Series 2021 Bonds or payment of any additional interest or penalty if a determination is made that the Series 2021 Bonds do not comply with the existing requirements of the Code, if a subsequent change in law adversely affects the tax-exempt status of the Series 2021 Bonds or the economic benefit of investing in the Series 2021 Bonds or if any other event or occurrence takes place that impacts the tax status of the Series 2021 Bonds.

## CONTINUING DISCLOSURE

Under a Continuing Disclosure Agreement, dated the date of the Series 2021 Bonds (the "Continuing Disclosure Agreement"), the University has agreed to provide or cause to be provided to the Municipal Securities Rulemaking Board (the "MSRB") using its electronic municipal market access system (referred to as "EMMA"), certain updated financial information and operating data annually, and timely notice of specified events for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule").

See Appendix C for a form of the Continuing Disclosure Agreement relating to the Series 2021 Bonds.

A failure by the University to comply with the Continuing Disclosure Agreement will not constitute an event of default under the Indenture. Beneficial owners of the Series 2021 Bonds are limited to the remedies described in the Continuing Disclosure Agreement. A failure by the University to comply with the Continuing Disclosure Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2021 Bonds in the secondary market.

### Compliance with Prior Continuing Disclosure Agreements

In connection with the prior issuance of certain of the Outstanding Bonds, the University has entered into other continuing disclosure agreements under the Rule. Certain supplemental financial and operating data for the fiscal year ended September 30, 2015, required by the prior agreements was not timely filed through EMMA, and the University did not file a notice of late filing of the same as required by the Rule. The University also did not file notice of the incurrence of a financial obligation it had entered on January 14, 2021, until February 17, 2021.

Effective August 2016, the University adopted new procedures intended to improve timeliness of its required filings under the Rule. In addition, the University made a remedial filing on EMMA containing the required supplemental financial and operating data for the fiscal year ended September 30, 2015. The University also prepared a template into which all financial and operating data can be compiled into a single document for future filings.

THE UNIVERSITY UNDERTAKES NO OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD LOOKING STATEMENT AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHER INFORMATION.

### STATE NOT LIABLE ON SERIES 2021 BONDS

The Series 2021 Bonds are limited obligations of the University payable solely out of, and secured by a pledge of, the Pledged Revenues. Neither the principal of nor the interest on the Series 2021 Bonds nor the aforesaid pledge or any other agreement contained in the Indenture shall constitute an obligation of any nature whatsoever of the State of Alabama, and neither the Series 2021 Bonds nor any obligation arising from said pledge or agreements shall be payable out of any moneys appropriated to the University by the State of Alabama.

### FINANCIAL INFORMATION

Appendix A contains audited financial statements of the University for the fiscal year ended September 30, 2020. KPMG LLP, the University's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein as Appendix A, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

### FORWARD LOOKING STATEMENTS

Certain statements contained in this Official Statement including, without limitation, statements containing the words "estimates," "believes," "anticipates," "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the University or other entities to which the forward-



looking statements relate to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the University. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The University and the Underwriters disclaim any obligation to update any such factors or to publicly announce the results of any revision to any of the forward-looking statements contained herein to reflect future events or developments.

## **SPECIAL CONSIDERATIONS RESPECTING THE SERIES 2021 BONDS**

### **General**

An investment in the Series 2021 Bonds involves certain risks which should be carefully considered by investors. The sufficiency of Pledged Revenues to pay debt service on the Series 2021 Bonds may be affected by events and conditions relating to, among other things, general economic conditions, population in the University's basic service area, the demand for higher education and legislative and administrative requirements on the University's operations.

Prospective investors should carefully examine this Official Statement and their own financial condition in order to make a judgment as to their ability to bear the economic risk of such an investment and whether or not the Series 2021 Bonds are an appropriate investment for them.

Holders of the Series 2021 Bonds should be aware that their rights and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases.

### **Limitations on Source of Payment, Security and Remedies**

Limited Source of Payment. The Series 2021 Bonds will be limited obligations of the University, payable solely from, and secured by a pledge of, the Pledged Revenues. *See* "SECURITY AND SOURCE OF PAYMENT."

The Series 2021 Bonds will not be debts or obligations of the State of Alabama, and debt service on the Series 2021 Bonds will not be payable out of any money provided or appropriated to the University by the State of Alabama. Holders of the Series 2021 Bonds shall never have the right to demand payment of the Series 2021 Bonds from the University from any source other than the special funds established under the Indenture and the Pledged Revenues and shall be entitled to payment from such sources only on a parity basis with all other bonds outstanding under the Indenture.

Additional Debt. All Bonds are secured on a parity by the lien on Pledged Revenues. If the University incurs additional debt secured by the Indenture, the security interest in Pledged Revenues for the benefit of Bondholders will in effect be diluted.

Hospitals Are Limited Use Facilities. The hospitals and other health care facilities of the University, which are operating assets of the University, are limited use facilities, suitable primarily for hospital or health care purposes. Consequently, the market for sale or other disposition of such facilities is limited. In the event of a sale of such facilities, whether in a bankruptcy proceeding or otherwise, the number of potential purchasers and the sale price may be affected by the limited possible use.

Limitation on Remedies Upon Default. The Indenture does not constitute a mortgage on or security interest in any properties of the University, and no foreclosure or sale proceedings with respect to any property of the University may occur. The University is exempt from all suits under the doctrine of sovereign immunity, but state law provides that agents and employees of the University may, by mandamus, be compelled to apply the Pledged Revenues to the payment of the Series 2021 Bonds in accordance with the terms of the Indenture.

The remedies available to the registered holders of the Series 2021 Bonds upon the occurrence of a default under the Indenture are in many respects dependent upon regulatory and judicial actions, which are often subject to discretion and delay. Under existing law, the remedies provided under the Indenture may not be readily available or may be limited, and no assurance can be given that a mandamus or other legal action to enforce payment under the Indenture would be successful. The various legal opinions to be delivered concurrently with the delivery of the Series 2021 Bonds will be qualified as to enforceability of the various legal instruments, limitations imposed by bankruptcy, reorganization, insolvency or similar laws affecting the rights of creditors generally and by judicial discretion applicable to equitable remedies and proceedings generally.

### **Health Care Industry Factors**

The health care industry is subject to a number of factors that could adversely affect the business prospects of the University. Among those factors are the following:

The Health Care Industry is Highly Regulated. The health care industry is highly regulated by the federal and state governments. These regulations relate to areas such as the required delivery of care whether or not patients have the resources for payment, the quality of care and outcomes of health care services provided, excessive re-admission of patients, accuracy of billing and collecting for services rendered, privacy of patients and their health care information, and the relationship between providers and physicians who refer patients to the provider's health care facilities. For providers organized as charitable organizations under Section 501(c)(3) of the Internal Revenue Code there are additional regulations that must be satisfied to preserve tax-exempt status. The cost of compliance with these regulations is significant.

Payment Systems. USA Health derives most of its revenues from Medicare, Medicaid, Blue Cross and other third party payor programs. Such programs may provide payment for services rendered to their beneficiaries in an amount that is less than actual patient charges. These payment systems are complex, subject to periodic change, and require a high degree of accuracy in the billing and collecting process. Failure to submit accurate billing may result in large financial penalties or claims or disqualification from the programs. Penalties or claims may be from governmental authorities, such as the Justice Department and the Office of Inspector General, independent auditing firms under contract with the government, or from private litigants under so-called "qui tam actions."

Alternate Payment Systems. The payment systems for health care services may be expanded to cover capitation or other coverage programs in which the providers assume the risk of health care services for a defined population. The University currently does not provide coverage on a capitated basis; however, the development of such coverage programs in the University's market could force the University to assume increased risk for the amount and cost of services it provides.

Health Care Reform. In 2010, Congress adopted extensive health reform legislation commonly referred to as the Affordable Care Act (the "ACA"). This legislation attempts to extend commercial insurance coverage and Medicaid coverage to many patients not previously covered. The State of Alabama declined the ACA option to expand the Medicaid coverage, which reduces the amount of reimbursement that might otherwise be available to the health care facilities operated by the University. This legislation also imposes numerous operating and reporting requirements on health care providers. Implementation of the various ACA initiatives will take several years and will require extensive time and expense. Implementation has been and continues to be uncertain. It is expected that governments will continue to consider various reform proposals in the health care industry. If adopted, such proposals may subject health care providers like the University to increased compliance requirements, reduced reimbursement for services, increased costs, or a combination of such results.

Trend Toward Large-Deductible Insurance Policies. Coverage provided by insurance is trending toward large deductibles or self-insurance retention for patients, which reduces the required premiums but increases out-

of-pocket expense for the insured. These large deductible policies can be expected to increase the challenge of collecting for services rendered and may result in an increase of bad debt expense for health care providers.

Budgetary Pressure for Medicare and Medicaid Funding. Medicare and Medicaid are government-sponsored programs. Funding for those programs is subject to the legislative process of federal and state governments. The spending policies or deficit reduction initiatives of those governments have resulted in significant reductions in reimbursement for health care services in the past and can be expected to apply pressure on reimbursement for the foreseeable future.

Competition from Other Providers. The health care industry is highly competitive. Other health care providers may develop competing facilities or services in the University's service area. Competing facilities or services may include, among others, new hospitals, specialty hospitals, outpatient facilities, and managed care or insurance products. Other forms of competition could also affect the University's ability to maintain or improve its market share, including increasing competition (1) between physicians who generally use hospitals and non-physician practitioners such as nurse practitioners, chiropractors, physical and occupational therapists and others who may not generally use hospitals, and (2) from nursing homes, home health agencies, ambulatory care facilities, surgical centers, outpatient radiology centers, rehabilitation and therapy centers, physician group practices and other non-hospital providers of many services for which patients generally rely on hospitals currently.

Capital Investment and Technology. The technology for diagnosis and treatment of patients changes rapidly and requires large capital investment on an ongoing basis in order for a health system to meet the needs of its patients.

Other Factors Affecting the Health Care Industry. In addition to the factors discussed above, the following additional factors, among others, may adversely affect the operations of health care providers, including the University:

- (a) Increased efforts by insurers, private employers and governmental agencies to limit the cost of hospital services, to reduce the number of hospital beds and to reduce utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety and outpatient care.
- (b) Termination of existing agreements between a provider and employed physicians who render services to the provider's patients or alteration of referral patterns by independent physicians and physician groups.
- (c) The availability and cost of insurance or self-insurance to protect against malpractice and general liability claims.
- (d) Environmental and hazardous waste disposal regulations.
- (e) Future legislation and regulations affecting the tax-exempt status of governmental and 501(c)(3) hospitals or imposing additional requirements on qualification.
- (f) The reduced need for hospitalization or other traditional health care services as a result of medical and other scientific advances.
- (g) Imposition of wage and price controls for the health care industry.
- (h) The availability of or cost of retaining nursing, technical or other health care personnel.
- (i) The spread of any bacteria, virus or infectious disease that is resistant to existing drugs or medical treatment.
- (j) Reduction in population, increased unemployment or other adverse economic conditions in the market.

#### **Factors Affecting Academic Medical Centers**

Academic medical center hospitals, like those operated by the University, are subject to certain negative credit factors that do not affect other not-for-profit hospitals. Among those factors are the following:

Special Revenue and Expense Challenges. The research and teaching divisions at academic medical centers often operate at break-even or deficit levels. Funding these missions sometimes requires organizational subsidies that can detrimentally affect the hospital's overall operating performance. Fundraising, endowment spending and excess cash generated from patient care can be used to support the non-clinical departments at an academic medical center, but these sources of funding may not be enough to offset the drag on operating funds.

Negative Reimbursement Pressure from Medicare and Medicaid. The federal government has proposed a reduction in graduate medical education funding from CMS as one way to address federal budget challenges. Although funding cuts would impact all teaching hospitals with medical residents, academic medical centers would be disproportionately impacted due to higher numbers of residents and greater indirect cost payments for high acuity services performed. In addition, securing federal funding for research has become increasingly competitive among research institutions, primarily due to federal budget constraints. Changes in federal funding patterns could adversely affect academic medical centers and their ability to make debt service payments.

Inordinately High Exposure to Medicaid Patients. Many academic medical centers provide a disproportionate amount of charity care in their communities, which results in high exposure to Medicaid patients and receipt of Disproportionate Share Funding ("DSH"). Medicaid reimbursement cuts in recent years have disproportionately impacted academic medical centers. Additionally, reductions in DSH payments were mandated by the ACA beginning in 2016.

Increased Financial Support for Sponsoring University. Academic medical centers are increasingly facing requests for financial transfers to their associated universities to support strategic investments, program development and educational activities. These financial transfers are typically negotiated between the university and the hospital on an annual basis, and immediate needs at the university level could lead to a growing financial subsidy. These payments could adversely affect the academic medical center's operating performance.

### **State Proration**

The State of Alabama appropriates money each year to the University for operating costs and non-operating cash requirements, including capital expenditures. Because the State is mandated by its constitution to operate with a balanced budget, the State occasionally has reduced its appropriations, through a process known as "proration", when its annual revenues are not expected to meet budgeted appropriations. The last fiscal year in which State appropriations were "prorated" was fiscal year 2011. It is possible that proration may be implemented from time to time in the future and, when proration does occur, the University may be required to implement various cost-saving measures in order to balance its own budget. Although proration may impact the University's budget, the Series 2021 Bonds are not payable from State appropriations.

### **Certain Factors Affecting Pledged Revenues**

No representation can be made and no assurance can be given that receipts from the Pledged Revenues will be sufficient to make the required payment of debt service on the Series 2021 Bonds and to pay necessary operating expenses. The amount of Pledged Revenues collected by the University will be subject to a variety of factors that could adversely affect debt service coverage on the Series 2021 Bonds, including general economic conditions, population in the University's basic service area, the demand for higher education, and the impact of legislative and administrative requirements on the University's operations.

### **Tax-Exempt Status of Series 2021 Bonds**

It is expected that the Series 2021 Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance. *See* "TAX MATTERS – General.". It is anticipated that Bond Counsel to the University will render an opinion substantially in the form attached hereto as Appendix B, which should be read in its entirety for a complete understanding of the scope of the opinions and the conclusions expressed therein. A legal opinion expresses the professional judgment of the attorney rendering the opinion as to the legal

issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

The tax status of the Series 2021 Bonds could be affected by post-issuance events. There are various requirements of the Internal Revenue Code that must be observed or satisfied after the issuance of the Series 2021 Bonds in order for the Series 2021 Bonds to qualify for, and retain, tax-exempt status. These requirements include appropriate use of the proceeds of the Series 2021 Bonds, use of the facilities financed by the Series 2021 Bonds, investment of bond proceeds, and the rebate of so-called excess arbitrage earnings. Compliance with these requirements is the responsibility of the University.

The Internal Revenue Service (the "IRS") conducts an audit program to examine compliance with the requirements regarding tax-exempt status. Under current IRS procedures, in the initial stages of an audit with respect to the Series 2021 Bonds, the University would be treated as the taxpayer, and the owners of the Series 2021 Bonds may have limited rights to participate in the audit process. The initiation of an audit with respect to the Series 2021 Bonds could adversely affect the market value and liquidity of the Series 2021 Bonds, even though no final determination about the tax-exempt status has been made. If an audit results in a final determination that the Series 2021 Bonds do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2021 Bonds.

In addition to post-issuance compliance, a change in law after the date of issuance of the Series 2021 Bonds could affect the tax-exempt status of the Series 2021 Bonds or the effect of investing in the Series 2021 Bonds. For example, the federal government is considering various proposals to reduce federal budget deficits and the amount of federal debt, including proposals that would eliminate or reduce indirect expenditures made through various deductions and exemptions currently allowed by the income tax laws. The exemption for interest on tax-exempt bonds is one of the indirect expenditures that could be affected by a deficit reduction initiative. Some deficit-reduction proposals would eliminate the exemption for interest on tax-exempt bonds. Other proposals would place an aggregate cap on the total amount of exemptions and deductions that may be claimed by a taxpayer, or a cap on the exemption for interest on tax-exempt bonds. Changes in the rate of the federal income tax, including so-called "flat tax" proposals, could also reduce the value of the exemption. Changes affecting the exemption for interest on tax-exempt bonds, if enacted, could apply to tax-exempt bonds already outstanding, including the Series 2021 Bonds offered pursuant to this Official Statement, as well as bonds issued after the effective date of such legislation. It is not possible to predict whether Congress will adopt legislation affecting the exemption for tax-exempt bonds, what the provisions of such legislation may be, whether any such legislation will be retroactive in effect, or what effect any such legislation may have on investors in the Series 2021 Bonds. Investors should consult their own tax advisers about the prospects and possible effect of future legislation that could affect the exemption for interest on tax-exempt bonds.

The Indenture does not provide for mandatory redemption of the Series 2021 Bonds or payment of any additional interest or penalty if a determination is made that the Series 2021 Bonds do not comply with the existing requirements of the Code, if a subsequent change in law adversely affects the tax-exempt status of the Series 2021 Bonds or the economic benefit of investing in the Series 2021 Bonds, or if any other event or occurrence takes place that impacts the tax status of the Series 2021 Bonds.

### **The United States Bankruptcy Code**

Chapter 9 of Title 11 of the United States Code, 11 U.S.C. 101, *et seq.* (the "Bankruptcy Code") permits a political subdivision, public agency or instrumentality of a State to file a petition for relief in federal bankruptcy courts if the subdivision, agency or instrumentality is insolvent within the meaning of Chapter 9 and is authorized under applicable state law to seek such relief. The University, as an instrumentality of the State of Alabama, meets the initial eligibility requirement for a debtor under Chapter 9 of the United States Bankruptcy Code, as set forth at 11 U.S.C. §109(c)(1), because it is a "municipality" as defined at 11 U.S.C. §101(40), but the

University is not expressly authorized by Article XIV, Section 266 of the Alabama Constitution of 1901 or by §16-48-1 *et seq.* of the Code of Alabama 1975, as amended, to initiate a Chapter 9 proceeding. Therefore, absent enactment of legislation by the Alabama Legislature that specifically authorizes a filing by the University, or by all instrumentalities of the State of Alabama, the University does not appear to be eligible to be a "debtor" under Chapter 9 of the United States Bankruptcy Code.

Nonetheless, Chapter 9 has been rarely used, and there is little precedent concerning its interpretation or the interpretation of related state laws, so there can be no definitive assurance that the University would be prevented from filing a petition for relief under Chapter 9, and if it did so, what relief would be provided. For example, Chapter 9 of the Bankruptcy Code provides certain protections to creditors whose debts are secured by pledged special revenues; however, because of the limited precedent available with respect to Chapter 9, it is possible that a federal bankruptcy court could reject or circumscribe certain of these provisions under the facts of a specific case.

It should be noted that Section 922(d) of Chapter 9 of the Bankruptcy Code provides that a bankruptcy petition does not operate as a stay of "application of pledged special revenues" to the payment of indebtedness secured by such revenues in a manner consistent with other provisions of the Bankruptcy Code. Without limitation, section 928 of the Bankruptcy Code provides that special revenues acquired by the debtor after commencement of a Chapter 9 case remain subject to any lien resulting from any security agreement entered into by the debtor before commencement of the case, but further provides that any such lien on special revenues (other than municipal betterment assessments) derived from a project or system shall be subject to "the necessary operating expenses of such project or system." It is not clear whether the pledge of Pledged Revenues made by the University for the benefit of the Series 2021 Bonds would constitute "special revenues" as that term is defined in section 902(2) of the Bankruptcy Code. Moreover, the phrase "application of pledged special revenues" has given rise to arguments that the provisions of section 922(d) apply only to funds in possession and control of the debtholders, or their trustee. Therefore, it is uncertain whether or not the filing of a Chapter 9 petition (if the University had such power under Alabama law) would affect application of Pledged Revenues for the payment of principal and interest on the Series 2021 Bonds. Similarly, it is uncertain whether section 928 of the Bankruptcy Code would control the claims of holders of the Series 2021 Bonds with respect to the Pledged Revenues.

As a "municipality" within the meaning of the Bankruptcy Code, the University's eligibility to be a debtor is governed solely by 11 U.S.C. §109(c). A "municipality" within the meaning of Chapter 9 of the Bankruptcy Code cannot seek relief as a "debtor" under other chapters of the Bankruptcy Code, including without limitation Chapters 7 and 11.

The approving legal opinion of Bond Counsel to the University will contain the customary reservation that the rights of the holders of the Series 2021 Bonds and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, sovereign immunity, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases. *See* the proposed form of approving legal opinion set forth in Appendix B – "Proposed Form of Approval Opinion of Bond Counsel to the University."

#### **FINANCIAL ADVISOR**

PFM Financial Advisors LLC ("PFM") is employed by the University to perform professional services in the capacity of financial advisor. In its role as financial advisor to the University, PFM has provided advice on the plan of financing and structure of the Series 2021 Bonds, and reviewed certain legal and disclosure documents, including this Official Statement, for financial matters. PFM has not independently verified the factual information contained in this Official Statement, but relied on the information supplied by the University and other sources and the University's certification as to the Official Statement.

#### **UNDERWRITING**

The Series 2021 Bonds are being purchased for reoffering by Raymond James & Associates, Inc., Hancock Whitney Investment Services, Securities Capital Corporation and The Frazer Lanier Company Incorporated (collectively, the "Underwriters") at an aggregate purchase price of \$\_\_\_\_\_ (representing the initial

par amount of the Series 2021 Bonds, less an underwriting discount of \$\_\_\_\_\_, [plus/less] [net] original issue [premium/discount] of \$\_\_\_\_\_). The public offering price of the Series 2021 Bonds as set forth on the inside of the cover page of this Official Statement may be changed from time to time by the Underwriters, and the Underwriters may allow a concession from the public offering price to certain dealers.

#### **MISCELLANEOUS**

The references herein to statutory provisions, the Indenture and other documents and instruments are summaries of certain provisions thereof and do not purport to be complete. For full and complete statements of such provisions reference is hereby made to the specific statutory provision, document or instrument to which such summary relates.

So far as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the owners of the Series 2021 Bonds.

The information contained in this Official Statement has been compiled or prepared from information obtained from sources believed to be reliable; however, the University makes no representation as to the accuracy or completeness of such information. The information and the expressions of opinion herein are subject to change without notice. Accordingly, neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that, since the date hereof, there has been no change in the affairs of the University or any other governmental agencies or entities discussed herein.

The distribution of this Official Statement and its use in the offering and sale of the Series 2021 Bonds have been approved by the governing body of the University.

#### **UNIVERSITY OF SOUTH ALABAMA**

\_\_\_\_\_  
/s/ G. Scott Weldon

Vice President for Finance and Administration

**APPENDIX A**

**AUDITED FINANCIAL STATEMENT FOR THE  
FISCAL YEAR ENDED SEPTEMBER 30, 2020**



**APPENDIX B**

**PROPOSED FORM OF APPROVAL OPINION OF BOND COUNSEL TO THE UNIVERSITY**

Proposed Form of Approval Opinion of Bond Counsel

\_\_\_\_\_, 2021

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

Ladies and Gentlemen:

We have examined the Constitution and laws of the State of Alabama and certified copies of proceedings of the Board of Trustees of the University of South Alabama (herein called the "University") and other documents submitted to us pertaining to the authorization, issuance and validity of:

\$ \_\_\_\_\_  
**University of South Alabama**  
**University Facilities Revenue Bonds**  
**Series 2021**

The statements hereinafter made and the opinions hereinafter expressed are based upon our examination of said constitution, laws, proceedings, and documents, which show as follows:

(1) that the above-referenced Series 2021 Bonds (the "Series 2021 Bonds") have been issued under a University Facilities Revenue Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended and as further supplemented by an Eighteenth Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2021 Bonds between the University and The Bank of New York Mellon Trust Company, N.A., as successor trustee (said Indenture, as so supplemented and amended, herein called the "Indenture"), wherein there has been pledged for payment of all bonds issued thereunder so much as may be necessary therefor of (a) the proceeds of the general tuition fees levied against all students attending the University, (b) the gross revenues derived from auxiliary enterprises services furnished by the University, including, without limitation, food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University, and (c) an amount not exceeding \$10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's & Women's Hospital (collectively herein called the "Pledged Revenues"); and

(2) that the University is authorized under the Indenture to issue, without express limit as to principal amount but only upon compliance with certain conditions precedent specified in the Indenture, Additional Bonds (as such term is defined in the Indenture) secured by a pledge of the Pledged Revenues on a parity with all other bonds issued under the Indenture and at any time outstanding.

We are of the following opinion: that the University is a public body corporate under the laws of the State of Alabama and has corporate power to issue the Series 2021 Bonds and to execute and deliver the Indenture; that the Series 2021 Bonds have been duly authorized, executed and issued in the manner provided by the applicable provisions of the Constitution and laws of the State of Alabama, are in due and legal form and evidence valid and binding limited and special obligations of the University payable, as to principal and interest, solely out of the Pledged Revenues; that the payment of the principal of and the interest on the Series 2021 Bonds is secured on a parity with all Bonds (as such term is defined in the Indenture) previously issued under the Indenture and with any other Additional Bonds hereafter issued under the Indenture by a pledge of the Pledged Revenues pro rata and without preference or priority of the Bonds of one series over those of another; that the said pledge is valid, subject to all lawful prior charges on the Pledged Revenues; and that the Indenture has been duly authorized, executed and delivered on behalf of the University.

We are of the opinion that the interest on the Series 2021 Bonds is, under existing statutes and regulations as presently construed, exempt from Alabama income taxation.

We are further of the opinion that under the Internal Revenue Code of 1986, as amended (herein called the "Code"), as presently construed and administered, and assuming compliance by the University with its covenants pertaining to certain requirements of federal tax law that are set forth in the Indenture and the proceedings authorizing the issuance of the Series 2021 Bonds, the interest on the Series 2021 Bonds will be excludable from gross income of the recipient thereof for federal income tax purposes pursuant to the provisions of Section 103(a) of the Code and will not be an item of tax preference included in alternative minimum taxable income for the purpose of computing the minimum tax imposed by Section 55 of the Code. We express no opinion regarding tax consequences arising with respect to the Series 2021 Bonds other than as expressly set forth herein.

We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement of the University relating to the Series 2021 Bonds. We express no opinion with respect to the federal tax consequences to the recipient of the interest on the Series 2021 Bonds under any provision of the Code not referred to above.

The rights of the holders of the Series 2021 Bonds and the enforceability of the Series 2021 Bonds and the Indenture are subject to all applicable bankruptcy, insolvency, reorganization, sovereign immunity, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and the exercise of judicial discretion in appropriate cases.

Neither the principal of nor the interest on the Series 2021 Bonds nor the aforesaid pledge or any other agreements contained in the Indenture constitute an obligation of any nature whatsoever of the State of Alabama, and neither the Series 2021 Bonds nor any obligation arising from said pledge or other agreements are payable out of any moneys appropriated to the University by the State of Alabama. The Indenture does not constitute a mortgage on any of the property of the University, and no foreclosure or sale proceedings with respect to any property of the University shall ever be had under its authority.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

**APPENDIX C**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

## CONTINUING DISCLOSURE AGREEMENT

The University of South Alabama, a public body corporate under the laws of the State of Alabama (the "University"), has entered into this Agreement for the benefit of the holders of its University Facilities Revenue Bonds, Series 2021, in the aggregate principal amount of \$ \_\_\_\_\_ (the "Bonds"). The University is the Obligated Person with respect to the Bonds.

### Recitals

A. The Bonds are being issued pursuant to a University Facilities Revenue Trust Indenture dated as of February 15, 1996 (the said Indenture, as heretofore supplemented and amended and as further supplemented and amended by an Eighteenth Supplemental University Facilities Revenue Trust Indenture dated the date of the Bonds (the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

B. An Official Statement dated [\_\_\_\_\_, 2021] (the "Official Statement") has been prepared for distribution to prospective purchasers of the Bonds.

C. The Bonds are subject to the provisions of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), as amended. This Agreement is being entered into pursuant to the continuing disclosure requirements of the Rule.

D. Capitalized terms not otherwise defined in this Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with definitions in the Rule, in the Official Statement.

E. There is no Obligated Person with respect to the Bonds other than the University.

**NOW, THEREFORE**, for and in consideration of the premises, the University hereby covenants, agrees and binds itself as follows:

#### 1. Financial Statements; Annual Report.

(a) The University will provide to the Municipal Securities Rulemaking Board (the "MSRB") the audited financial statements of the University, prepared in accordance with generally accepted accounting principles as applicable to the University, not later than 210 days after the close of each fiscal year of the University, beginning with the fiscal year ending September 30, 2021.

(b) The University will provide, not later than 210 days after the end of each fiscal year of the University, commencing with the fiscal year ending September 30, 2021, to the MSRB the following financial and operating data, unless such information is included in the filed audited financial statements (the "Annual Report"):

- (1) the revenues from the general tuition fees the proceeds of which are pledged for payment of the Bonds;
- (2) the revenues from the auxiliary enterprises fees the proceeds of which are pledged for payment of the Bonds;
- (3) the schedule of undergraduate and graduate fees and College of Medicine fees;
- (4) the number of students, by geographic classification, attending the fall term commencing within the fiscal year covered by the University Annual Report;
- (5) the total State appropriations authorized and received.

(c) If the University's fiscal year is changed subsequent to the execution of this Agreement, the University shall provide timely notice of the change to the MSRB stating that its fiscal year has changed and specifying the new period constituting the University's fiscal year.

**2. Event Notices.** The University agrees to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, as required by the Rule, to the MSRB, notice of the occurrence of any of the following events (each a "Listed Event") with respect to the Bonds:

1. principal and interest payment delinquencies.
2. non-payment related defaults, if material.
3. unscheduled draws on debt service reserves reflecting financial difficulties.
4. unscheduled draws on credit enhancements reflecting financial difficulties.
5. substitution of credit or liquidity providers, or their failure to perform.
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. modifications of the rights of holders of the Bonds, if material.
8. bond calls, if material, and tender offers.
9. defeasances.
10. release, substitution or sale of property securing repayment of the Bonds, if material.
11. rating changes.
12. bankruptcy, insolvency, receivership, or similar event of the obligated person.
13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. incurrence of a Financial Obligation of an Obligor, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of an Obligor, any of which affect security holders, if material.
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an Obligor, any of which reflect financial difficulties.

As used herein, "Financial Obligation" shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of (a) or (b). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule.

**3. Additional Information.** Nothing in this Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the University chooses to disseminate information in addition to that required herein, whether by including such information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement or otherwise, the University shall have no obligation under this Agreement to update or continue to provide such information or include it in any future notice of occurrence of a Listed Event.

**4. Form and Method of Filing.** All filings to be provided hereunder to the MSRB shall be made by posting such information in electronic format on the MSRB's Electronic Municipal Market Access ("EMMA") system at <http://emma.msrb.org> accompanied by identifying information as prescribed by the MSRB. All such filings shall be made in conformity with the procedures and requirements established by the MSRB in effect at the time of such filing.

**5. Beneficiaries; Limitation of Remedies Hereunder.** This Agreement is for the benefit of the holders of the Bonds and shall be enforceable by such holders, subject to the limitations herein. The University shall never be subject to money damages in any sum or amount, whether compensatory, punitive or otherwise, for its failure to comply with its obligations contained herein. The only remedy available to the holders of the Bonds for breach by the University of its obligations hereunder shall be the remedy of specific performance or mandamus against the appropriate officials of the University to obtain performance of the University's obligations hereunder. No failure by the University to comply with the provisions of this Agreement shall be an event of default with respect to the Bonds under the Indenture.

**6. Responsibility for Compliance.**

(a) No person other than the University shall have any liability or responsibility for compliance by the University with its obligations under this Agreement. The Trustee has undertaken no responsibility with respect to any reports, notices or disclosures required by this Agreement or the Rule.

(b) The University will pay all costs incurred in connection with the performance of its obligations under this Agreement, including without limitation the fees and expenses of any dissemination agent, consultants, advisers, accountants, legal counsel or other persons that may be retained by the University to assist in the performance of the University's obligations.

**7. Amendment; Waiver.** Notwithstanding any other provision of this Agreement, the University may amend this Agreement and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not cause the undertakings herein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

**8. Termination.** The University reserves the right to terminate its obligation to provide an Annual Report, audited financial statements and notices of material events, as set forth above, if and when the University no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

**9. Contract Formed.** This Agreement shall constitute a contract between the University and the holders from time to time and at any time of the Bonds, but no other person, firm or corporation shall have any rights hereunder.

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**IN WITNESS WHEREOF**, this Agreement has been duly authorized by the University and has been executed by and on behalf of the University by its duly authorized officer, all as of the \_\_\_\_\_ day of \_\_\_\_\_, 2021.

**UNIVERSITY OF SOUTH ALABAMA**

By: \_\_\_\_\_

Its: \_\_\_\_\_



**APPENDIX D**  
**DTC PROCEDURES**

## **DTC Book-Entry Only System**

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2021 Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 7A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from University or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Trustee, or University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of University or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to University or Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

THE UNIVERSITY, THE UNDERWRITERS AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2021 BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2021 BONDS, (2) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2021 BONDS, OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE SERIES 2021 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC OR DIRECT OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE UNIVERSITY, THE UNDERWRITERS NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE SERIES 2021 BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (3) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR PREMIUM, IF ANY, ON THE SERIES 2021 BONDS; (4) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND INDENTURE TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2021 BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

**EXHIBIT IV**  
**OFFICIAL STATEMENT**

**RATINGS:**

	<u>Underlying</u>	<u>Insured</u>
Moody's:	A1 (Stable)	n/a
S&P:	A+ (Stable)	AA (Stable)
	See "RATINGS" herein	

**NEW ISSUE - BOOK-ENTRY ONLY**

*In the opinion of Bond Counsel to the University, under existing law and assuming the accuracy of certain representations and certifications and compliance by the University with certain tax covenants, interest on the Series 2021 Bonds will be excluded from gross income for federal income tax purposes. Bond Counsel to the University is of the further opinion that, under existing law, interest on the Series 2021 Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" herein for further information and certain other federal tax consequences arising with respect to the Series 2021 Bonds. Bond Counsel to the University is also of the opinion that, under existing law, interest on the Series 2021 Bonds is exempt from Alabama income taxation.*



**University of South Alabama**  
**\$40,555,000**  
**University Facilities Revenue Bonds**  
**Series 2021**

**Dated: Date of Delivery****Due: April 1, as shown on inside cover****FOR MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIPS, SEE INSIDE COVER**

The \$40,555,000 University Facilities Revenue Bonds, Series 2021 (the "Series 2021 Bonds") will be issued as fully registered bonds without coupons in denominations of \$5,000 and any integral multiple thereof pursuant to a book-entry only system to be administered by The Depository Trust Company ("DTC") and, when issued, will be registered in the name of and held by Cede & Co., as nominee. Purchases of beneficial interests in the Series 2021 Bonds will be made in book-entry form only and purchasers of a beneficial interest in the Series 2021 Bonds ("Beneficial Owners") will not receive physical delivery of the certificates representing their interests in the Series 2021 Bonds. The principal of and interest on the Series 2021 Bonds will be paid directly to DTC, so long as DTC or its nominee is the registered owner of the Series 2021 Bonds. The final disbursements of such payments to the Beneficial Owners of the Series 2021 Bonds will be the responsibility of the DTC Participants and the Indirect Participants, all as defined and more fully described in this Official Statement under the caption "THE SERIES 2021 BONDS - General Description" and in Appendix D hereto.

The Series 2021 Bonds are being issued by the University of South Alabama (the "University") pursuant to that certain University Facilities Revenue Trust Indenture between The Bank of New York Mellon Trust Company, N.A., as trustee, and the University dated as of February 15, 1996 (as heretofore supplemented and amended and as further supplemented and amended by an Eighteenth Seventeenth Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2021 Bonds, the "Indenture") to (i) pay the costs of various capital improvements at the University hereafter described as the "2021 Improvements", and (ii) pay the costs of issuing the Series 2021 Bonds, including the premium for the municipal bond insurance policy for the Insured Series 2021 Bonds defined below. The principal of and interest on the Series 2021 Bonds are limited obligations of the University payable from and secured solely by the Pledged Revenues, as defined and further described herein.

The scheduled payment of principal of and interest on the Series 2021 Bonds maturing on April 1 of the years 2024 through 2041, inclusive (the "Insured Series 2021 Bonds") when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Series 2021 Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



Certain Series 2021 Bonds are subject to redemption prior to maturity on such terms and as more fully described herein.

The Series 2021 Bonds are not obligations or debts of the State of Alabama (the "State") nor will any principal of or interest on the Series 2021 Bonds be paid out of any moneys provided for or appropriated to the University by the State of Alabama. The Series 2021 Bonds are special and limited obligations of the University, secured by a pledge of and payable solely from certain fees and revenues of the University as described herein and in the Indenture. Neither the Series 2021 Bonds nor the pledge of the said fees and revenues and other agreements provided in the Indenture shall be or constitute a general obligation of the University or an obligation of any nature whatsoever of the State, or be payable out of any moneys appropriated by the State to the University.

*The Series 2021 Bonds are offered when, as and if issued by the University and received by the Underwriters, subject to prior sale, to withdrawal or modifications of the offer without notice, and to the approval of legality of the Series 2021 Bonds by Bradley Arant Boult Cummings LLP, Bond Counsel to the University. Hand Arendall Harrison Sale LLC, Mobile, Alabama, will render an opinion on behalf of the Underwriters. It is expected that the Series 2021 Bonds in definitive form will be available for delivery through DTC on or about March 10, 2021.*

**RAYMOND JAMES**  
**SECURITIES CAPITAL**

**HANCOCK WHITNEY**  
**INVESTMENT SERVICES**

**THE FRAZER LANIER COMPANY**  
**INCORPORATED**

Dated: February 25, 2021

## MATURITIES, AMOUNTS, RATES, YIELDS & CUSIPS

**\$40,555,000**

### UNIVERSITY OF SOUTH ALABAMA University Facilities Revenue Bonds Series 2021

<b>Maturity (April 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIPs<sup>(1)</sup></b>
<i>Uninsured Series</i>				
<i>2021 Bonds</i>				
2022	\$1,175,000	4.000%	0.380%	914845TF9
2023	1,335,000	4.000	0.520	914845TG7
<i>Insured Series</i>				
<i>2021 Bonds</i>				
2024	\$1,390,000	4.000	0.620%	914845TH5
2025	1,445,000	4.000	0.770	914845TJ1
2026	1,500,000	4.000	0.930	914845TK8
2027	1,560,000	5.000	1.070	914845TL6
2028	1,640,000	5.000	1.240	914845TM4
2029	1,720,000	5.000	1.400	914845TN2
2030	1,810,000	5.000	1.550	914845TP7
2031	1,900,000	5.000	1.650	914845TQ5
2032	1,995,000	5.000	1.730*	914845TR3
2033	2,095,000	5.000	1.790*	914845TS1
2034	2,200,000	5.000	1.860*	914845TT9
2035	2,310,000	5.000	1.910*	914845TU6
2036	2,420,000	5.000	1.930*	914845TV4
2037	2,545,000	5.000	1.970*	914845TW2
2038	2,670,000	5.000	2.010*	914845TX0
2039	2,805,000	5.000	2.050*	914845TY8
2040	2,945,000	5.000	2.080*	914845TZ5
2041	3,095,000	5.000	2.120*	914845UA8

\* Calculated to April 1, 2031 first optional redemption date.

<sup>(1)</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the University and are included solely for the convenience of the registered owners of the Series 2021 Bonds. The University and the Underwriters are not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness by the University on the Series 2021 Bonds and by the Underwriters on the Series 2021 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2021 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2021 Bonds.

**UNIVERSITY OF SOUTH ALABAMA**

**MEMBERS OF THE BOARD OF TRUSTEES**

Kay Ivey, Ex Officio  
Katherine Alexis Atkins  
Scott A. Charlton  
E. Thomas Corcoran  
Steven P. Furr  
William Ronald Graham  
Robert D. Jenkins, III  
Arlene Mitchell  
Lenus M. Perkins  
James H. Shumock  
Kenneth O. Simon  
Chandra Brown Stewart  
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**PRESIDENT**

Dr. Tony G. Waldrop

**VICE PRESIDENT FOR FINANCE AND ADMINISTRATION**

G. Scott Weldon

**BOND COUNSEL**

Bradley Arant Boult Cummings LLP  
Birmingham, Alabama

**FINANCIAL ADVISOR**

PFM Financial Advisors LLC  
Huntsville, Alabama

**UNDERWRITERS**

Raymond James & Associates, Inc.  
Hancock Whitney Investment Services Inc.  
Securities Capital Corporation  
The Frazer Lanier Company Incorporated

**COUNSEL TO UNDERWRITERS**

Hand Arendall Harrison Sale LLC  
Mobile, Alabama

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Certain information contained in or incorporated by reference in this Official Statement has been obtained by the University from DTC and other sources that are deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the Underwriters or the University.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriters. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

No dealer, broker, salesperson or any other person has been authorized by the University or the Underwriters to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the inside cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2021 Bonds.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information based on the University's beliefs as well as assumptions made by and information currently available to the University. *See* "FORWARD LOOKING STATEMENTS" herein.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2021 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2021 BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC rule 15c2-12.

**Build America Mutual Assurance Company ("BAM") makes no representation regarding the Insured Series 2021 Bonds or the advisability of investing in the Insured Series 2021 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the section entitled "BOND INSURANCE " and "Appendix E - Specimen Municipal Bond Insurance Policy."**



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## **OFFICIAL STATEMENT**

pertaining to

### **UNIVERSITY OF SOUTH ALABAMA**

**\$40,555,000**

**University Facilities Revenue Bonds  
Series 2021**

### **INTRODUCTORY STATEMENT**

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to provide information in connection with the issuance by the University of South Alabama of the above-referenced Series 2021 Bonds (the "Series 2021 Bonds"), dated their date of initial delivery and issued as additional parity bonds under a University Facilities Revenue Trust Indenture dated as of February 15, 1996, between the University of South Alabama and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as previously supplemented and amended (the "Base Indenture") and as further supplemented and amended by an Eighteenth Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2021 Bonds (the Base Indenture, as so supplemented and amended, the "Indenture").

Definitions of certain words and terms having initial capital letters used herein are defined in the Indenture or in the instrument or document in the description of which such word or term is used. Reference is hereby made to the full text of the documents and instruments briefly described herein which may be obtained from the Underwriters or from the University during the period of the offering.

The Governor, the State Superintendent of Education and the appointed trustees together constitute a public body corporate under the name University of South Alabama (the "University"). The University is located in the City of Mobile, Alabama.

#### **Purpose of the Issue**

Proceeds of the Series 2021 Bonds will be applied to pay the costs of (i) certain public capital improvements on the campus of the University consisting of improvements and assets to increase capacity within USA Health, a division of the University, including without limitation a new medical office building, operating room expansion and pediatric emergency room construction, and other improvements and assets, and (ii) public roadway improvements, sidewalk improvements, retention pond improvements, utility improvements, and other public capital improvements, equipment and assets for the University (herein collectively called the "2021 Improvements"). Proceeds will also be used to pay the costs of issuing the Series 2021 Bonds, including the premium for a municipal bond insurance policy for the Insured Series 2021 Bonds.

Proceeds from the sale of the Series 2021 Bonds to pay the costs of the 2021 Improvements will be held in a special fund established by the University (the "2021 Improvements Construction Fund").

#### **Security**

The Series 2021 Bonds are limited obligations of the University payable from, and secured solely by a pledge of, the Pledged Revenues, as more fully described below under "SECURITY AND SOURCE OF PAYMENT - Sources of Payment and Pledged Revenues." The Pledged Revenues include a pledge of the General Fees levied against students enrolled at the University and any additional fees and revenues that may in the future be subjected to the lien of the Indenture pursuant to a Supplemental Indenture, a pledge of the gross revenues derived from certain auxiliary enterprises services furnished by the University, and an amount not exceeding \$10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's & Women's Hospital, each

as described herein. See "SECURITY AND SOURCE OF PAYMENT - Sources of Payment and Pledged Revenues."

The Series 2021 Bonds will not constitute a charge against the general credit of the University and will not be payable from moneys appropriated to the University by the State of Alabama. The University has no taxing power. The State of Alabama will not be liable in any manner for the payment of the principal and interest on the Series 2021 Bonds. Holders of the Series 2021 Bonds shall never have the right to demand payment of the Series 2021 Bonds from the University from any source other than the special funds established under the Indenture and the Pledged Revenues and shall be entitled to payment from such sources only on a parity basis with all other bonds outstanding under the Indenture.

### **Existing and Additional Parity Bonds**

The Indenture permits the University to issue additional bonds that will be secured by and be payable from Pledged Revenues on parity of lien with the Outstanding Bonds (defined below), the Series 2021 Bonds and any Additional Bonds (defined below) issued hereafter. For a description of the Outstanding Bonds (i.e., Bonds already outstanding under the Indenture that are secured by and payable from Pledged Revenues on parity of lien with the Series 2021 Bonds), See "SECURITY AND SOURCE OF PAYMENT – General." For a description of the terms of the Indenture for the issuance of Additional Bonds in the future, See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Bonds."

## **THE COVID-19 PANDEMIC**

### **General**

*Background.* The spread in early 2020 of the novel coronavirus and the disease it causes named "coronavirus disease 2019" (abbreviated "COVID-19"), along with various governmental measures taken to protect public health in light of the pandemic, has had an adverse impact on travel, commerce and financial markets globally, and has adversely affected economic growth worldwide. COVID-19 has negatively impacted, and is expected to continue to negatively impact, national, state and local economies, most private and public industries, and institutions of higher education like the University. The extent to which COVID-19 impacts the University's financial condition, the receipt of Pledged Revenues or the University's ratings will depend on future developments, some of which are not within the University's control. No assurances can be given that other pandemic events will not occur in the future. The nature, extent and impact of such events on the University cannot be predicted with certainty, but it is possible they could have a material adverse impact on the University's financial condition, the receipt of Pledged Revenues or the University's ratings.

*Proclamations and Orders.* On March 13, 2020, President Trump declared a national emergency under the National Emergencies Act. On the same day, Governor Kay Ivey declared a state public health emergency due to COVID-19 and subsequently issued supplemental state of emergency proclamations in place as of the date of this Official Statement. The Governor and the State Health Officer have also issued a series of orders to address the spread of COVID-19, including orders that (i) every person in the state stay at his or her place of residence except to perform certain essential activities, (ii) required closure of certain non-essential businesses, (iii) essential businesses must comply with certain social distancing and sanitation requirements, (iv) prohibited non-work related gatherings of 10 or more persons, and non-work related gatherings of any size that cannot maintain a consistent six-foot distance between persons and (v) closed all beaches in the state. In-person instruction or classes at all schools, public and private, including elementary, secondary, postsecondary, technical or specialty schools, and colleges and universities, were prohibited starting March 20, 2020. Subsequent orders lifted some of the restrictions on business, education, social and other activities – including the prohibition on in-person instruction at all schools. Such measures have had, and will continue to have, a materially negative impact on national, state and local economies, including without limitation the University and the economy of the areas surrounding it.

Additional orders addressing the spread of COVID-19 in the state, or addressing the impact of new strains of that virus or similar viruses, may be issued by the Governor, the State Health Officer, or others in the future. Such orders may, among other things, add additional restrictions on in-person operations or activities in the state, extend existing restrictions or continue the process of easing restrictions. This could include restrictions on in-person

instruction or classes at public and private colleges and universities, such as the University. The University is unable to predict the ultimate duration or impact of any present or future COVID-19-related orders or similar restrictions.

*Uncertainty as to Future Impact.* The implications of COVID-19 are continually changing. While vaccines to treat COVID-19 have been produced by major pharmaceutical companies and are being administered throughout the United States and other parts of the world, such vaccines are not expected to be universally available until much later this year, and the long-term effectiveness of such vaccines are unknown. It is also not certain that such vaccines will be effective against new strains of the virus, which are starting to emerge in other parts of the world.

The University cannot predict with reasonable certainty the range of impacts, or the magnitude of the impacts, of the pandemic (and of any potential future pandemics or similar responses to COVID-19 and COVID-19 related viruses) on the University, including the impact on the receipt of Pledged Revenues. The financial impacts could be adverse and meaningful, and could have a long-term duration; resulting in material reductions in the amount of Pledged Revenues received by the University.

## **University Operations**

*General Impact.* The outbreak of COVID-19 has affected travel, commerce and financial markets globally, in the United States, in the State of Alabama and with various public entities within the state such as the University. The University continues to assess the impact of COVID-19 on social interaction, travel, economies and financial markets, and the responsive measures related thereto, on its financial condition and operations, including the impact on general academic and educational activities and auxiliary enterprises and the revenues derived therefrom.

As noted above, in-person instruction or classes at all schools, including without limitation institutions of higher education like the University, was prohibited effective March 20, 2020. For the Spring 2020 term, delivery of all instruction was moved to an online format in March 2020 and required that students, where possible, vacate on-campus residence halls. All instruction for the May and Summer terms of 2020 was delivered online and residence halls remained largely closed.

*Material Expenditures.* As a result of the COVID-19 pandemic, the University refunded students \$3,754,591.19 in housing and meal plan fees due to the shortened Spring 2020 semester (of which amount the University was reimbursed \$3,604,534.53 from CARES Act funding). The University also provided financial support grants to students who were enrolled at the University during the Spring 2020 semester and impacted by the pandemic. These grants totaled approximately \$5,700,000 and were funded in full by CARES Act funding. Additionally, there were certain other costs associated with moving course instruction online in the Spring of 2020 that were also covered by CARES Act funds.

Many elective surgeries and procedures at USA Health, a division of the University, were delayed during the Spring and early summer of 2020 due to the COVID-19 pandemic. This delay, however, did not have a material negative impact on the University or USA Health.

All other unreimbursed COVID-19 and pandemic response expenses of the University (including its division, USA Health) were not material.

*Pandemic Response Plan.* Shortly after declaration of the pandemic, the University undertook an extensive, proactive response to the COVID-19 pandemic. The University formed several committees and task forces to design policies and procedures to mitigate and respond to the challenges presented to the University and USA Health by COVID-19 and the resulting pandemic, and to help safeguard the financial posture of the University. The University's pandemic response has multiple facets and continues to evolve as the pandemic unfolds. Management took precautionary steps to enhance operational and financial flexibility and to react to the risks the COVID-19 pandemic presents to operations, including the following:

- Establishment of a campus-wide contact tracing office to minimize the spread of the virus and therefore minimize the financial impact on the University.

- As more particularly described below, establishment of a campus-wide reopening committee to address COVID-19 issues related to the reopening of campus, including the return of employees and students to an in-person environment.
- Revisions to the student housing model by increasing the number of single occupant rooms and creating an isolation facility within housing for students who become COVID-19 positive.
- Implementation of a temporary 4.50% pay reduction in lieu of a one-day per month unpaid furlough for most campus employees from May through August of 2020. (This unpaid furlough plan ultimately ended, and funds were returned to employees who remained employed at the time the funds were returned due to positive 2020 fiscal year financial results for the University.)
- Elimination of certain positions, mostly unfilled, in academic and administrative areas.

*Fall 2020 Reopening.* That portion of Governor Kay Ivey's order (described above) limiting in-person instruction or classes at schools and institutions of higher education such as the University was removed by the start of the Fall 2020 semester, and in anticipation of the same the University developed a comprehensive plan for safe and effective delivery of on-campus instruction. Primary highlights of the University's reopening plan include:

- Blended class attendance options to include an online component and some face-to-face instruction with social distancing.
- All students, faculty and staff required to complete a health screening form before returning to work, activities or classes on campus, and potential referral for testing if screening indicates issues or concerns.
- Employees and students regularly coming to campus required to complete a daily health screening via the University's online daily health verification system known as "[Jag Healthcheck](#)".
- On campus health screening, COVID-19 testing and contact tracing as needed to maintain the health and safety of campus.
- Requirements for all faculty and staff, as well as students attending on-campus classes and activities, are required to complete health and safety education sessions.
- Face masks required in most circumstances, with the University providing two washable, reusable face masks, free of charge, to every student and employee.

The University adjusted its 2020 Fall calendar by delaying move-in (by appointment only) to residence halls to August 8, 2020, stretching assigned move-in dates/times to residence halls over a longer period in order to reduce density of people in campus on move-in days, commencing class instruction on August 17, 2020, and completing fall classes by November 24, 2020. The University eliminated the traditional "fall break" between Thanksgiving and winter holidays and implemented online final exams that concluded on December 4, 2020, to reduce the need for students travel following the Thanksgiving holiday.

Fall 2020 enrollment for the University was down approximately 1.2% compared to Fall 2019. *See* "CERTAIN GENERAL INFORMATION RESPECTING THE UNIVERSITY – Student Enrollment and Trends" for a discussion regarding the University's strategy to increase admission and enrollment.

The University also created the "University of South Alabama COVID-19 Dashboard" containing information on the number of positive COVID-19 cases on the University's main campus that have been reported to USA's contact tracing team. All employees and students are required to immediately report confirmed or suspected cases of COVID-19 to the University's contact tracing team. This framework was created to promote safe learning spaces and flexible instructional delivery, while allowing schools, departments and faculty the autonomy necessary to implement strategies that address the unique and specialized needs of each academic program and course. Additional information concerning policies, procedures and other protective measures the University has implemented may be accessed on the University's website at <https://www.southalabama.edu/coronavirus>.

*Spring 2021.* For the Spring 2021 semester, residence halls opened on January 18, 2021, classes commenced on January 19, 2021, and the semester is scheduled to end on April 30, 2021. The University will not have a traditional "spring break", but will have various student breaks throughout the Spring 2021 semester.

The University plans to continue its COVID-19 protocols, including hybrid (i.e., online and in-person) learning, COVID-19 testing and social distancing, for the duration of the Spring 2021 semester. Students on campus will complete training, screening and testing. The training is online and includes a video, a quiz, and a pledge. The screening is recommended daily, but required every three days. Testing protocols, including random testing, will continue throughout the semester.

Spring 2021 semester enrollment is down between 2% - 3% compared to Spring 2020. See "CERTAIN GENERAL INFORMATION RESPECTING THE UNIVERSITY – Student Enrollment and Trends" for a discussion regarding the University's strategy to increase admission and enrollment.

*Future Impact of COVID-19.* Notwithstanding its positive financial and operational results for the fiscal year ended September 30, 2020, the University faces uncertainty as to the financial impacts resulting from COVID-19 due to a variety of factors including, without limitation, possible lower student enrollment with resulting reduced housing occupancy and utilization of auxiliary services, increased facility cleaning costs, costs associated with the transition to remote learning, the economic slowdown nationally and in Alabama, levels of state and federal funding and the likely increase in demand for student financial aid as families experience reductions in income. The overall extent of the impact of COVID-19 on the University's operational and financial performance will depend on these and other future developments.

### **CARES Act and Other Funding**

*General.* The Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act (the "CARES Act") was signed into law on March 27, 2020. Among other purposes, the CARES Act provided economic relief to institutions of higher education and other similar entities for a number of situations including the provision of direct financial support for students in need, reimbursement for the costs incurred as a result of moving instruction online, to provide relief funds for healthcare providers for purposes of covering costs incurred and lost revenues due to the pandemic. As of September 30, 2020, the University (including USA Health) has been awarded \$31,437,000 in CARES Act and other funding from federal and state sources for COVID-19 relief. Of this amount, \$14,919,000 has been recognized as nonoperating revenue in the statement of revenues, expenses and changes in net position for the year ended September 30, 2020. The University (including USA Health) received additional CARES Act funding subsequent to September 30, 2020 of approximately \$2,177,800.

*Current Expenditures.* To date, the University has spent \$20,748,000 of CARES Act funding received, of which \$15,013,700 covered general University expenditures and \$5,734,300 cover University expenditures specific to USA Health. Federal regulations restrict and limit the types of expenditures for which CARES Act funds may be used. While the University has not identified the exact expenditures to be covered with the remaining balance of CARES Act funds received to date, it anticipates having costs for which most, if not all, of such funds may be applied.

*Additional Federal Aid.* On December 27, 2020, President Trump signed H.R.133, which includes the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (the "Supplemental Law"). The law provides supplemental relief for institutions of higher education to address the needs of students and institutions,

enhanced protections for small businesses, funding for COVID-19 vaccines, testing and tracing, support for broadband, increased SNAP benefits, and more. The emergency spending package contains \$82 billion for education, with \$22.9 billion set aside for higher education. These funds would be distributed through a Higher Education Emergency Relief Fund (HEERF) structure, similar to the CARES Act.

USA expects to receive approximately \$18.2 million in funds through the Supplemental Law. Federal regulations restrict and limit the types of expenditures for which these funds may be used. The University has not identified the exact expenditures to be covered with these funds, but expects to have costs for which most, if not all, of such funding may be applied.

## **USA Health**

*Pandemic Response.* USA Health, a division of the University, undertook an extensive, proactive, multi-faceted response to the COVID-19 pandemic. On March 16, 2020, USA Health, in partnership with the City of Mobile, established a drive-up COVID-19 testing center. The center was first established on USA Health Children's & Women's Hospital's campus, then relocated to city-owned facilities in response to increased demand, extreme heat and rain conditions, and for the continued safety of medical personnel.

USA Health opened a new, 10-bed COVID unit, and converted additional hospital floors to isolate COVID-19 patients during peak times. A 15-bed adult COVID-19 unit was opened at USA Children's & Women's Hospital to handle overflow from USA Health University Hospital. USA Health also implemented and pursued various changes to internal operations and processes to respond to the pandemic, including:

- Restrictions placed on visitors of the hospitals, temperature screening stations established at all hospital and clinic entrances, and delivery of an app for hospital employees to screen for COVID-19 symptoms prior to approaching the hospital.
- Clinic operations were converted to telemedicine visits to reduce face-to-face office visits.
- A personal protective equipment committee was formed to address needs for employees to stay protected while caring for patients infected with COVID-19. This committee addressed utilization, donations of equipment and supplies, internal policies and procedures, staff training and communication related to personal protective equipment.
- An employee website <https://www.usahealthsystem.com/covid-19-employees> and email communication process was created for staff to receive immediate job-critical information and updates, such as personal protective equipment changes, policy and procedure changes, and employee COVID-19 testing procedures.
- A community-wide pandemic testing center was established to serve first responders at USA Health and within the local community.
- Hospital employees were furloughed under both paid and unpaid status types to address reductions in patient volumes.
- Voluntary, unpaid time off was requested from management level employees.
- A voluntary paid time off donation program was established to provide paid time to employees adversely affected by COVID-19 based furlough or illness.

*CARES Act and Other Funding.* A portion of CARES Act funding has been designated to the health care providers for purposes of covering costs incurred and lost revenues due to the pandemic. Subsequent to the passage of this legislation, the Department of Health and Human Services ("HHS") issued additional pronouncements which

provides guidance on how healthcare providers can apply, receive and recognize this funding, certain provisions of which have been reversed/significantly modified in succeeding guidance.

The University received approximately \$11,838,000 in CARES Act funding for its USA Health (a division of the University) operations as of September 30, 2020, in both general and targeted distributions. Such funding is accounted for in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Exchange Transactions*, and will be recognized in the statement of revenue, expenses and changes in net position as nonoperating revenue once the applicable terms and conditions have been met. See Appendix A for additional information concerning the University's accounting of these funds.

Additionally, as part of the CARES Act, the Centers for Medicare and Medicaid Services ("CMS") expanded the existing Accelerated and Advance Payments Program ("MAAPS") to a broader group of healthcare providers. Accelerated or advance payments under the MAAPS program is intended to provide necessary funds when there is a disruption in claims submissions and processing for a healthcare provider. CMS can also offer these payments in circumstances such as a national emergency or natural disasters in order to accelerate cash flow to impacted healthcare providers. During the year ended September 30, 2020, USA Health received accelerated payments under this program of approximately \$35,156,000. These advances must be repaid and, as such, are reflected as unrecognized revenues in the accompanying 2020 statement of net position.

*Overall.* Government orders suspending elective surgical procedures have had an adverse effect on the operations of healthcare providers, including USA Health, primarily due to reduction in overall patient volumes. While patient volumes and revenues experienced gradual improvement starting in July 2020, management is unable to predict the future impact of the pandemic on USA Health's operations.

#### **Additional Considerations; Additional Information**

The continued spread of COVID-19 may additionally adversely affect the University's (i) governmental and non-governmental funding, grants and gifts, (ii) financial markets and, consequently, the returns on and value of the University's investments, and (iii) other sources of funding upon which the University relies to cover operating costs and expenses, such as the level of State support and appropriations therefrom which, although not pledged for payment of the Series 2021 Bonds, could materially and adversely impact the University's ability to generate Pledged Revenues.

The extent to which COVID-19, or other possible pandemic events in the future, impacts the University's operations, financial condition and ratings, cannot be predicted with certainty, but it is possible could have a material adverse impact on the University.

For additional information concerning the impact of COVID-19 on the finances and operations of the University, See Appendix A hereto, including Note (20) therein entitled "COVID-19 Pandemic."

### **THE SERIES 2021 BONDS**

#### **General Description**

The Series 2021 Bonds will be dated their initial date of delivery, and will bear interest (payable on October 1, 2021, and on each April 1 and October 1 thereafter until maturity) at the rates and will mature on April 1 in the years and in the amounts set forth on the inside cover page of this Official Statement. The Series 2021 Bonds will be issuable only as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof.

The Series 2021 Bonds will be initially issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Series 2021 Bonds. Purchasers of such Series 2021 Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the Series 2021 Bonds are in the custody of DTC, references to Bondholders or Owners shall mean DTC or its nominee. DTC will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered securities in the name of Cede & Co., DTC's partnership nominee Cede or such other nominee



as may be requested by an authorized representative of DTC. One fully-registered Series 2021 Bond certificate will be issued for each maturity of the Series 2021 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. See Appendix D hereto for DTC payment and other related provisions.

During any period in which the Series 2021 Bonds are not held in the Book-Entry System, principal of the Series 2021 Bonds will be payable at the designated corporate trust office of the Trustee upon presentation and surrender of the Series 2021 Bonds as they mature. Interest on Series 2021 Bonds will be paid by the Trustee by check or draft mailed to the persons who are the registered owners of record as of the close of business on the March 15 or September 15, as the case may be, immediately preceding each interest payment date by check or draft mailed to such owners at their addresses shown on the registry books of the Trustee pertaining to the Series 2021 Bonds.

No charge will be made for any exchange or transfer of the Series 2021 Bonds, but the registered owners thereof shall be responsible for paying all taxes and other governmental charges relating to such transfer or exchange. In the event a Series 2021 Bond is lost, stolen, destroyed or mutilated, the University and the Trustee may require satisfactory indemnification for the replacement thereof and may charge the holder or owner of such bond with their fees and expenses in connection with the replacement thereof.

### **Optional Redemption**

Those of the Series 2021 Bonds having a stated maturity on April 1, 2032, and thereafter, will be subject to redemption prior to their respective maturities, at the option of the University, as a whole or in part, on April 1, 2031, and on any date thereafter (and if in part, in such maturities as the University shall select, and if less than all of a single maturity is to be redeemed those to be redeemed to be selected by the Trustee by lot) at and for a redemption price with respect to each Series 2021 Bond (or principal portion thereof redeemed) equal to the par or face amount of each Series 2021 Bond redeemed plus accrued interest to the date fixed for redemption.

### **Notice of Redemption**

Notice of redemption is required to be mailed by United States registered or certified mail to the registered owner of each Series 2021 Bond to be redeemed not more than sixty (60) nor less than thirty (30) days prior to the date fixed for redemption at the address shown on the registry books of the Trustee. No further interest will accrue after the date fixed for redemption on the principal of any Series 2021 Bond called for redemption upon notice duly given as provided in the Indenture and if payment therefor has been duly provided, and in such event any Series 2021 Bond (or portion thereof) called for redemption will no longer be protected by the provisions of the Indenture.

In the event that less than all of the outstanding principal of any Series 2021 Bond is to be redeemed, the registered owner thereof shall surrender the Series 2021 Bond that is to be prepaid in part to the Trustee in exchange, without expense to the owner, for a new Series 2021 Bond of like tenor except in a principal amount equal to the unredeemed portion of the Series 2021 Bond.

## **BOND INSURANCE**

The following information has been supplied by BAM (as defined below) for inclusion in this Official Statement. No representation is made by the University as to the accuracy or completeness of such information.

### **Bond Insurance Premium**

Concurrently with the issuance of the Series 2021 Bonds maturing April 1 of the years 2024 through 2041, inclusive (the "Insured Series 2021 Bonds"), Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Series 2021 Bonds when due as set forth in the form of the Policy included as Appendix E to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

## **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com). BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law. BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Insured Series 2021 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Insured Series 2021 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Insured Series 2021 Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Insured Series 2021 Bonds, nor does it guarantee that the rating on the Insured Series 2021 Bonds will not be revised or withdrawn.

### *Capitalization of BAM.*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$485.5 million, \$160.7 million and \$324.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Insured Series 2021 Bonds or the advisability of investing in the Insured Series 2021 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

### *Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [www.buildamerica.com/videos](http://www.buildamerica.com/videos). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [www.buildamerica.com/credit-profiles](http://www.buildamerica.com/credit-profiles). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Insured Series 2021 Bonds, and the University and Underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Insured Series 2021 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Insured Series 2021 Bonds, whether at the initial offering or otherwise.

## SECURITY AND SOURCE OF PAYMENT

### General

The University has previously issued various series of Bonds under the Indenture, of which fifteen series of Bonds are currently outstanding before giving effect to the issuance of the Series 2021 Bonds. Those series of Bonds consist of the following:

- (a) \$25,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2012-A, dated January 4, 2012 (the "Series 2012-A Bond");
- (b) \$32,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-A, dated June 28, 2013 (the "Series 2013-A Bond");
- (c) \$8,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-B, dated June 28, 2013 (the "Series 2013-B Bond");
- (d) \$10,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2013-C, dated June 28, 2013 (the "Series 2013-C Bond");
- (e) \$41,245,000 original principal amount University Facilities Revenue Refunding Bond, Series 2014-A, dated March 14, 2014 (the "Series 2014-A Bond");
- (f) \$6,000,000 original principal amount University Facilities Revenue Capital Improvement Bond, Series 2015, dated June 15, 2015 (the "Series 2015 Bond");
- (g) \$85,605,000 University Facilities Revenue Refunding Bonds, Series 2016, dated September 14, 2016 (the "Series 2016 Bonds");
- (h) \$20,000,000 University Facilities Revenue Refunding Bond, Series 2016-B, dated December 7, 2016 (the "Series 2016-B Bond");
- (i) \$35,000,000 University Facilities Revenue Refunding Bond, Series 2016-C, dated December 7, 2016 (the "Series 2016-C Bond");

- (j) \$45,000,000 University Facilities Revenue Refunding Bond, Series 2016-D, dated December 7, 2016 (the "Series 2016-D Bond");
- (k) \$38,105,000 University Facilities Revenue Bonds, Series 2017, dated June 15, 2017 (the "Series 2017 Bonds");
- (l) \$47,750,000 University Facilities Revenue Bonds, Series 2019-A, dated February 7, 2019 (the "Series 2019-A Bonds");
- (m) \$18,440,000 Taxable University Facilities Revenue Bonds, Series 2019-B, dated February 7, 2019 (the "Series 2019-B Bonds");
- (n) \$19,086,000 original principal amount University Facilities Revenue Bond, Series 2019-C, dated December 12, 2019 (the "Series 2019-C Bond"); and
- (o) \$37,005,000 original principal amount University Facilities Revenue Bonds, Series 2020, dated March 10, 2020 (the "Series 2020 Bonds").

The Series 2012-A Bond, the Series 2013-A Bond, the Series 2013-B Bond, the Series 2013-C Bond, Series 2014-A Bond, the Series 2015 Bond, the Series 2016 Bonds, the Series 2016-B Bond, the Series 2016-C Bond, the Series 2016-D Bond, the Series 2017 Bonds, the Series 2019-A Bonds, the Series 2019-B Bonds, the Series 2019-C Bond and the Series 2020 Bonds are herein collectively referred to as the "Outstanding Bonds." The Outstanding Bonds, the Series 2021 Bonds, and any Additional Bonds hereafter issued are referred to herein collectively as the "Bonds."

#### **Sources of Payment and Pledged Revenues**

The Series 2021 Bonds will be issued under the Indenture, as supplemented and amended by an Eighteenth Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2021 Bonds (the "Eighteenth Supplemental Indenture") between the University and the Trustee, and will constitute limited obligations of the University payable solely from and secured by a lien on and a pledge of the Pledged Revenues (hereinafter defined) levied and collected by the University. The Series 2021 Bonds are secured pro rata and on an equal lien basis one with the other, with the Outstanding Bonds and with any Additional Bonds that may be hereafter issued under and subject to the terms and conditions of the Indenture, by a pledge of the Pledged Revenues.

The Series 2021 Bonds shall never be payable from any funds at any time provided for or appropriated by the State of Alabama and shall not be a charge on the general credit or tax revenues of the State of Alabama. Neither the State of Alabama nor the University shall be obligated, directly or indirectly, to contribute any funds, property or resources to the payment of the Series 2021 Bonds except the Pledged Revenues.

The Series 2021 Bonds are payable solely out of the Pledged Revenues as defined in the Indenture, as amended, on a parity of lien with the Outstanding Bonds and any Additional Bonds at any time issued under the Indenture. Pledged Revenues is defined in the Indenture as follows:

*"Pledged Revenues"* means the Auxiliary Enterprises Revenues, the Children's & Women's Hospital Revenues, the General Fees, and additional fees and revenues, if any, that may be subjected to the lien of the Indenture pursuant to a Supplemental Indenture.

*"Auxiliary Enterprises Revenues"* means the gross revenues derived from auxiliary enterprises services furnished by the University, including, without limitation, food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University.

*"Children's & Women's Hospital Revenues"* means an amount not exceeding \$10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's & Women's Hospital.

*"General Fees"* means all fees now or hereafter levied as a general tuition fee against students enrolled at the University.

## **Additional Bonds**

In the Indenture, the University has reserved the right to issue and deliver from time to time and at any time Bonds ("Additional Bonds") secured by a pledge of the Pledged Revenues on a parity with the Outstanding Bonds, the Series 2021 Bonds, and any other Additional Bonds then outstanding for any purpose permitted by law and upon compliance with certain requirements set forth under the Indenture. *See* "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" below.

## **ANNUAL DEBT SERVICE REQUIREMENTS**

### **Scheduled Debt Service Requirements of the Series 2021 Bonds**

The following sets forth the scheduled debt service requirements of the Series 2021 Bonds on a fiscal year basis:

<b><u>Fiscal Year Ending September 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2022	\$1,175,000	\$2,073,593	\$3,248,593
2023	1,335,000	1,912,300	3,247,300
2024	1,390,000	1,858,900	3,248,900
2025	1,445,000	1,803,300	3,248,300
2026	1,500,000	1,745,500	3,245,500
2027	1,560,000	1,685,500	3,245,500
2028	1,640,000	1,607,500	3,247,500
2029	1,720,000	1,525,500	3,245,500
2030	1,810,000	1,439,500	3,249,500
2031	1,900,000	1,349,000	3,249,000
2032	1,995,000	1,254,000	3,249,000
2033	2,095,000	1,154,250	3,249,250
2034	2,200,000	1,049,500	3,249,500
2035	2,310,000	939,500	3,249,500
2036	2,420,000	824,000	3,244,000
2037	2,545,000	703,000	3,248,000
2038	2,670,000	575,750	3,245,750
2039	2,805,000	442,250	3,247,250
2040	2,945,000	302,000	3,247,000
2041	3,095,000	154,750	3,249,750

## Debt Service Requirements – Outstanding Bonds and the Series 2021 Bonds

The following table sets forth the scheduled debt service requirements on all Outstanding Bonds (assuming no exercise of Put Rights for the Series 2016 Put Bonds as more particularly described below) and the Series 2021 Bonds on a fiscal year basis:

Fiscal Year Ending Sept. 30	Series 2012-A	Series 2013 <sup>(1)</sup>	Series 2014-A <sup>(2)</sup>	Series 2015	Series 2016	Series 2016-B <sup>(3)</sup>	Series 2016-C <sup>(3)</sup>	Series 2016-D <sup>(3)</sup>	Series 2017 Bonds	Series 2019 Bonds <sup>(4)</sup>	Series 2020 Bonds	Series 2021 Bonds	Total Debt Service
2021	\$1,702,516	\$3,470,942	\$8,796,573	\$468,911	\$6,511,275	\$1,094,000	\$1,932,000	\$2,511,000	\$2,975,625	\$6,137,124	\$2,639,053	-	\$38,239,019
2022	1,704,928	3,470,942	8,764,199	459,520	6,509,900	1,094,000	1,932,000	2,511,000	2,978,875	6,176,182	2,622,200	3,248,593	41,472,337
2023	1,707,871	3,470,942	8,730,821	450,129	6,511,025	1,094,000	1,932,000	2,511,000	2,978,625	6,215,732	2,621,600	3,247,300	41,471,045
2024	1,709,000	3,470,941	8,685,623	440,918	6,509,275	1,094,000	1,932,000	2,511,000	2,979,750	6,257,567	2,624,400	3,248,900	41,463,374
2025	1,708,589	3,470,941	-	431,347	6,509,275	2,183,368	3,837,904	4,960,692	2,977,125	6,295,603	2,900,400	3,248,300	38,523,544
2026	1,711,363	3,470,942	-	421,956	6,515,400	2,177,545	3,826,709	4,944,748	2,981,688	6,341,736	2,903,600	3,245,500	38,541,187
2027	1,714,520	3,470,942	-	412,565	6,507,050	2,172,495	3,816,814	4,930,396	2,973,250	6,385,960	2,899,600	3,245,500	38,529,092
2028	1,716,929	3,470,942	-	403,251	6,510,200	2,166,053	3,804,431	4,912,760	2,980,375	6,436,123	2,902,100	3,247,500	38,550,664
2029	1,718,505	2,646,549	-	393,782	6,509,575	2,160,056	3,792,768	4,895,964	2,977,875	6,483,325	2,900,600	3,245,500	37,724,499
2030	1,717,616	2,646,549	-	384,391	6,513,325	2,153,312	3,779,738	4,877,317	2,975,750	5,648,528	2,905,100	3,249,500	36,851,126
2031	1,723,729	2,646,548	-	-	6,506,075	2,146,629	3,766,753	4,858,631	2,978,625	4,285,865	2,900,100	3,249,000	35,061,955
2032	925,002	2,646,548	-	-	6,507,325	2,138,817	3,751,725	4,837,216	2,981,125	4,287,333	2,900,850	3,249,000	34,224,941
2033	-	2,646,548	-	-	6,506,325	2,131,656	3,737,767	4,817,069	2,978,125	4,784,230	2,901,850	3,249,250	33,752,820
2034	-	-	-	-	6,507,450	2,123,900	3,722,695	4,795,377	2,979,375	4,560,250	2,902,850	3,249,500	30,841,397
2035	-	-	-	-	6,505,075	2,115,331	3,706,121	4,771,636	2,974,625	4,547,000	2,898,600	3,249,500	30,767,888
2036	-	-	-	-	6,508,950	2,105,729	3,687,661	4,745,344	2,978,500	4,833,750	2,902,000	3,244,000	31,005,934
2037	-	-	-	-	6,511,050	2,096,821	3,670,330	4,720,374	2,975,625	4,500,250	2,906,600	3,248,000	30,629,050
2038	-	-	-	-	6,501,075	-	-	-	1,640,000	4,486,500	2,902,200	3,245,750	18,775,525
2039	-	-	-	-	-	-	-	-	-	4,472,000	2,904,000	3,247,250	10,623,250
2040	-	-	-	-	-	-	-	-	-	4,156,500	2,901,600	3,247,000	10,305,100
2041	-	-	-	-	-	-	-	-	-	4,154,750	-	3,249,750	7,404,500
2042	-	-	-	-	-	-	-	-	-	4,156,500	-	-	4,156,500
2043	-	-	-	-	-	-	-	-	-	4,156,250	-	-	4,156,250
2044	-	-	-	-	-	-	-	-	-	4,158,750	-	-	4,158,750
2045	-	-	-	-	-	-	-	-	-	4,153,500	-	-	4,153,500
2046	-	-	-	-	-	-	-	-	-	4,155,500	-	-	4,155,500
2047	-	-	-	-	-	-	-	-	-	3,254,000	-	-	3,254,000
2048	-	-	-	-	-	-	-	-	-	3,298,750	-	-	3,298,750
2049	-	-	-	-	-	-	-	-	-	3,344,250	-	-	3,344,250

<sup>(1)</sup> Includes the Series 2013-A Bond, the Series 2013-B Bond and the Series 2013-C Bond

<sup>(2)</sup> Interest on the Series 2014-A Bond is calculated at the net swap rate of 5.4553% under the 2014 Swap described herein.

<sup>(3)</sup> Interest on the Series 2016-B Bond, the Series 2016-C Bond and the Series 2016-D Bond is calculated at the net swap rate for each such bond of 5.47%, 5.52% and 5.58%, respectively, under the 2016 Swap described herein. The amortization shown for each of the 2016-B Bond, the 2016-C Bond, and the 2016-D Bond assumes no exercise of a Put Right prior to maturity, or that such indebtedness is refinanced on any Put Date so as to achieve the same current principal amortization and same net swap rate. See "Put Rights Respecting Certain Outstanding Bonds" below.

<sup>(4)</sup> Includes debt service on Series 2019-A Bonds, Series 2019-B Bonds and the Series 2019-C Bond.

## **Variable Rate Bonds**

Each series of Outstanding Bonds bears interest at a fixed rate, except the Series 2014-A Bond and the Series 2016-B Bond, the Series 2016-C Bond and the Series 2016-D Bond (collectively, the "Series 2016 Put Bonds"). The Series 2014-A Bond and the Series 2016 Put Bonds bear interest at variable rates. These variable rates are computed based on 68% of the one-month London Interbank Offered Rate ("LIBOR"), plus a set number of basis points that differs for each series. The University has entered into an interest rate exchange agreement respecting the Series 2014-A Bond and an interest rate exchange agreement respecting the Series 2016 Put Bonds. *See* "Derivatives" below for a discussion of these interest rate swap agreements.

## **Derivatives**

The University has entered an interest rate swap (the "2014 Swap") with Wells Fargo Bank, N.A., as successor to Wachovia Bank, N.A., (the "Counterparty"), respecting the Series 2014-A Bond. The notional amount of the 2014 Swap will at all times match the outstanding scheduled principal amount of the Series 2014-A Bond, and the 2014 Swap will mature on March 15, 2024. Under the 2014 Swap, the University pays a fixed rate of 4.9753% and receives 68% of one-month LIBOR plus 0.25%.

The University also has entered an interest rate swap (the "2016 Swap") with the Counterparty respecting the Series 2016 Put Bonds. Under the 2016 Swap, the University pays a fixed rate of 5.0% and receives 68% of one-month LIBOR plus 0.25%. The 2016 Swap matures on December 1, 2036. The combined principal amortization of the Series 2016 Put Bonds matches the notional amount on the 2016 Swap through its maturity; however, each of these Series 2016 Put Bonds contains a right exercisable at the sole discretion of the bondholder to cause such Bond to mature and become due and payable prior to its final maturity. *See* "Put Rights Respecting Certain Outstanding Bonds" below for a discussion of these put rights.

Pursuant to the terms of the 2014 Swap and the 2016 Swap, the University is required to post collateral from time to time equal to any then negative valuation of such swaps. For additional information regarding derivative exposure, *See* Note 9 of the University's audited financial statements for the fiscal year ended September 30, 2020 attached hereto at [Appendix A](#).

## **Put Rights Respecting Certain Outstanding Bonds**

Each of the Series 2016 Put Bonds has principal amortized from December 1, 2024, through and including December 1, 2036. However, each Series 2016 Put Bond contains a feature (a "Put Right") permitting its holder to cause all outstanding principal on such Bond to mature and become due and payable by the University on a date (such date, a "Put Date") before scheduled maturity.

The earliest Put Date for the Series 2016-B Bond is December 1, 2021, the earliest Put Date for the Series 2016-C Bond is December 1, 2023, and the earliest Put Date for the Series 2016-D Bond is December 1, 2026. For each Series 2016 Put Bond, the Put Right must be exercised at least 210 days before the applicable Put Date, and if not timely exercised, such right extends immediately to the succeeding bond year until timely exercised or such Bond reaches final maturity, whichever occurs first.

The University intends to refinance any Series 2016 Put Bond for which a Put Right is exercised so as to maintain the Bond's then-current principal amortization. While the University is not aware of any existing obstacles to its ability to refinance the Series 2016 Put Bonds, should Put Rights be exercised, market conditions, the financial condition of the University or the State of Alabama, and various other factors in existence at the time such rights are exercised could hamper or even prevent the University from refinancing Series 2016 Put Bonds as presently intended.

## Pledged Revenues

The following is a summary of the amount of General Fees, Auxiliary Enterprises Revenues and Children's & Women's Hospital Revenues collected by the University for the fiscal years ended September 30, 2016, through September 30, 2020:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Fees <sup>1</sup>	\$172,253,000	\$177,547,000	\$171,429,000	\$175,638,000	\$168,639,000
Auxiliary Enterprises Revenues <sup>1</sup>	30,008,000	29,413,000	26,996,000	22,587,000	20,244,000
Children's & Women's Hospital Revenues <sup>2</sup>	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total	<u>\$212,261,000</u>	<u>\$216,960,000</u>	<u>\$208,425,000</u>	<u>\$208,225,000</u>	<u>\$198,883,000</u>

<sup>1</sup>General Fees and Auxiliary Enterprises Revenues include amounts allocated to scholarship allowances for accounting purposes. General Fees and Auxiliary Enterprises Revenues net of scholarship allowances for fiscal year 2016 were approximately \$137,074,000 and \$28,861,000, respectively, for fiscal year 2017 were approximately \$141,949,944 and \$28,347,000, respectively, for fiscal year 2018 were approximately \$136,222,000, and \$25,907,000, for fiscal year 2019 were \$139,871,000 and \$21,484,000, respectively, and for fiscal year 2020 were \$129,644,000 and \$19,038,000, respectively.

<sup>2</sup> Only \$10,000,000 of the gross revenues from the USA Children's and Women's Hospital, in any fiscal year of the University, are pledged to payment of all the Bonds (*i.e.*, the Outstanding Bonds, the Series 2021 Bonds and any Additional Bonds hereafter issued). See "HEALTH CARE SYSTEM" below for total gross revenues from USA Children's and Women's Hospital for the years shown.

Reference is hereby made to the audited financial statements of the University for the fiscal year ended September 30, 2020, appearing as Appendix A hereto, and the audited financial statements of the University for the other periods which are available on EMMA (as defined herein). See "CONTINUING DISCLOSURE" below for a description of EMMA.

Upon issuance of the Series 2021 Bonds, the total principal amount of indebtedness of the University payable from Pledged Revenues is not greater than \$462,688,792.

## Maximum Annual Debt Service Requirement

The Maximum Annual Debt Service Requirement respecting the Series 2021 Bonds and the Outstanding Bonds, based on the amortization schedule set forth above under "Debt Service Requirements – Outstanding Bonds and the Series 2021 Bonds", occurring in the fiscal year of the University ending September 30, 2022 (\$41,472,337), is covered 4.80 times by Pledged Revenues referable to the fiscal year of the University ended September 30, 2020 (\$198,883,000). See "Pledged Revenues" above. This coverage is based on the assumption that the Series 2016 Put Bonds mature in accordance with their scheduled principal amortization and without the exercise of Put Rights by any of the holders of those Bonds. See "Put Rights Respecting Certain Outstanding Bonds" above.

Assuming the exercise of the Put Right for each of the Series 2016-B Bond, the Series 2016-C Bond and the Series 2016-D Bond on the earliest date permitted (*i.e.*, December 1, 2021, for the Series 2016-B Bond, December 1, 2023, for the Series 2016-C Bond, and December 1, 2026, for the Series 2016-D), the scheduled annual debt service for the University's fiscal years ending September 30, 2022, September 30, 2024, and September 30, 2027, would be \$61,472,337, \$75,369,373, and \$69,586,031, respectively, and the scheduled maximum annual debt service requirement for the Series 2021 Bonds and the Outstanding Bonds would occur in the fiscal year of the University ending September 30, 2024 (\$75,369,373), and would be covered approximately 2.64 times by Pledged Revenues referable to the fiscal year of the University ended September 30, 2020 (\$198,883,000).

## Other University Debt

*USA Line of Credit.* On June 11, 2020, the University entered a short-term Revolving Line of Credit Agreement dated June 11, 2020 (the "Revolving Line of Credit Agreement") with Hancock Whitney Bank (in



such capacity, "HW"), under which the University secured the right to borrow funds from time to time from HW, up to \$50,000,000 as of any time outstanding, to cover operating costs and expenses of the University (the "HW Line of Credit"). Pursuant to the Revolving Line of Credit Agreement, interest on any drawing by the University accrues from the date of such drawing, until repaid, at a variable rate equal to the one-month LIBOR plus 150 basis points.

Like other public institutions, including universities and health care operators, the University secured this facility to ensure access to capital in light of the uncertain impact that COVID-19 and the resulting pandemic could have on University costs and finances. At the time the University authorized the Revolving Line of Credit Agreement, the Trustees approved and authorized, within certain limitations, (i) the power of the University to extend the HW Line of Credit for a period of up to three (3) years, and (ii) to secure an additional \$50,000,000 revolving line of credit (an "Additional Line of Credit").

To date, the University has not accessed any funds under the HW Line of Credit. The University has no plans or expectations to access funds under the HW Line of Credit, to extend the HW Line of Credit past its June 11, 2021 date of expiration or to enter into any Additional Line of Credit.

*Compass Loan.* On March 27, 2015, the University obtained a \$5,000,000 revolving line of credit facility (the "Compass Line of Credit") with Compass Bank ("Compass"). The University was permitted to borrow funds from Compass from time to time under the Compass Line of Credit so long as its outstanding principal balance did not exceed \$5,000,000. The Compass Line of Credit initially provided that principal amounts drawn thereunder would not become due until its April 14, 2018 maturity date. In July 2018, the University amended the Compass Line of Credit (as amended, the "Compass Loan") so that (i) the principal balance at that time of \$3,433,789 was fixed, (ii) additional draws would not be permitted, (iii) interest would be computed at a fixed rate of 3.85% and (iv) principal was amortized to become due and payable in annual installments over a period from 2018 through 2023. This obligation is not secured by Pledged Revenues, and Compass is not entitled to any rights or benefits under the Indenture respecting this obligation.

The Compass Loan is a general obligation of the University and is not secured by Pledged Revenues under the Indenture.

*RCA Lease.* On December 7, 2016, the University entered a Secured Equipment Financing Lease (the "RCA Lease") with Regions Capital Advantage, Inc. to finance a linear accelerator for use at USA Health Mitchell Cancer Institute. The principal component of this lease totals \$2,089,690, and interest is calculated at a fixed per annum rate of 1.88%. This lease reaches final maturity on October 7, 2022. The RCA Lease is subject to annual appropriation by the University, and on each payment date debt service is payable solely out of then-current funds of the University. Such payments are not secured by Pledged Revenues under the Indenture.

*Med One Capital Lease.* The University has entered a capital lease agreement with Med One Capital Funding, LLC for certain medical equipment to be used at USA Health University Hospital. Under this arrangement, the University makes monthly lease payments, over a period of 60 months, aggregating just under \$4,000,000, and pays a nominal price to acquire title to the equipment at conclusion of the lease. Payments under this lease are not secured by Pledged Revenues under the Indenture or other special funds or assets of the University.

*Energy Savings Agreement with Alabama Power.* The University has entered a ten (10) year agreement dated February 1, 2016 (the "Energy Savings Agreement") with Alabama Power Company ("APC") under which APC agrees to design, procure and install certain energy conservation equipment and measures to reduce energy and maintenance costs at USA Health University Hospital. Under this Agreement, the University pays APC \$18,882 per month over a period of 120 months (totaling \$2,265,840 in payments from the University). Payments under the Energy Savings Agreement are not secured by Pledged Revenues under the Indenture or other special funds or assets of the University.

*Master Lease Agreement with Hancock Whitney.* The University has entered a Master Lease Agreement dated June 13, 2019 (the "Master Lease Agreement") with Hancock Whitney Equipment Finance and Leasing,

LLC ("Hancock Whitney") under and pursuant to which the University may request and receive extensions of credit from Hancock Whitney to purchase up to \$10,000,000 in equipment for use by the University. Under the Master Lease Agreement, Hancock Whitney purchases and leases equipment requested by the University. Lease payments from the University include principal and interest components. To date, the University has incurred \$550,703.65 in funding under the Master Lease Agreement, which such amount bears interest at a fixed annual rate of 3.01% and is payable on a monthly basis (with equal monthly payments of principal and interest) from December 22, 2019, through and including November 22, 2023. Payments under the Master Lease Agreement are not secured by Pledged Revenues under the Indenture or other special funds or assets of the University.

*Rent Supplement Agreements for USARTC.* As more particularly described under the section entitled "RESEARCH & TECHNOLOGY CORPORATION", USARTC (hereinafter defined) is a not-for-profit corporation organized by the University to own and operate certain facilities on land of the University incident to research, technological and other enterprises. USARTC has financed these facilities through loans secured by rentals payable from tenants of these facilities to USARTC. There are two such loans currently outstanding; one with a remaining principal balance of \$12,004,155.53 bearing interest at a fixed annual rate of 4.35%, and the other with a remaining outstanding principal amount of \$8,500,000 bearing interest at a fixed annual rate of 3.08%.

For each such loan, the University has entered an agreement (each, a "Rent Supplement Agreement") under which the University agrees to cover any shortfall in payments owed as debt service. Payments under each Rent Supplement Agreement are not secured by Pledged Revenues under the Indenture or any other special funds or assets of the University.

#### **Future Debt**

In 2017, the Board of Trustees approved the University campus master plan, which covered the ten-year period from 2017 to 2027. Some of these projects (to cover capital improvements not appropriate for pay-as-you-go financing) may be funded through the issuance of long-term debt. To date, the construction of the on-campus football stadium (part of the said campus master plan) was funded with a portion of the proceeds of the Series 2019-A Bonds and Series 2019-B Bonds and other amounts.

The University intends to develop and construct a new building to house the USA College of Medicine. Plans for the new facility are still in the early stages, but during a recent visit to the University, the Governor announced a \$50.0 million commitment from the State for construction and development of the new facility. See "SUMMARY INFORMATION RESPECTING STATE AND PRIVATE FUNDING – Alabama Public School and College Authority Funding" herein. It is likely that the University will finance a portion of the costs of this facility through the issuance of one or more series of Additional Bonds secured by Pledged Revenues.

### **THE PLAN OF FINANCING**

The Series 2021 Bonds are being issued for the purpose of (i) paying the costs of certain public capital improvements on the campus of the University consisting of improvements and assets to increase capacity within USA Health, including without limitation a new medical office building, operating room and emergency room renovations and improvements, and other improvements and assets and (ii) paying the costs of public roadway improvements, sidewalk improvements, retention pond improvements, utility improvements, and other public capital improvements, equipment and assets for the University (herein collectively called the "2021 Improvements"). The Series 2021 Bonds are also being issued to pay the costs of issuing the Series 2021 Bonds.

## ESTIMATED SOURCES AND USES OF PROCEEDS

The estimated sources and uses of funds for the plan of financing with respect to the issuance of the Series 2021 Bonds are as follows:

<b>Sources of Funds</b>	
Principal amount of Series 2021 Bonds	\$40,555,000.00
Plus Original Issue Premium	<u>9,980,040.45</u>
<b>Total Sources</b>	<b>\$50,535,040.45</b>
<b>Uses of Funds</b>	
2021 Improvements	50,000,000.00
Costs of Issuance <sup>1</sup>	<u>535,040.45</u>
<b>Total Uses</b>	<b>\$50,535,040.45</b>

<sup>1</sup> Includes underwriting discount, municipal bond insurance premium, legal and accounting fees, printing costs, rating agency fees, financial advisory fees, and other expenses of issuance.

## CERTAIN GENERAL INFORMATION RESPECTING THE UNIVERSITY

### General

The University of South Alabama is a public body corporate of the State of Alabama existing under provisions of Act No. 157, Acts of Alabama, Second Special Session 1963, and Chapter 55 of Title 16 of the Code of Alabama 1975, as amended. The University is a comprehensive, coeducational, state-assisted institution, which serves as a major center of undergraduate, graduate, and professional education for Alabama, the Gulf Coast region and the southeastern United States.

The University's mission encompasses the three traditional academic functions of teaching, research, and public service through which it pursues the discovery, preservation and communication of knowledge. The University was admitted to membership in the Southern Association of Colleges and Schools on December 4, 1968.

Total enrollment for Fall 2020 was 14,224. Of those students, 9,046 were classified as undergraduate students, 5,174 were enrolled in graduate or professional programs, and four (4) were unclassified. For the academic year 2019-2020, the University awarded 3,498 degrees, of which 2,109 were Baccalaureate Degrees, 1,067 were Master's Degrees, 256 were Doctoral degrees, and 66 were M.D. degrees.

The University of South Alabama main campus, located in a section of Mobile called Springhill, consists of 1,200 wooded acres. The primary instructional buildings are contained on this campus, as well as the medical college and dormitory facilities. A 750-acre municipal park is adjacent to the main campus.

The University of South Alabama Baldwin County Campus was established as a branch campus in 1984 to better meet the needs of students located in Baldwin County, Alabama, and offers graduate courses, upper-level undergraduate courses, and non-credit courses/public service programs.

The University of South Alabama health system, known as USA Health, is composed of the USA Health University Hospital, the USA Children & Women's Hospital, the USA Health Mitchell Cancer Institute, and USA Health Ambulatory Services. USA Health provides primary and tertiary care for a multi-county service area. The USA Health University Hospital ("USAUH") is a 406-licensed bed hospital which includes a level one trauma center, a burn unit, and state-of-the-art facilities for internal medicine, surgery and cardiovascular diagnostic and treatment techniques. The USA Children's & Women's Hospital ("USACW") is a 152-Licensed bed facility specializing in pediatric, obstetric and gynecological services. USACW includes neonatal and pediatric intensive care nurseries, progressive care nurseries and other facilities for dealing with high-risk

deliveries. In 2015, the 195,000 square foot expansion of USACW was placed into service. The USA Health Mitchell Cancer Institute ("USAMCI") is an academic cancer treatment and research enterprise housed in a state-of-the-art 125,000 square foot integrated clinical and research building. USA Health Ambulatory Services ("Ambulatory Services") is a 160-physician multi-specialty faculty practice dedicated to delivering leading-edge care to patients and supporting the mission of the USA College of Medicine in the education and training of students and resident physicians and in the advancement of medical care through medical research. The Strada Patient Care Center, a 133,000 square foot building located near USACW, was placed in service in December 2016 and provides 153 patient exam rooms, 16 nurses' stations, and seven (7) educational conference rooms for use by University physicians.

For the 2019-2020 academic year, the University employed 831 full-time faculty persons. Approximately 32% of faculty members are tenured. The University employs 6,307 persons in all categories.

The main campuses in Mobile, Alabama, consists of 165 major buildings, including hospital and medical related facilities. Those facilities include buildings currently providing approximately 2,332 beds (with capacity to expand up to 2,400 beds, if needed) available for student residency on campus.

For its fiscal year ended September 30, 2020, the University reported grants and contracts revenue from Federal, State and private sources of approximately \$39,668,000, and an additional \$123,063,000 from direct State of Alabama legislative appropriations. Tuition and fees revenues reported during the fiscal year ended September 30, 2020 (net of scholarship allowances) were approximately \$129,644,000, and net patient service revenues from USA Health during such period were approximately \$554,431,000. See [Appendix A](#).

*Summary Enrollment Profile - Fall 2020  
(excluding Medical Residents)*

	Fall 2020	
	Number	Percent
Covey College of Allied Health Professions	1,509	10.6%
College of Arts and Sciences	2,900	20.4%
Mitchell College of Business	1,148	8.1%
School of Computing	627	4.4%
College of Education & Professional Studies	2,003	14.1%
College of Engineering	1,048	7.4%
Graduate School	44	0.3%
College of Medicine	344	2.4%
College of Nursing	4,601	32.3%
<b>Total</b>	<b><u>14,224</u></b>	<b><u>100.0%</u></b>

USA offers programs leading to fifty-three baccalaureate degrees, thirty-eight master's degrees, an Education Specialist (Ed.S.) degree, twelve doctoral degrees, and a Medical Doctor (M.D.) degree. USA also offers a number of post-secondary certificates. In addition to the traditional on-campus course offerings, the University offers over two hundred and fifty online courses each semester to fit the needs of a diverse student body.

**Financial**

The following section contains certain financial information for the University, including a comparison of the revenues, expenses and changes in net position for the fiscal years 2016 through 2020 (dollars in thousands).

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Operating revenues:					
Tuition and fees, net	\$137,074	\$142,024	\$136,222	\$139,871	\$129,644
Net patient service revenue	360,657	390,931	416,034	491,796	554,431

Federal, state and private grants and contracts	38,187	36,853	34,093	36,647	39,668
Other	<u>88,943</u>	<u>92,674</u>	<u>66,730</u>	<u>62,527</u>	<u>58,949</u>
Total	624,861	662,482	653,079	730,841	782,692
Operating expenses:					
Salaries and benefits	460,219	483,113	486,156	495,123	491,791
Supplies and other services	198,518	219,362	255,145	268,416	285,289
Other	<u>65,530</u>	<u>64,942</u>	<u>78,081</u>	<u>79,492</u>	<u>81,216</u>
Total	724,267	767,417	819,382	843,031	858,296
Operating loss	<u>(99,406)</u>	<u>(104,935)</u>	<u>(166,303)</u>	<u>(112,190)</u>	<u>(75,604)</u>
Nonoperating revenues (expenses):					
State appropriations	105,024	107,332	108,268	115,209	123,063
Investment income (loss)	2,631	18,398	17,857	8,203	23,378
Other, net	<u>8,135</u>	<u>20,613</u>	<u>22,674</u>	<u>25,189</u>	<u>41,274</u>
Net nonoperating revenues	<u>115,790</u>	<u>146,343</u>	<u>148,799</u>	<u>148,601</u>	<u>187,715</u>
Income (loss) before capital appropriations, capital contributions, grants, and additions to endowment	16,384	41,408	(17,504)	36,411	112,111
Capital appropriations, capital contributions, grants and additions to endowment	<u>9,521</u>	<u>6,417</u>	<u>16,770</u>	<u>20,316</u>	<u>12,042</u>
Change in net position	<u>25,905</u>	<u>47,825</u>	<u>(734)</u>	<u>56,727</u>	<u>124,153</u>
Beginning net position, before cumulative effect of change in accounting principle	195,052	217,994	265,819	35,398	92,125
Cumulative effect of change in accounting principle	<u>(2,963)</u>	<u>-</u>	<u>(229,687)<sup>(1)</sup></u>	<u>-</u>	<u>-</u>
Beginning net position- as adjusted	<u>192,089</u>	<u>217,994</u>	<u>36,132</u>	<u>35,398</u>	<u>92,125</u>
Ending net position	<u>\$217,994</u>	<u>\$265,819</u>	<u>\$ 35,398</u>	<u>\$92,125</u>	<u>\$216,278</u>

<sup>(1)</sup> Active and retired employees of the University are covered by the Public Education Employees Health Insurance Plan ("PEEHIP"), which is a cost-sharing, multiple-employer defined benefit other post-employment benefit ("OPEB") plan administered by the Teachers Retirement System of Alabama. Alabama law requires the Public Education Employees Health Insurance Board to create an irrevocable trust to fund OPEB benefits to retirees participating in PEEHIP. In 2018, the University adopted the provisions of GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* ("GASB 75"). GASB 75 requires that the University recognize its proportional share of net OPEB liability, based on an actuarial valuation, and the OPEB expense, in the University's financial statements. See [Appendix A](#) – note (13) – "Other Post-Employment Benefit Plans".

The University's audited financial statements for the year ended September 30, 2020 are attached as [Appendix A](#).

### Faculty and Staff

Faculty and staff employees for the University were as follows at September 30 for the years shown:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Full-time faculty by rank:					
Professor	172	176	176	187	180
Associate Professor	185	186	186	179	194
Assistant Professor	352	353	342	339	313
Instructor	121	129	138	139	145
Lecturer	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
TOTAL	<u>831</u>	<u>845</u>	<u>843</u>	<u>845</u>	<u>833</u>
Full-time faculty by length of service:					
Up to 2 years	146	164	190	215	205

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
3-4 years	122	151	131	107	102
5-9 years	210	168	152	151	163
10-14 years	115	137	146	155	147
15+ years	<u>238</u>	<u>225</u>	<u>224</u>	<u>217</u>	<u>216</u>
TOTAL	<u>831</u>	<u>845</u>	<u>843</u>	<u>845</u>	<u>833</u>
Percent of faculty tenured	32.0%	31.0%	31.2%	31.8%	33.3%
Part-time faculty	N/A	431	440	428	429
Non-faculty	N/A	5,047	4,707	4,611	4,666
Total University employees	N/A	6,307	5,971	5,866	5,911

### Student Enrollment and Trends

*Enrollment Strategy.* As reflected in the tables below, since 2016 the University has experienced annual declines in total enrollment. This is attributable mostly to annual decreases in undergraduate enrollment. The University is addressing this trend through a strategy designed to better market the University to prospective students in general, and to better target those with higher probabilities of enrolling and matriculating through the University.

Specifically, the University has worked to increase on-campus visits. Tour activity increased more than 40% year-over-year (*i.e.*, Fall 2019 compared to Fall 2020). The University also increased its digital footprint by tripling electronic media name-buys and expanding other digital marketing tools. A new client relationship management system was employed by the University to enhance electronic mail and digital marketing programs. This system helps the University identify and communicate more proactively with those prospective students having higher likelihoods of interest in enrolling at the University.

Other efforts have included more proactive engagement of parents, college counselors, and others in the student recruitment processes. The University has also allowed students to apply with a "test-optional" strategy, and has incorporated a scholarship strategy that includes more need-based funding.

The University continues to focus on its transfer strategy and recruitment of international students. Fall 2021 transfer application activity has been tracking approximately 25% year-over-year (*i.e.*, Spring 2020 compared to Spring 2021). The University is also offering more merit-based scholarships to international students. The University anticipates enrolling more international students in Fall 2021 as this strategy takes hold and more travel pathways open. The University is also employing additional marketing resources with a focus of converting existing undergraduate students into students of the various graduate programs of the University, along with a potential increase in military-affiliated enrollment.

*Short-Term Results.* The University has been encouraged by the short-term results of its enrollment strategy. The University was able to better stabilize Fall 2020 enrollment by enrolling freshman at levels closer to Fall 2019 levels, and by experiencing gains in undergraduate student retention and graduation rates. The University experienced an increase in graduate students for the Fall 2020 semester, and for the subsequent Spring 2021 semester grew levels of new freshmen and transfer students by approximately 25%.

As of January 1, 2021, there was a 30% increase in Fall 2021 freshmen applications and accepted students compared to 2020. The University has a goal to grow freshmen by at least 15% for Fall 2021.

*Enrollment, Application, Acceptance and Related Trends.* The following tables present results for the periods indicated relating to student enrollment, applications, matriculations, and retention.

Total student enrollment by head count was as follows for the semesters shown:

	<u>Fall 2020</u>	<u>Fall 2019</u>	<u>Fall 2018</u>	<u>Fall 2017</u>	<u>Fall 2016</u>
Undergraduate	9,046	9,595	10,275	10,975	11,740
Graduate/Professional	5,174	4,796	4,541	4,581	4,682
Unclassified	<u>4</u>	<u>6</u>	<u>18</u>	<u>13</u>	<u>21</u>
Total	<u>14,224</u>	<u>14,397</u>	<u>14,834</u>	<u>15,569</u>	<u>16,443</u>

Applications, acceptances and matriculations for freshmen students:

	<u>Fall 2020</u>	<u>Fall 2019</u>	<u>Fall 2018</u>	<u>Fall 2017</u>	<u>Fall 2016</u>
Applications	8,057	6,282	6,488	5,855	6,087
Acceptances	5,877	4,929	5,132	4,798	4,882
Matriculations <sup>(1)</sup>	1,551	1,549	1,843	1,843	1,904
Percent of applicants accepted	72.9%	78.5%	79.1%	81.9%	80.2%
Percent of applicants enrolled	19.3%	24.7%	28.4%	31.5%	31.3%

<sup>(1)</sup> Reflects only first-time freshmen that started in the fall semester indicated.

Total enrollment by full-time equivalent:

	<u>Fall 2020</u>	<u>Fall 2019</u>	<u>Fall 2018</u>	<u>Fall 2017</u>	<u>Fall 2016</u>
Undergraduate	8,399	8,928	9,563	10,144	10,842
Graduate/Professional	<u>4,582</u>	<u>4,230</u>	<u>4,027</u>	<u>4,013</u>	<u>4,288</u>
Total	<u>12,981</u>	<u>13,158</u>	<u>13,590</u>	<u>14,156</u>	<u>15,130</u>

Retention rate for full-time freshmen entering in:

	<u>Fall 2019</u>	<u>Fall 2018</u>	<u>Fall 2017</u>	<u>Fall 2016</u>	<u>Fall 2015</u>
Number matriculated <sup>(1)</sup>	1,600	1,889	1,868	1,955	2,082
Number returned	1,223	1,400	1,390	1,517	1,524
Retention rate	76%	74%	74%	78%	73%

<sup>(1)</sup> Includes first-time freshmen that started in the fall semester indicated, plus first-time freshmen that started in the immediately preceding summer semester and reenrolled in the fall semester indicated.

## Graduation Rates

Cumulative Graduation Rate:

Fall Class	Number Matriculated	Four Years		Five Years		Six Years	
		Number	Percent	Number	Percent	Number	Percent
2016	1,955	620	32%	N/A	N/A	N/A	N/A
2015	2,082	581	28%	894	43%	N/A	N/A
2014	2,030	537	26%	812	40%	908	45%
2013	1,825	449	25%	751	41%	834	46%
2012	1,886	408	22%	707	37%	820	43%
2011	1,826	342	19%	599	33%	726	40%
2010	1,654	262	16%	493	30%	623	38%

**Test Scores**

Average ACT scores of matriculated students for years shown:

<u>Fall 2020</u>	<u>Fall 2019</u>	<u>Fall 2018</u>	<u>Fall 2017</u>	<u>Fall 2016</u>
23.9	23.9	23.9	23.4	23.5

**Geographic Concentrations of Students**

	<u>Fall 2020</u>	<u>Fall 2019</u>	<u>Fall 2018</u>	<u>Fall 2017</u>	<u>Fall 2016</u>
Mobile County	5,038	5,099	5,313	5,655	6,088
Baldwin County	1,243	1,288	1,292	1,366	1,328
Other Alabama counties	2,850	3,128	3,274	3,278	3,186
Florida	1,028	975	1,007	1,033	1,066
Mississippi	1,306	1,231	1,201	1,147	1,217
Other states in the U.S.A.	2,526	2,364	2,362	2,353	2,363
International	<u>233</u>	<u>312</u>	<u>385</u>	<u>737</u>	<u>1,195</u>
Total	<u>14,224</u>	<u>14,397</u>	<u>14,834</u>	<u>15,569</u>	<u>16,443</u>

**Main Schools in Competitive Group and Listed Tuition – 2020-2021 Academic Year:**

	Undergraduate		Graduate	
	<u>Resident</u>	<u>Non-Resident</u>	<u>Resident</u>	<u>Non-Resident</u>
University of South Alabama	\$9,870	\$19,740	\$10,608	\$21,216
In-state reference group:				
Alabama A & M University	8,610	17,220	10,128	20,160
Alabama State University	8,328	16,656	9,888	19,776
Athens State University	6,180	12,360	6,936	12,000
Auburn University	10,080	30,240	10,080	30,240
Auburn University at Montgomery	9,990	22,440	10,104	22,728
Jacksonville State University	9,720	19,440	9,600	19,200
Troy University	9,750	19,500	10,200	20,400
University of Alabama	10,780	30,250	10,780	30,250
University of Alabama at Birmingham	10,710	25,500	10,800	25,584
University of Alabama in Huntsville	9,730	22,126	10,632	24,430
University of Montevallo	12,090	25,110	10,512	25,128
University of North Alabama	9,600	19,200	8,880	17,760
University of West Alabama	9,100	18,200	8,904	17,808
Mean of in-state reference group	9,590	21,403	9,803	22,305
Regional reference group:				
University of Southern Mississippi	8,786	10,786	8,786	10,786
University of New Orleans	8,772	13,608	9,108	13,678
University of West Florida	6,360	19,238	4,536	12,444
Mean of regional reference group	7,973	14,544	7,477	12,203

In-State Reference Group Source: Alabama Commission on Higher Education Annual Tuition Schedule



### Certain Fees and Charges

The following shows the fee schedule for Undergraduate and graduate Arts and Sciences majors for the periods shown. The course fees for other majors are slightly higher. Except as otherwise indicated, course fees are per semester hour. Graduate School does not include the College of Medicine.

	<u>2020-2021</u>	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017</u>
Application fee	\$35	\$35	\$35	\$35	\$35
Registration fee (charged only if enrolled in less than 15 semester hours)	150	150	150	150	150
Late registration fee	100	100	100	100	100
<i>In-state course fee, per semester hour</i>					
Undergraduate	329	329	329	313	302
Graduate	442	442	442	421	407
<i>Out-of-state course fee, per semester hour</i>					
Undergraduate	658	658	658	626	604
Graduate	884	884	884	842	814

### College of Medicine

Fees and certain charges for the College of Medicine were as follows for the periods indicated:

	<u>2020-2021</u>	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017</u>
Application fee	\$110	\$110	\$75	\$75	\$75
Resource fee	472	472	436	436	400
Course fee, academic year					
In-state	31,004	31,004	31,004	30,101	29,083
Out-of-state	62,008	62,008	62,008	60,202	58,166

### Degrees Awarded

The University awarded the following degrees for the academic years ending May 31 for the years shown below:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Baccalaureate	2,109	1,902	2,080	2,066	1,996
Masters	1,067	1,126	1,209	1,253	1,080
Para-professional certificates	216	207	273	188	169
Professional:					
M.D.	66	80	73	70	73
Ph.D.	37	33	25	31	32
Au.D.	9	13	11	11	10
D.P.T.	38	39	40	40	37
D.N.P.	166	157	185	96	135
Ed.D.	<u>6</u>	<u>16</u>	<u>10</u>	<u>8</u>	<u>1</u>
Total	<u>3,498</u>	<u>3,366</u>	<u>3,633</u>	<u>3,575</u>	<u>3,364</u>

## Student Financial Aid

The University awarded and paid financial aid at the following levels for the following academic years, as follows:

	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017</u>	<u>2015-2016</u>
Federal government:					
Student Loans	\$ 127,943,857	\$128,987,195	\$128,510,503	\$129,303,631	\$118,370,532
Grants	19,780,863	21,951,792	21,855,448	20,719,720	20,258,516
Student employment	275,438	341,437	295,491	277,393	329,675
University:					
Loans	200,627	173,022	169,711	202,621	137,311
Scholarships	<u>27,357,552</u>	<u>29,944,597</u>	<u>26,338,719</u>	<u>25,093,131</u>	<u>18,924,943</u>
Total	<u>\$175,558,337</u>	<u>\$181,398,043</u>	<u>\$177,169,872</u>	<u>\$175,596,496</u>	<u>\$158,020,977</u>

## GOVERNING BODY

State law provides for a Board of Trustees as the governing body of the University with all of the rights, privileges and authority necessary to promote the purpose of its creation, which is to establish and provide for the maintenance and operation of a state university in Mobile County, Alabama. The Board of Trustees consists of sixteen members. The Governor is the ex officio President of the Board of Trustees. Three members of the Board of Trustees are appointed from Mobile County. Five members are appointed from the State at large. Two members are appointed from the United States at large. One member is appointed from each of the following state senatorial districts, or combinations thereof, as those districts were designated at the time the University was organized: (1) Sixteenth and Seventeenth Districts; (2) Nineteenth and Twentieth Districts; (3) Twenty-first District; (4) Twenty-third, Twenty-fifth, and Thirtieth Districts; and (5) Thirty-fifth District. All Trustees, except ex officio members, are appointed by the Governor by and with the advice and consent of the State Senate, and hold office for a term of six years and until their successors shall be appointed and qualified. The present members of the Board of Trustees are as follows:

<u>Name of Trustee</u>	<u>Occupation</u>	<u>Current Term Expires</u>
Katherine Alexis Atkins	Businesswoman	September 30, 2025
Dr. Scott A. Charlton	Physician	September 30, 2021
Mr. E. Thomas Corcoran	Businessman	September 30, 2021
Dr. Steven P. Furr	Physician	September 30, 2023
William Ronald Graham	Business Administration	September 30, 2023
Mr. Robert D. Jenkins, III	Businessman	September 30, 2025
Mrs. Arlene Mitchell	Philanthropist and Civic Volunteer	September 30, 2021
Lenus M. Perkins	Business Administration	September 30, 2023
Mr. James H. Shumock	Businessman	September 30, 2021
The Honorable Kenneth O Simon	Attorney	September 30, 2025
Mrs. Chandra Brown Stewart	Business Administration	September 30, 2025
Dr. Steven H. Stokes	Physician	September 30, 2023
Margie Malone Tuckson	Business Administration	September 30, 2023
The Honorable Michael P. Windom	Judge	September 30, 2025
Mr. James A. Yance	Attorney, Retired	September 30, 2021
The Honorable Kay Ivey	Governor, State of Alabama	Ex Officio

The organization below the Board of Trustees is composed of the President and eight Vice Presidents: Executive Vice President; Provost and Senior Vice President for Academic Affairs; Vice President for

Development and Alumni Relations; Vice President for Student Affairs; Vice President for Medical Affairs and Dean of the College of Medicine; Vice President for Research and Economic Development; Vice President for Marketing and Communications; and Vice President for Finance and Administration.

The Board of Trustees appoints the President of the University. Dr. Tony G. Waldrop has served as President of the University since April 1, 2014. Dr. Waldrop is the third President in the history of the University. Dr. Waldrop came to the University after serving four years as provost and executive vice president at the University of Central Florida, and in prior roles as vice chancellor for research and economic development at the University of North Carolina and vice chancellor for research at the University of Illinois. Dr. Waldrop received his Ph.D. from the University of North Carolina.

After a seven-year tenure as President of the University, on February 11, 2021, Dr. Waldrop announced his decision to retire from the University. Dr. Waldrop plans to remain as President of the University at least through the remainder of the current academic year. In the meantime, the University will organize a Presidential Search Committee to conduct a national search to identify a successor President of the University.

G. Scott Weldon is the Vice President for Finance and Administration. Mr. Weldon oversees the Finance and Administration Division of the University, which is collectively responsible for developing and overseeing the budget process, treasury and accounting, financial planning and analysis, facilities, human resources, risk management and the telecommunications systems for the University. Prior to his appointment as Vice President for Finance and Administration in October 2015, Mr. Weldon served as Assistant Vice President for Finance and Administration at the University. Mr. Weldon received his B.S. and M.A. from the University of Alabama.

#### **HEALTH CARE SYSTEM**

USA Health, a division of the University, is an academic healthcare system that consists of two academic tertiary hospitals, a cancer institute and a physician faculty practice. USAUH is a 406-licensed bed tertiary care center with the region's only Level 1 trauma center and burn center that supports the adult teaching and research missions of the USA College of Medicine. Recognized as a top performer on key quality measures, USAUH offers advanced treatment of stroke, cardiovascular disease and sickle cell disease. Patients treated at USAUH tend to require medically complex and extensive care and treatment. USAUH has seen a 91% increase in gastroenterology cases from 2013-2020. This growth is a result of USAUH's focus on research and services unique to the region, as well as high patient satisfaction ratings. Surgery cases at USAUH increased by 55% from fiscal year 2013 – 2020 and increased 10% from fiscal year 2019 to 2020, despite the pandemic. The total number of patients seen in the USAUH Trauma Center in 2019 was 28,914, an increase of 9% from fiscal year 2018. Trauma volume fell to 26,590 patients in fiscal year 2020 due to COVID-19. USAUH held a ribbon-cutting for its new 32,000 square foot trauma center in December 2020. The new center will replace the current 11,000 square foot emergency department. The move will allow for expansion of other services into the current 11,000 square foot old emergency department to include critical care beds. USAUH started fiscal year 2020 with 189 patient beds. In response to COVID-19, a 10-bed COVID-19 unit was opened in March 2020. Additionally, USAUH plans to open 34 inpatient beds on the hospital's 11<sup>th</sup> floor during fiscal year 2021. Gross Revenues of USAUH for the last nine fiscal years were as follows:

<u>Year</u>	<u>Gross Revenues</u>
2020	\$662,620,142
2019	614,219,907
2018	474,193,133
2017	470,741,917
2016	406,528,233
2015	360,250,280
2014	348,119,160
2013	328,142,373
2012	308,341,443

USACW is a 152-licensed bed hospital dedicated to providing services to children and women. From 2013 to 2019, USACW experienced an 11% increase in pediatric emergency visits, but declined by the same metric in fiscal year 2020 due to COVID-19. Despite the pandemic, USACW experienced a 20% increase in surgeries from fiscal years 2013 through 2020. Between July 2019 and June 2020, USACW delivered 2,408 babies, which represents 40% of the babies born in Mobile County. The overall birth rate for Mobile County fell 9% from 2014 to 2018, with USACW's percentage of area births remaining constant. The services provided by USACW are among those provided by fewer than five hospitals nationwide that are dedicated solely to the provision of care for both children and women. USACW has the region's highest level Neonatal ICU unit, Pediatric ICU unit, 24-hour Pediatric Evaluation Unit, High-Risk Obstetrics program and Pediatric Surgery Anesthesia Services. USACW also supports the teaching and research missions of the University. In 2015, a 195,000 square foot expansion of USACW was placed into service. USACW has plans to renovate mother suites, converting every three (3) rooms into two (2) rooms, creating a better patient experience and making the service more competitive in the market. In addition, plans are being reviewed to enhance the USACW pediatric emergency room.

Gross Revenues of USACW for the last nine (9) fiscal years were as follows:

<u>Year</u>	<u>Gross Revenues</u>
2020	\$393,098,849
2019	287,570,187
2018	249,122,847
2017	243,090,525
2016	248,819,071
2015	241,114,324
2014	219,808,672
2013	203,746,723
2012	211,758,092

USAMCI is the only academic cancer research and treatment center in the upper Gulf Coast corridor. Providing cancer care to a catchment area of over 4.1 million persons in a 150-mile radius, USAMCI brings state-of-the art, research-based cancer treatment to the region, serving over 2,700 new individual patients per year. Its capabilities span the entire continuum of cancer care, from prevention and early detection to treatment and survivorship. With a highly skilled and trained team of oncologists, USAMCI is improving cancer outcomes for patients, including the most vulnerable residents of the county, state and beyond. USAMCI provides cancer treatment in two Mobile, Alabama locations, as well as one in Fairhope, Alabama. For patients who are not candidates for traditional cancer therapy, USAMCI offers a host of clinical trials with over 80 patients enrolled in therapeutic clinical trials per year, approximately 22% of whom are minority patients. USAMCI has 12 Principal Investigators conducting research, funded through the National Institutes of Health, the Department of Defense, the American Cancer Society and other federal sources. As an integrated cancer treatment and research center, USAMCI provides innovative cancer care in a caring environment with 14 clinical faculty members, while accelerating research to enhance care delivery for future patients. USAMCI reported 2,708 new patient visits in fiscal year 2020, with 21,055 follow up visits. Of note, gynecology follow-up visits increased 10% and cyberknife treatments increased 233% from fiscal year 2019 to 2020. In addition, USAMCI opened a specialty pharmacy in July 2018, filling 4,277 prescriptions in fiscal year 2019 and 5,593 in fiscal year 2020 (a 31% increase). At the end of 2018, USAMCI was restructured and placed under USA Health leadership and operations versus operating as a stand-alone facility within the University. As a result, USAMCI has been able to leverage healthcare facilities to grow clinical opportunities. Additionally, USAMCI became provider-based with USACW in September 2019, and added state-of the-art monarch robotic bronchoscopy services, with 84 treatments in fiscal year 2020. These changes contributed to the increase in margin from a negative 7.6% in fiscal year 2019 to a positive 20.8% in fiscal year 2020. Gross Revenues of USAMCI for the last nine fiscal years were as follows:

<u>Year</u>	<u>Gross Revenues</u>
2020	\$62,626,474
2019	51,099,476
2018	19,709,735
2017	19,933,067
2016	15,829,428
2015	18,048,802
2014	25,158,623
2013	22,038,595
2012	22,087,983

Comprised of more than 250 academic physicians on faculty at the USA College of Medicine, the Ambulatory Services physician faculty practice is the region's largest multi-specialty practice and the only academic physician's group along the central Gulf Coast. Ambulatory Services physicians practice throughout Mobile County, including at the University's hospital and clinic campuses and on the University's main campus. The Strada Patient Care Center, a 133,000 square foot building that was placed in service December 2016 and is located near USACW, provided 153 patient exam rooms, 16 nurses' stations, and 7 educational conference rooms. The physicians group has over 250 clinical providers and over 190 advanced practice providers that completed 182,764 clinic visits in fiscal year 2020. The collective mission of the Ambulatory Services health care providers is to deliver leading-edge care to patients and to support the larger mission of the USA College of Medicine in the education and training of students and resident physicians and in the advancement of medical care through medical research. Prior to July 1, 2016, Ambulatory Services was operated by the University of South Alabama Health Services Foundation (the "HSF"), a 501(c)(3) organization that has been included in the University's financial statements as a discretely presented component unit. As of July 1, 2016, Ambulatory Services activities were transferred by HSF to the University and the revenues and expenses of the faculty practice included in the University's Statement of Revenues, Expenses and Changes in Net Position. Gross charges by year from these activities were as follows:

<u>Year</u>	<u>Gross Revenues</u>
2020	\$249,409,682
2019	176,840,712
2018	120,488,250
2017	125,686,741
2016	136,470,653

On May 2, 2017, the University formed the University of South Alabama Health Care Authority, an Alabama public corporation (the "USA HCA"), pursuant to Section 16-17A-1 *et seq.* of the Code of Alabama 1975, as amended. The University utilizes the USA HCA for certain administrative and personnel functions at USA Health. Medical practices included within USA HCA have generated revenues for the University. Indebtedness, if any, issued by USA HCA would not be secured by Pledged Revenues. Moreover, the University does not currently intend or expect the USA HCA to take title to any material health care assets of the University.

USA Health Care Authority has grown to more than 75 providers, including more than 50 physicians. Gross charges by year for HCA were as follows:

<u>Year</u>	<u>Gross Revenues</u>
2020	\$32,026,193
2019	35,128,988
2018	24,243,252

KPMG has audited the financial statements for USA HCA for the fiscal year ended September 30, 2020. See Page 29 of Appendix A attached hereto.

## ACADEMIC MEDICAL CENTERS

Academic Medical Centers ("AMCs") throughout the United States face a dynamic healthcare environment. These changes include potential funding reductions from governmental entities and insurance companies, as well as a transition from productivity to value-based reimbursements.

As a result, AMCs are evaluating their business models and restructuring themselves to respond to the current and future healthcare environments. Nationwide, AMCs are evaluating partnerships with other AMCs or even non-AMC healthcare providers. Consistent with this national trend, the University, although in the very early stage, is proactively addressing its structure and governance with respect to these issues.

## USA TECHNOLOGY & RESEARCH CORPORATION

The USA Research and Technology Corporation ("USARTC") was incorporated in 2002 as a not-for-profit corporation under the laws of the State of Alabama. The mission of USARTC is to facilitate new and enhanced types of interaction between the University and the wider public and private sectors and to serve as a catalyst for regional development by furthering innovation and enterprise in a collaborative and principled fashion that respects and elevates the social and economic well-being of the community. The facilities of USARTC are located on approximately 160 acres adjacent to the main campus of the University, an area known as the USA Technology & Research Park (the "Park"). USARTC owns three buildings in the Park, which together comprise approximately 222,300 square feet of space available for lease, with approximately 200,000 square feet currently under lease.

Since USARTC's inception, total tenant employment (non-University) has grown to approximately 350, including approximately 50 University graduates. There were no student interns employed at the Park over the course of the past year due to COVID-19.

## FACILITIES

### Current Facilities

The University has 5,371,008 gross square feet of inventory space presently in use, including the USA Baldwin County-Fairhope Campus, USA Health University Hospital, USA Health Mitchell Cancer Institute, and USA Children's & Women's Hospital. Existing main campus structures include the Administration Building; Instructional Laboratory Building; Library; Biomedical Library; Chemistry Building; Life Science Building; Health, Physical Education and Recreation Building; Student Center; Humanities Building; Medical Sciences Building; Multi-Purpose Arena; Performing Arts Building; Business Building; Student Services Building; Archaeology Building; Intramural Fieldhouse; Transportation Services Building; three Technology and Research buildings; Shelby Hall; Health Science; Dining Facility; Faculty Club; Academic Services; Business Resource Center; Innovation in Learning Center; Education Services Building; Education and Outreach Building, and a variety of residence halls. The Bethel Theater, Mobile Townhouse, and Alumni Hall, all located on the campus, are renovated buildings of great historic value.

Historical details of construction, acquisition and renovations at the University campus are as follows:

Years of construction or acquisition	Gross Square Feet Constructed or Acquired	Gross Square Feet Renovated
Prior to 1960	1,091,119	207,676
1960-1969	813,280	302,671
1970-1979	1,046,420	192,963
1980-1989	597,710	81,712
1990-1999	277,443	-

2000-2009	550,333	153,575
2010-2015	714,605	502,204
2016-2020	<u>859,527</u>	<u>231,306</u>
Total	<u>5,950,437</u>	<u>1,672,107</u>

The campus is served by water, gas and electric utilities supplied by public utilities serving the greater Mobile metropolitan area.

### **Insurance**

Claims for damages to the University's campus property are covered by the State Insurance Fund of the State of Alabama's Division of Risk Management. All buildings and contents are covered by the State Insurance Fund policy. The University uses two self-insured trust funds to pay general liability and professional liability claims. Injuries from work-related incidents to those employees covered by the University's self-insured health plan are covered by that plan. Work-related injuries to employees not covered by the health plan are reviewed by the State Board of Adjustment for final resolution.

### **Student Housing**

*University Owned Housing.* With respect to on-campus student housing, approximately 2,332 beds (with capacity to expand up to 2,400 beds, if needed) are available for occupancy in campus student residences. Over the last five years, occupancy rates have averaged 92%, with the Fall 2020 semester at 79.8%. The decline in Fall 2020 occupancy is a result of the University revising its student housing model to provide a safer environment during COVID-19, which included reducing bed space to account for proper residential social distancing. As a result, the University opened with Fall 2020 capacity for University-owned housing at approximately 1,833 beds. The University intends to return to the space allocations in place prior to the COVID-19 pandemic once current distancing measures are no longer in place. Approximately 13% of total headcount enrollment occupied student housing for the Fall 2020 semester.

The University expects Spring 2021 semester housing to continue operating under current COVID-19 protocols. The residence halls opened January 18, 2021, with an occupancy of 1,778. There are 42 rooms reserved in the Delta residential community to be utilized as quarantine/isolation rooms, as needed, for student residents. The 42 quarantine rooms are typically double occupancy, but were converted to single occupancy in accordance with University COVID-19 protocols. Residence halls are scheduled to close May 7, 2021, for non-graduating residents, and May 9, 2021, for graduating residents.

*Non-University Owned Housing.* In addition to the approximately 2,332 University-owned beds, there are several apartment-style housing complexes not owned by the University but that focus on University students. One is located on campus and the rest are located off-campus. The on-campus complex was built on land leased by the University to a developer under a long-term lease, and the University is under no obligation to guarantee the financing relating to that complex, occupancy within that complex, or any other revenue or performance activity from the same. The off-campus complexes are built on land not owned by the University. These complexes offer approximately 3,000 beds.

**SUMMARY INFORMATION RESPECTING STATE AND PRIVATE FUNDING**

**State Appropriations**

The University has received appropriations from the State of Alabama for certain of its operating costs and other non-operating cash requirements, including capital expenditures. State appropriations may not lawfully be used for the payment of debt service on the Bonds, including the Series 2021 Bonds. There can be no assurance that future Legislatures will continue to make such appropriations, or, if made, that they will be timely or sufficient when added to operating revenues and General Fees, Auxiliary Enterprise Revenues, and Children's & Women's Hospital Revenues remaining after the payment of debt service, to cover in full, operating expenses of the University.

The following tabulation compiled by the University staff from University accounting records shows State appropriations to the University for the fiscal years ended September 30, 2016, through September 30, 2020:

Fiscal year ended <u>September 30</u>	Total Appropriations	
	<u>Authorized</u>	<u>Received</u>
2020	\$123,063,000	\$123,063,000
2019	115,209,000	115,209,000
2018	107,284,718	107,284,718
2017	107,284,717	107,284,717
2016	104,976,761	104,976,756

Although not pledged for payment of debt service on the Bonds or otherwise subject to the lien of the Indenture, the University relies on State appropriations to fund basic operations, student services and other costs of the University. The Alabama State Legislature is considering the implementation of an outcomes-based funding model for a portion of state appropriations paid to State of Alabama universities, such as the University. In theory, an outcomes-based formula increases or reduces appropriations to a particular university based upon its success or failure, respectively, against certain established performance measures. This initiative is in the early phase, and, as such, it is not possible at this time to determine whether this initiative will be adopted and become part of the State appropriation process for public university funding or how the University's funding would be impacted.

**Endowment Assets**

Endowment assets for the University are deposited both in the University and in the Foundation (described below). Net endowment assets in the accounts of the University at September 30, 2020, were \$189,080,729. Of the net endowment assets, \$63,623,529 are classified as restricted, nonexpendable, \$79,364,380 are classified as restricted, expendable, and \$46,092,820 are classified as unrestricted. The Board of Trustees has an approved endowment management and investment policy that includes an established spending rate of 4.5% based on the 5-year moving average of net assets of endowments. In maintaining its endowment, it is the goal of the University to provide revenue while preserving principal to fund those projects which have been endowed for specific purposes. Net assets of endowments are allocated as follows at September 30, 2020:

Equities, Pooled direct investments and mutual funds	\$86,722,799
Fixed income, pooled direct investments and mutual funds	47,661,897
Managed income alternative investments	41,330,347
Other	<u>13,365,686</u>
Total	<u>\$189,080,729</u>

**The University of South Alabama Foundation**

The University of South Alabama Foundation (the "Foundation"), a legally separate entity, exists for the primary purpose of advancing the purpose of the University in furthering, improving and expanding its



properties, services, facilities and activities. Its total assets at June 30, 2020, its most recent audited fiscal year-end, were \$387,872,000, and its net assets were \$387,123,000 at the same date. Assets are primarily invested in marketable securities (41%), timber and mineral properties (43%) and real estate (14%). Cash and non-cash distributions to the University over the past six fiscal years are, as reported in the audited financial statements of the Foundation for the years ended June 30, 2015, through June 30, 2020, as follows:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Distributions</u>
2020	\$10,280,000
2019	9,755,000
2018	9,703,000
2017	9,603,000
2016 <sup>1</sup>	10,561,000
2015	4,731,000

<sup>1</sup> In fiscal year 2010, the University and the Foundation executed a purchase and sale agreement calling for the University to sell approximately 327 acres on Mobile Bay, known as the Brookley campus, to the Foundation. The terms of the agreement required the Foundation to pay the University \$20,000,000 - \$4,000,000 at closing and \$4,000,000 annually thereafter through fiscal year 2015. The distribution for the Foundation's fiscal year ended June 30, 2016 reflects the Foundation's completion of its obligations under the purchase and sale agreement and corresponding increase in annual distributions to the University.

#### **Alabama Public School and College Authority Funding**

On November 4, 2020, the Alabama Public School and College Authority, a public corporation under the laws of the State of Alabama ("APSCA"), issued a series of limited obligation bonds pursuant to Act No. 2020-167 enacted at the 2020 Regular Session of the Legislature of Alabama (the "2020 APSCA Act"). Pursuant to the 2020 APSCA Act, the University was allocated \$18,159,466 in grant funding from APSCA out of proceeds from such bonds for payment of capital improvements on the campus of the University.

On November 19, 2020 Governor Ivey announced intended additional funding from the APSCA totaling \$50,000,000 for application towards a new medical school building.

#### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

The following is a brief summary of certain provisions of the Indenture, as heretofore amended and supplemented and as further amended and supplemented by the Eighteenth Supplemental Indenture, to which Indenture and Eighteenth Supplemental Indenture in their entirety reference is made for the detailed provisions thereof. Unless the context clearly indicates otherwise, all references herein shall be deemed to include the Series 2021 Bonds, the Outstanding Bonds, and any Additional Bonds hereafter issued under the Indenture.

As used in the following summary, the following definitions shall have the following respective meanings.

*"Annual Debt Service Requirement"* means, as of any date of determination, the amount of principal and interest maturing with respect to the then outstanding Bonds in such Bond Year; provided, (i) that the principal amount of any Bonds subject to a Mandatory Redemption Provision during such Bond Year shall, for purposes of this definition, be considered as maturing in the Bond Year during which such redemption is required and not in the Bond Year in which their stated maturity occurs; (ii) in the case of Bonds (whether outstanding or proposed to be issued) that bear interest at a variable or adjustable rate, the interest payable on such Bonds shall be calculated on the assumption that such Bonds bear interest at a fixed rate of interest estimated by a professional consulting firm or investment banking firm acceptable to the Trustee by reference to bonds of similar credit rating maturity and tax characteristics on the date such calculation is made; and (iii) for purposes of the foregoing formula, Bonds that are "deemed paid" under the Indenture shall not be deemed outstanding.

*"Bond Year"* means the period beginning November 2 in each calendar year and ending on November 1 of the next succeeding calendar year.

"*Interest Payment Date*" means (a) with respect to the Series 2021 Bonds, each April 1 and October 1, commencing October 1, 2021, and (b) with respect to any series of Additional Bonds, such date or dates as shall be specified in the Supplemental Indenture pertaining to such Additional Bonds as the dates for payment of interest of such Additional Bonds.

"*Mandatory Redemption Provision*" means any provisions that may be set forth in a Supplemental Indenture for mandatory redemption of any Additional Bonds at a redemption price equal to the principal amount thereof.

"*Principal Payment Date*" means (a) with respect to the Series 2021 Bonds, each April 1 commencing April 1, 2022, and (b) with respect to any series of Additional Bonds, a date (which shall in every case be the first day of a Month) specified in the Supplemental Indenture pertaining to such Additional Bonds as a date for payment of principal of such Additional Bonds.

"*Supplemental Indenture*" means an agreement supplemental to the Indenture.

### **Special Funds**

**Bond Fund.** The Indenture provides for the creation of a special trust fund called the "Bond Principal and Interest Fund." The University is required to pay into the Bond Fund, in addition to all other amounts required by the Indenture, the following:

(a) Contemporaneously with the issuance and sale of any of the Bonds and out of the proceeds derived from such sale, the University (or the Trustee on behalf of the University) is required to pay into the Bond Fund such part of the proceeds from the sale as is allocable to premium (if any) and accrued interest.

(b) On or before the Business Day next preceding each Interest Payment Date until the principal and the interest on the Bonds is paid in full, the University is required to pay into the Bond Fund, out of the Pledged Revenues, an amount equal to the sum of (i) the semiannual installment of interest that will mature on the Bonds on the then next succeeding semiannual Interest Payment Date with respect thereto, plus (ii) the principal that will become due on the Bonds on the then next succeeding Principal Payment Date, plus (iii) the principal required to be redeemed on the next succeeding Principal Payment Date pursuant to any Mandatory Redemption Provision.

All moneys paid into the Bond Fund are required to be used only for payment of the principal of and the interest on the Bonds upon or after the respective maturities of such principal and interest and to redeem Bonds subject to a Mandatory Redemption Provision. If at the final maturity of the Bonds, however, such Bonds may mature, there are in the Bond Fund moneys in excess of what is required to pay in full the principal of and the interest on the Bonds, then any such excess will be returned to the University.

Prior to the issuance of any Additional Bonds, there shall be executed and delivered a Supplemental Indenture containing a provision that the semiannual payments into the Bond Fund be adjusted to provide for such additional amounts as may be necessary to pay the principal of and interest on such Additional Bonds; provided, however, that in making such adjustment the principal amount of any such Additional Bonds required by the terms of the Supplemental Indenture to be redeemed during any Bond Year shall be considered as maturing in the Bond Year during which such redemption is required and not in the Bond Year in which their stated maturity occurs.

### **Additional Bonds**

The Indenture authorizes the issuance of Additional Bonds, subject to the provisions of the Indenture. Among the conditions to the issuance of any Additional Bonds are the following:

(a) **Supplemental Indenture.** Prior to the issuance of any Additional Bonds, there shall be executed and delivered a Supplemental Indenture containing: (i) a description of the Additional Bonds proposed to be issued, including the date, the aggregate principal amount, the series designation, the denomination or denominations, the interest rate or rates (or provisions for determining the same), the maturity or maturities, the

form of such Additional Bonds, and any provisions for redemption thereof prior to their respective maturities; (ii) a statement of the purpose or purposes for which the Additional Bonds are proposed to be issued; and (iii) any other provisions that do not conflict with the provisions of the Indenture.

(b) Certificate as to Pledged Revenues. The item or items required by either of the following subparagraphs (i) or (ii):

(i) A certificate by the Vice President for Finance and Administration of the University certifying that the amount of Pledged Revenues received during the Fiscal Year next preceding the date of the issuance of the Additional Bonds then proposed to be issued was not less than 125% of the maximum Annual Debt Service Requirement with respect to the then current or any then succeeding Bond Year immediately following the issuance of the then proposed Additional Bonds, which certificate shall set forth the figures on which it is based and shall recite that the Pledged Revenues for such Fiscal Year specified therein were taken from the annual audit of the University for such Fiscal Year or, if such audit shall not have been completed for the most recent Fiscal year at the date of such certificate, were taken from the official records of the University, or

(ii) A Resolution or Resolutions adopted by the University after the commencement of the Fiscal Year next preceding the issuance of the then proposed Additional Bonds either (i) increasing the General Fees, or (ii) levying new fees and charges of a type or kind different from the General Fees, or (iii) a combination thereof, accompanied by a certificate of the Vice President for Finance and Administration stating that if the increased General Fees or the new fees set forth in the said Resolution or Resolutions had been in effect throughout the Fiscal Year next preceding the date of issuance of the then proposed Additional Bonds, the amount of Pledged Revenues during the Fiscal Year next preceding the date of issuance of the then proposed Additional Bonds would have been not less than 125% of the maximum Annual Debt Service Requirement during the then current or any then succeeding Bond Year with respect to Bonds that will be outstanding immediately following the issuance of the then proposed Additional Bonds; and

(c) Opinion of Independent Counsel. An opinion dated on the date of issuance of such Additional Bonds, signed by Independent Counsel acceptable to the Trustee, approving the forms of all documents required above to be delivered to the Trustee and reciting that they comply with the applicable requirements set out above.

### **Maintenance of Pledged Revenues**

The University has covenanted in the Indenture that, so long as any of the Bonds remain outstanding and unpaid, the University will fix, levy and collect General Fees and Auxiliary Enterprises Revenues from all students attending the University during each Fiscal Year in such amounts and at such times as shall be required to produce revenues sufficient to pay the principal of, unamortized premium, if any, and interest on the Bonds during the same Fiscal Year. No covenant with respect to the Children's & Women's Hospital Revenues has been made.

### **Supplemental Indentures**

Supplemental Indentures Without Bondholder Consent. The University and the Trustee may at any time and from time to time enter into such Supplemental Indentures (in addition to such Supplemental Indentures as are otherwise provided for in the Indenture) as shall not be inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the University contained in the Indenture other covenants and agreements thereafter to be observed and performed by the University, provided that such other covenants and agreements may not either expressly or impliedly limit or restrict any of the obligations of the University contained in the Indenture;

(b) to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provisions contained in the Indenture or in any Supplemental Indenture or to make any provisions with respect to matters arising under the Indenture or any Supplemental Indenture for any other purpose if such provisions are necessary

or desirable and are not inconsistent with the provisions of the Indenture or any Supplemental Indenture and do not adversely affect the interests of the holders of the Bonds;

(c) to subject to the pledge contained in the Indenture additional revenues or to identify more precisely any of the revenues of the University subject to the Indenture;

(d) to cause the Indenture to comply with the provisions of the Trust Indenture Act of 1939 or such other federal securities laws as may hereafter be applicable to the Indenture; or

(e) to provide for the issuance of Additional Bonds in accordance with the Indenture.

Any such Supplemental Indenture will not require the consent of any bondholders.

Supplemental Indentures Requiring Bondholders Consent. In addition to those Supplemental Indentures described above, the Indenture provides that the University and the Trustee may, at any time and from time to time, with the written consent of the holders of not less than a majority in aggregate principal amount of Bonds then outstanding, enter into such Supplemental Indentures as shall be deemed necessary or desirable by the University and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the term or provisions contained in the Indenture or in any Supplemental Indenture; provided that without the written consent of the Holder of each Bond affected, no reduction in the principal amount of, rate of interest on, or the premium payable upon the redemption of, any Bond shall be made; and provided, further, that, without the written consent of the holders of all the Bonds, none of the following shall be permitted:

(a) an extension of the maturity of any installment of principal of or interest on any Bond;

(b) any change in any Mandatory Redemption Provision;

(c) the creation of a lien or charge on the Pledged Revenues ranking prior to or (except in connection with the issuance of Additional Bonds) on a parity with the lien or charge thereon contained in the Indenture;

(d) the establishment of preferences or priorities as between the Bonds (but only with respect to the security provided for all Bonds); or

(e) a reduction in the aggregate principal amount of Bonds the holders of which are required to consent to such Supplemental Indenture.

Any Supplemental Indenture that requires the consent of holders of the Insured Series 2021 Bonds or adversely affects the rights or interests of BAM shall also be subject to the prior written consent of BAM.

Upon the execution of any Supplemental Indenture under and pursuant to the provisions described above, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the University, the Trustee and all holders of the Bonds then outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

## **Defaults and Remedies**

Events of Default under the Indenture include the following:

(a) failure by the University to pay principal of, the interest on or the premium (if any) on any Bond as and when the same shall become due, as provided therein and in the Indenture (whether such shall become due pursuant to any Mandatory Redemption Provisions or otherwise);

(b) failure by the University to perform and observe any of the agreements and covenants on its part contained in the Indenture (other than in the manner described in (a) above) which such failure continues for a period of not less than thirty (30) days after written notice of such failure has been given to the University by the Trustee or by the holders of not less than twenty-five percent (25%) in outstanding amount of Bonds,

unless during such period or any extension thereof the University has commenced and is diligently pursuing appropriate corrective action; or

(c) determination by a court having jurisdiction that the University is insolvent or bankrupt, or appointment by a court having jurisdiction of a receiver for the University or for a substantial part thereof, or approval by a court of competent jurisdiction of any petition for reorganization of the University or rearrangement or readjustment of the obligations of the University under any provisions of the bankruptcy laws of the United States of America or the State of Alabama.

Upon the occurrence of an Event of Default the Trustee shall have the following rights and remedies:

(a) **Acceleration.** The Trustee may, by written notice to the University and with the consent of the bond insurer respecting any Bonds then outstanding and insured thereby, declare the principal of all the Bonds (including, without limitation, consent of BAM respecting acceleration of the Insured Series 2021 Bonds) forthwith due and payable, and such principal shall thereupon become and be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding. If, however, the University makes good that default and every other default under the Indenture (except for those installments of principal declared due and payable that would, absent such declaration, not be due and payable), with interest on all overdue payments of principal and interest, and made reimbursement of all of the reasonable expenses of the Trustee, then the Trustee may (and, if requested in writing by the holders of a majority in principal amount of the then outstanding Bonds, shall), by written notice to the University, waive such default and its consequences, but no such waiver shall affect any subsequent default or right relative thereto.

(b) **Mandamus and Other Remedies.** The Trustee shall have the right of mandamus or other lawful remedy in any court of competent jurisdiction to enforce its rights and the rights of the holders of the Bonds against the University and any officers, agents or employees of the University, including but not limited to the right to require the University and its officers, agents or employees to perform and observe all of its or their duties under Section 16-3-28 of the Code of Alabama 1975, as amended.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuation of a default or an Event of Default, BAM shall be deemed the sole holder of the Insured Series 2021 Bonds and shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Series 2021 Bonds under the Indenture, and no default or Event of Default may be waived without the prior written consent of BAM.

### **Concerning the Trustee**

The Trustee shall be under no obligation to institute suit or to take any proceedings under the Indenture or to enter any appearance or in any way defend in any suit in which it may be made defendant or to take steps in the execution of trust created or in the enforcement of any rights or powers under the Indenture, until it shall be indemnified to its satisfaction against any and all costs and expense, outlays and counsel fees and other reasonable disbursements and against all liability.

The Trustee shall not be liable in connection with the performance of its duties under the Indenture except for its gross negligence or willful misconduct.

The University has agreed to pay to the Trustee from time to time reasonable compensation for all services rendered by it under the Indenture, including the services of bond registrar and paying agent and also all of its reasonable expenses, charges, counsel fees and other disbursements and those of its attorneys and employees incurred in and about the performance of its powers and duties under the Indenture prior to the Bonds. Nothing contained in the Indenture or any supplemental indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it believes that the repayment of such funds or the making whole in respect of such liability is not reasonably assured to it.

## **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of the McGraw-Hill Companies, Inc. ("S&P"), have given the Series 2021 Bonds an underlying rating of "A1" and "A+", respectively. S&P is expected to assign the Insured Series 2021 Bonds a rating of "AA" with the understanding that, upon delivery of the Insured Series 2021 Bonds, BAM will deliver the Policy to the Trustee.

The underlying rating provided by each of Moody's and S&P (collectively, the "Rating Agencies") reflects that agency's rating of the creditworthiness of the University with respect to obligations payable from the Pledged Revenues. The rating provided by S&P of the Insured Series 2021 Bonds reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance.

Any further explanation of the significance of such ratings may be obtained only from the appropriate Rating Agency. The University furnished to the Rating Agencies the information contained in this Official Statement and certain other information respecting the University and the Series 2021 Bonds. Generally, rating agencies base their underlying ratings on such materials and information, as well as on their own investigations, studies and assumptions.

The ratings indicated on the cover page are not recommendations to buy, sell or hold the Series 2021 Bonds, and any such ratings may be subject to revision or withdrawal at any time by the Rating Agencies. Any downward revision or withdrawal of any or all of such rating may have an adverse effect on the market price of the affected Series 2021 Bonds. Neither the University nor the Underwriters have undertaken any responsibility either to bring to the attention of the holders of Series 2021 Bonds any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

## **LITIGATION**

To the best of the University's knowledge, there is no litigation pending or threatened (i) restraining or enjoining the issuance or delivery of the Series 2021 Bonds, (ii) contesting or affecting the validity of the Series 2021 Bonds or the proceedings or authority under which they are to be issued, (iii) contesting the creation, organization or existence of the University or the title of any of its present officials to their respective offices, or (iv) contesting the right of the University to enter into the financing documents to which it is a party or to secure the Series 2021 Bonds in accordance with the Indenture.

The University and its hospitals are immune from suit in medical malpractice matters; however, such claims may still be brought against healthcare providers employed to provide such services on behalf of the University. These providers are insured by the University's Professional Liability Trust Fund. If a final judgment were entered in any professional liability action in an amount in excess of its insurance coverage, the University would not be liable for the excess.

The University has been notified by the Equal Employment Opportunity Office ("EEOC") of charges filed with the EEOC against the University or its employees. The charges arise from alleged employment practices or policies. Should a lawsuit arise out of such charges, they would be covered by the University's General Liability Trust Fund.

Finally, the University has been notified of claims filed against it in the State Board of Adjustment. None of the aforementioned charges or claims involve any significant sums in excess of the sums otherwise provided for and would not have an impact upon the collection of the Pledged Revenues. In the opinion of the University's General Counsel, the aggregate exposure of the University with respect to all pending claims and suits would not be material to the University's financial position.

## **LEGAL MATTERS**

The Series 2021 Bonds will be issued subject to the approving opinion of Bradley Arant Boult Cummings LLP, Birmingham, Alabama, Bond Counsel to the University. It is anticipated that the opinion of Bond Counsel to the University will be in substantially the form set forth in Appendix B.

The various legal opinions to be delivered concurrently with the delivery of the Series 2021 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the authoring firm or attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon or the future performance of parties to the transaction, and the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

## **TAX MATTERS**

### **General**

In the opinion of Bradley Arant Boult Cummings LLP, Bond Counsel to the University, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2021 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Series 2021 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In rendering its opinion, Bond Counsel to the University has relied on certain representations, certifications of fact and statements of reasonable expectations made by the University and others in connection with the Series 2021 Bonds, and Bond Counsel to the University has assumed compliance with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2021 Bonds from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Series 2021 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2021 Bonds.

Certain Ongoing Federal Tax Requirements and Covenants. The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the 2020 Bonds in order that interest on the Series 2021 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2021 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2021 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The University has covenanted to comply under the Indenture with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2021 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences. The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2021 Bonds. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of any Series 2021 Bonds. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of Series 2021 Bonds.

Prospective owners of the Series 2021 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes. Interest on the Series 2021 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Premium. The initial public offering price to be paid for the Series 2021 Bonds (the "Original Issue Premium Series 2021 Bonds") is greater than the principal amount thereof. Under existing law, any owner who

has purchased an Original Issue Premium Series 2021 Bond in the initial public offering of the Series 2021 Bonds is required to reduce his basis in such Original Issue Premium Series 2021 Bond by the amount of premium allocable to periods during which he holds such Original Issue Premium Series 2021 Bond, and the amount of premium allocable to each accrual period will be applied to reduce the amount of interest received by the owner during each such period. All owners of Original Issue Premium Series 2021 Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Premium Series 2021 Bond and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Premium Series 2021 Bond.

**Bank Qualification.** The Series 2021 Bonds have not been designated as "qualified tax-exempt obligations" under Section 265 of the Code.

**Post-Issuance Matters.** The tax-exempt status of the Series 2021 Bonds could be affected by post-issuance events. See "SPECIAL CONSIDERATIONS RESPECTING THE SERIES 2021 BONDS – Tax-Exempt Status of Series 2021 Bonds" herein. The Indenture does not provide for mandatory redemption of the Series 2021 Bonds or payment of any additional interest or penalty if a determination is made that the Series 2021 Bonds do not comply with the existing requirements of the Code, if a subsequent change in law adversely affects the tax-exempt status of the Series 2021 Bonds or the economic benefit of investing in the Series 2021 Bonds or if any other event or occurrence takes place that impacts the tax status of the Series 2021 Bonds.

## **CONTINUING DISCLOSURE**

### **General**

Under a Continuing Disclosure Agreement, dated the date of the Series 2021 Bonds (the "Continuing Disclosure Agreement"), the University has agreed to provide or cause to be provided to the Municipal Securities Rulemaking Board (the "MSRB") using its electronic municipal market access system (referred to as "EMMA"), certain updated financial information and operating data annually, and timely notice of specified events for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule").

See Appendix C for a form of the Continuing Disclosure Agreement relating to the Series 2021 Bonds.

A failure by the University to comply with the Continuing Disclosure Agreement will not constitute an event of default under the Indenture. Beneficial owners of the Series 2021 Bonds are limited to the remedies described in the Continuing Disclosure Agreement. A failure by the University to comply with the Continuing Disclosure Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2021 Bonds in the secondary market.

### **Compliance with Prior Continuing Disclosure Agreements**

In connection with the prior issuance of certain of the Outstanding Bonds, the University has entered into other continuing disclosure agreements under the Rule. Certain supplemental financial and operating data for the fiscal year ended September 30, 2015, required by the prior agreements was not timely filed through EMMA, and the University did not file a notice of late filing of the same as required by the Rule. The University also did not file notice of the incurrence of a financial obligation it had entered on January 14, 2021, until February 17, 2021.

Effective August 2016, the University adopted new procedures intended to improve timeliness of its required filings under the Rule. In addition, the University made a remedial filing on EMMA containing the required supplemental financial and operating data for the fiscal year ended September 30, 2015. The University also prepared a template into which all financial and operating data can be compiled into a single document for future filings.



THE UNIVERSITY UNDERTAKES NO OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD LOOKING STATEMENT AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHER INFORMATION.

### **STATE NOT LIABLE ON SERIES 2021 BONDS**

The Series 2021 Bonds are limited obligations of the University payable solely out of, and secured by a pledge of, the Pledged Revenues. Neither the principal of nor the interest on the Series 2021 Bonds nor the aforesaid pledge or any other agreement contained in the Indenture shall constitute an obligation of any nature whatsoever of the State of Alabama, and neither the Series 2021 Bonds nor any obligation arising from said pledge or agreements shall be payable out of any moneys appropriated to the University by the State of Alabama.

### **FINANCIAL INFORMATION**

Appendix A contains audited financial statements of the University for the fiscal year ended September 30, 2020. KPMG LLP, the University's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein as Appendix A, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

### **FORWARD LOOKING STATEMENTS**

Certain statements contained in this Official Statement including, without limitation, statements containing the words "estimates," "believes," "anticipates," "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the University or other entities to which the forward-looking statements relate to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the University. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The University and the Underwriters disclaim any obligation to update any such factors or to publicly announce the results of any revision to any of the forward-looking statements contained herein to reflect future events or developments.

### **SPECIAL CONSIDERATIONS RESPECTING THE SERIES 2021 BONDS**

#### **General**

An investment in the Series 2021 Bonds involves certain risks which should be carefully considered by investors. The sufficiency of Pledged Revenues to pay debt service on the Series 2021 Bonds may be affected by events and conditions relating to, among other things, general economic conditions, population in the University's basic service area, the demand for higher education and legislative and administrative requirements on the University's operations.

Prospective investors should carefully examine this Official Statement and their own financial condition in order to make a judgment as to their ability to bear the economic risk of such an investment and whether or not the Series 2021 Bonds are an appropriate investment for them.

Holders of the Series 2021 Bonds should be aware that their rights and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases.

### **Limitations on Source of Payment, Security and Remedies**

Limited Source of Payment. The Series 2021 Bonds will be limited obligations of the University, payable solely from, and secured by a pledge of, the Pledged Revenues. *See* "SECURITY AND SOURCE OF PAYMENT."

The Series 2021 Bonds will not be debts or obligations of the State of Alabama, and debt service on the Series 2021 Bonds will not be payable out of any money provided or appropriated to the University by the State of Alabama. Holders of the Series 2021 Bonds shall never have the right to demand payment of the Series 2021 Bonds from the University from any source other than the special funds established under the Indenture and the Pledged Revenues and shall be entitled to payment from such sources only on a parity basis with all other bonds outstanding under the Indenture.

Additional Debt. All Bonds are secured on a parity by the lien on Pledged Revenues. If the University incurs additional debt secured by the Indenture, the security interest in Pledged Revenues for the benefit of Bondholders will in effect be diluted.

Hospitals Are Limited Use Facilities. The hospitals and other health care facilities of the University, which are operating assets of the University, are limited use facilities, suitable primarily for hospital or health care purposes. Consequently, the market for sale or other disposition of such facilities is limited. In the event of a sale of such facilities, whether in a bankruptcy proceeding or otherwise, the number of potential purchasers and the sale price may be affected by the limited possible use.

Limitation on Remedies Upon Default. The Indenture does not constitute a mortgage on or security interest in any properties of the University, and no foreclosure or sale proceedings with respect to any property of the University may occur. The University is exempt from all suits under the doctrine of sovereign immunity, but state law provides that agents and employees of the University may, by mandamus, be compelled to apply the Pledged Revenues to the payment of the Series 2021 Bonds in accordance with the terms of the Indenture.

The remedies available to the registered holders of the Series 2021 Bonds upon the occurrence of a default under the Indenture are in many respects dependent upon regulatory and judicial actions, which are often subject to discretion and delay. Under existing law, the remedies provided under the Indenture may not be readily available or may be limited, and no assurance can be given that a mandamus or other legal action to enforce payment under the Indenture would be successful. The various legal opinions to be delivered concurrently with the delivery of the Series 2021 Bonds will be qualified as to enforceability of the various legal instruments, limitations imposed by bankruptcy, reorganization, insolvency or similar laws affecting the rights of creditors generally and by judicial discretion applicable to equitable remedies and proceedings generally.

### **Health Care Industry Factors**

The health care industry is subject to a number of factors that could adversely affect the business prospects of the University. Among those factors are the following:

The Health Care Industry is Highly Regulated. The health care industry is highly regulated by the federal and state governments. These regulations relate to areas such as the required delivery of care whether or not patients have the resources for payment, the quality of care and outcomes of health care services provided, excessive re-admission of patients, accuracy of billing and collecting for services rendered, privacy of patients and their health care information, and the relationship between providers and physicians who refer patients to the provider's health care facilities. For providers organized as charitable organizations under Section 501(c)(3) of the Internal Revenue Code there are additional regulations that must be satisfied to preserve tax-exempt status. The cost of compliance with these regulations is significant.

Payment Systems. USA Health derives most of its revenues from Medicare, Medicaid, Blue Cross and other third party payor programs. Such programs may provide payment for services rendered to their beneficiaries in an amount that is less than actual patient charges. These payment systems are complex, subject to periodic change, and require a high degree of accuracy in the billing and collecting process. Failure to submit accurate billing may result in large financial penalties or claims or disqualification from the programs. Penalties or claims may be from governmental authorities, such as the Justice Department and the Office of Inspector General, independent auditing firms under contract with the government, or from private litigants under so-called "qui tam actions."

Alternate Payment Systems. The payment systems for health care services may be expanded to cover capitation or other coverage programs in which the providers assume the risk of health care services for a defined population. The University currently does not provide coverage on a capitated basis; however, the development of such coverage programs in the University's market could force the University to assume increased risk for the amount and cost of services it provides.

Health Care Reform. In 2010, Congress adopted extensive health reform legislation commonly referred to as the Affordable Care Act (the "ACA"). This legislation attempts to extend commercial insurance coverage and Medicaid coverage to many patients not previously covered. The State of Alabama declined the ACA option to expand the Medicaid coverage, which reduces the amount of reimbursement that might otherwise be available to the health care facilities operated by the University. This legislation also imposes numerous operating and reporting requirements on health care providers. Implementation of the various ACA initiatives will take several years and will require extensive time and expense. Implementation has been and continues to be uncertain. It is expected that governments will continue to consider various reform proposals in the health care industry. If adopted, such proposals may subject health care providers like the University to increased compliance requirements, reduced reimbursement for services, increased costs, or a combination of such results.

Trend Toward Large-Deductible Insurance Policies. Coverage provided by insurance is trending toward large deductibles or self-insurance retention for patients, which reduces the required premiums but increases out-of-pocket expense for the insured. These large deductible policies can be expected to increase the challenge of collecting for services rendered and may result in an increase of bad debt expense for health care providers.

Budgetary Pressure for Medicare and Medicaid Funding. Medicare and Medicaid are government-sponsored programs. Funding for those programs is subject to the legislative process of federal and state governments. The spending policies or deficit reduction initiatives of those governments have resulted in significant reductions in reimbursement for health care services in the past and can be expected to apply pressure on reimbursement for the foreseeable future.

Competition from Other Providers. The health care industry is highly competitive. Other health care providers may develop competing facilities or services in the University's service area. Competing facilities or services may include, among others, new hospitals, specialty hospitals, outpatient facilities, and managed care or insurance products. Other forms of competition could also affect the University's ability to maintain or improve its market share, including increasing competition (1) between physicians who generally use hospitals and non-physician practitioners such as nurse practitioners, chiropractors, physical and occupational therapists and others who may not generally use hospitals, and (2) from nursing homes, home health agencies, ambulatory care facilities, surgical centers, outpatient radiology centers, rehabilitation and therapy centers, physician group practices and other non-hospital providers of many services for which patients generally rely on hospitals currently.

Capital Investment and Technology. The technology for diagnosis and treatment of patients changes rapidly and requires large capital investment on an ongoing basis in order for a health system to meet the needs of its patients.

Other Factors Affecting the Health Care Industry. In addition to the factors discussed above, the following additional factors, among others, may adversely affect the operations of health care providers, including the University:

- (a) Increased efforts by insurers, private employers and governmental agencies to limit the cost of hospital services, to reduce the number of hospital beds and to reduce utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety and outpatient care.
- (b) Termination of existing agreements between a provider and employed physicians who render services to the provider's patients or alteration of referral patterns by independent physicians and physician groups.
- (c) The availability and cost of insurance or self-insurance to protect against malpractice and general liability claims.
- (d) Environmental and hazardous waste disposal regulations.
- (e) Future legislation and regulations affecting the tax-exempt status of governmental and 501(c)(3) hospitals or imposing additional requirements on qualification.
- (f) The reduced need for hospitalization or other traditional health care services as a result of medical and other scientific advances.
- (g) Imposition of wage and price controls for the health care industry.
- (h) The availability of or cost of retaining nursing, technical or other health care personnel.
- (i) The spread of any bacteria, virus or infectious disease that is resistant to existing drugs or medical treatment.
- (j) Reduction in population, increased unemployment or other adverse economic conditions in the market.

### **Factors Affecting Academic Medical Centers**

Academic medical center hospitals, like those operated by the University, are subject to certain negative credit factors that do not affect other not-for-profit hospitals. Among those factors are the following:

Special Revenue and Expense Challenges. The research and teaching divisions at academic medical centers often operate at break-even or deficit levels. Funding these missions sometimes requires organizational subsidies that can detrimentally affect the hospital's overall operating performance. Fundraising, endowment spending and excess cash generated from patient care can be used to support the non-clinical departments at an academic medical center, but these sources of funding may not be enough to offset the drag on operating funds.

Negative Reimbursement Pressure from Medicare and Medicaid. The federal government has proposed a reduction in graduate medical education funding from CMS as one way to address federal budget challenges. Although funding cuts would impact all teaching hospitals with medical residents, academic medical centers would be disproportionately impacted due to higher numbers of residents and greater indirect cost payments for high acuity services performed. In addition, securing federal funding for research has become increasingly competitive among research institutions, primarily due to federal budget constraints. Changes in federal funding patterns could adversely affect academic medical centers and their ability to make debt service payments.

Inordinately High Exposure to Medicaid Patients. Many academic medical centers provide a disproportionate amount of charity care in their communities, which results in high exposure to Medicaid patients and receipt of Disproportionate Share Funding ("DSH"). Medicaid reimbursement cuts in recent years have disproportionately impacted academic medical centers. Additionally, reductions in DSH payments were mandated by the ACA beginning in 2016.

Increased Financial Support for Sponsoring University. Academic medical centers are increasingly facing requests for financial transfers to their associated universities to support strategic investments, program development and educational activities. These financial transfers are typically negotiated between the university

and the hospital on an annual basis, and immediate needs at the university level could lead to a growing financial subsidy. These payments could adversely affect the academic medical center's operating performance.

### **State Proration**

The State of Alabama appropriates money each year to the University for operating costs and non-operating cash requirements, including capital expenditures. Because the State is mandated by its constitution to operate with a balanced budget, the State occasionally has reduced its appropriations, through a process known as "proration", when its annual revenues are not expected to meet budgeted appropriations. The last fiscal year in which State appropriations were "prorated" was fiscal year 2011. It is possible that proration may be implemented from time to time in the future and, when proration does occur, the University may be required to implement various cost-saving measures in order to balance its own budget. Although proration may impact the University's budget, the Series 2021 Bonds are not payable from State appropriations.

### **Certain Factors Affecting Pledged Revenues**

No representation can be made and no assurance can be given that receipts from the Pledged Revenues will be sufficient to make the required payment of debt service on the Series 2021 Bonds and to pay necessary operating expenses. The amount of Pledged Revenues collected by the University will be subject to a variety of factors that could adversely affect debt service coverage on the Series 2021 Bonds, including general economic conditions, population in the University's basic service area, the demand for higher education, and the impact of legislative and administrative requirements on the University's operations.

### **Tax-Exempt Status of Series 2021 Bonds**

It is expected that the Series 2021 Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance. *See* "TAX MATTERS – General.". It is anticipated that Bond Counsel to the University will render an opinion substantially in the form attached hereto as [Appendix B](#), which should be read in its entirety for a complete understanding of the scope of the opinions and the conclusions expressed therein. A legal opinion expresses the professional judgment of the attorney rendering the opinion as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

The tax status of the Series 2021 Bonds could be affected by post-issuance events. There are various requirements of the Internal Revenue Code that must be observed or satisfied after the issuance of the Series 2021 Bonds in order for the Series 2021 Bonds to qualify for, and retain, tax-exempt status. These requirements include appropriate use of the proceeds of the Series 2021 Bonds, use of the facilities financed by the Series 2021 Bonds, investment of bond proceeds, and the rebate of so-called excess arbitrage earnings. Compliance with these requirements is the responsibility of the University.

The Internal Revenue Service (the "IRS") conducts an audit program to examine compliance with the requirements regarding tax-exempt status. Under current IRS procedures, in the initial stages of an audit with respect to the Series 2021 Bonds, the University would be treated as the taxpayer, and the owners of the Series 2021 Bonds may have limited rights to participate in the audit process. The initiation of an audit with respect to the Series 2021 Bonds could adversely affect the market value and liquidity of the Series 2021 Bonds, even though no final determination about the tax-exempt status has been made. If an audit results in a final determination that the Series 2021 Bonds do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2021 Bonds.

In addition to post-issuance compliance, a change in law after the date of issuance of the Series 2021 Bonds could affect the tax-exempt status of the Series 2021 Bonds or the effect of investing in the Series 2021 Bonds. For example, the federal government is considering various proposals to reduce federal budget deficits

and the amount of federal debt, including proposals that would eliminate or reduce indirect expenditures made through various deductions and exemptions currently allowed by the income tax laws. The exemption for interest on tax-exempt bonds is one of the indirect expenditures that could be affected by a deficit reduction initiative. Some deficit-reduction proposals would eliminate the exemption for interest on tax-exempt bonds. Other proposals would place an aggregate cap on the total amount of exemptions and deductions that may be claimed by a taxpayer, or a cap on the exemption for interest on tax-exempt bonds. Changes in the rate of the federal income tax, including so-called "flat tax" proposals, could also reduce the value of the exemption. Changes affecting the exemption for interest on tax-exempt bonds, if enacted, could apply to tax-exempt bonds already outstanding, including the Series 2021 Bonds offered pursuant to this Official Statement, as well as bonds issued after the effective date of such legislation. It is not possible to predict whether Congress will adopt legislation affecting the exemption for tax-exempt bonds, what the provisions of such legislation may be, whether any such legislation will be retroactive in effect, or what effect any such legislation may have on investors in the Series 2021 Bonds. Investors should consult their own tax advisers about the prospects and possible effect of future legislation that could affect the exemption for interest on tax-exempt bonds.

The Indenture does not provide for mandatory redemption of the Series 2021 Bonds or payment of any additional interest or penalty if a determination is made that the Series 2021 Bonds do not comply with the existing requirements of the Code, if a subsequent change in law adversely affects the tax-exempt status of the Series 2021 Bonds or the economic benefit of investing in the Series 2021 Bonds, or if any other event or occurrence takes place that impacts the tax status of the Series 2021 Bonds.

### **The United States Bankruptcy Code**

Chapter 9 of Title 11 of the United States Code, 11 U.S.C. 101, *et seq.* (the "Bankruptcy Code") permits a political subdivision, public agency or instrumentality of a State to file a petition for relief in federal bankruptcy courts if the subdivision, agency or instrumentality is insolvent within the meaning of Chapter 9 and is authorized under applicable state law to seek such relief. The University, as an instrumentality of the State of Alabama, meets the initial eligibility requirement for a debtor under Chapter 9 of the United States Bankruptcy Code, as set forth at 11 U.S.C. §109(c)(1), because it is a "municipality" as defined at 11 U.S.C. §101(40), but the University is not expressly authorized by Article XIV, Section 266 of the Alabama Constitution of 1901 or by §16-48-1 *et seq.* of the Code of Alabama 1975, as amended, to initiate a Chapter 9 proceeding. Therefore, absent enactment of legislation by the Alabama Legislature that specifically authorizes a filing by the University, or by all instrumentalities of the State of Alabama, the University does not appear to be eligible to be a "debtor" under Chapter 9 of the United States Bankruptcy Code.

Nonetheless, Chapter 9 has been rarely used, and there is little precedent concerning its interpretation or the interpretation of related state laws, so there can be no definitive assurance that the University would be prevented from filing a petition for relief under Chapter 9, and if it did so, what relief would be provided. For example, Chapter 9 of the Bankruptcy Code provides certain protections to creditors whose debts are secured by pledged special revenues; however, because of the limited precedent available with respect to Chapter 9, it is possible that a federal bankruptcy court could reject or circumscribe certain of these provisions under the facts of a specific case.

It should be noted that Section 922(d) of Chapter 9 of the Bankruptcy Code provides that a bankruptcy petition does not operate as a stay of "application of pledged special revenues" to the payment of indebtedness secured by such revenues in a manner consistent with other provisions of the Bankruptcy Code. Without limitation, section 928 of the Bankruptcy Code provides that special revenues acquired by the debtor after commencement of a Chapter 9 case remain subject to any lien resulting from any security agreement entered into by the debtor before commencement of the case, but further provides that any such lien on special revenues (other than municipal betterment assessments) derived from a project or system shall be subject to "the necessary operating expenses of such project or system." It is not clear whether the pledge of Pledged Revenues made by the University for the benefit of the Series 2021 Bonds would constitute "special revenues" as that term is defined in section 902(2) of the Bankruptcy Code. Moreover, the phrase "application of pledged special revenues" has given rise to arguments that the provisions of section 922(d) apply only to funds in possession and control of the debtholders, or their trustee. Therefore, it is

uncertain whether or not the filing of a Chapter 9 petition (if the University had such power under Alabama law) would affect application of Pledged Revenues for the payment of principal and interest on the Series 2021 Bonds. Similarly, it is uncertain whether section 928 of the Bankruptcy Code would control the claims of holders of the Series 2021 Bonds with respect to the Pledged Revenues.

As a "municipality" within the meaning of the Bankruptcy Code, the University's eligibility to be a debtor is governed solely by 11 U.S.C. §109(c). A "municipality" within the meaning of Chapter 9 of the Bankruptcy Code cannot seek relief as a "debtor" under other chapters of the Bankruptcy Code, including without limitation Chapters 7 and 11.

The approving legal opinion of Bond Counsel to the University will contain the customary reservation that the rights of the holders of the Series 2021 Bonds and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, sovereign immunity, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases. *See* the proposed form of approving legal opinion set forth in Appendix B – "Proposed Form of Approval Opinion of Bond Counsel to the University."

### **FINANCIAL ADVISOR**

PFM Financial Advisors LLC ("PFM") is employed by the University to perform professional services in the capacity of financial advisor. In its role as financial advisor to the University, PFM has provided advice on the plan of financing and structure of the Series 2021 Bonds, and reviewed certain legal and disclosure documents, including this Official Statement, for financial matters. PFM has not independently verified the factual information contained in this Official Statement, but relied on the information supplied by the University and other sources and the University's certification as to the Official Statement.

### **UNDERWRITING**

The Series 2021 Bonds are being purchased for reoffering by Raymond James & Associates, Inc., Hancock Whitney Investment Services, Securities Capital Corporation and The Frazer Lanier Company Incorporated (collectively, the "Underwriters") at an aggregate purchase price of \$50,372,096.70 (representing the initial par amount of the Series 2021 Bonds, less an underwriting discount of \$162,943.75, plus original issue premium of \$9,980,040.45). The public offering price of the Series 2021 Bonds as set forth on the inside of the cover page of this Official Statement may be changed from time to time by the Underwriters, and the Underwriters may allow a concession from the public offering price to certain dealers.

### **MISCELLANEOUS**

The references herein to statutory provisions, the Indenture and other documents and instruments are summaries of certain provisions thereof and do not purport to be complete. For full and complete statements of such provisions reference is hereby made to the specific statutory provision, document or instrument to which such summary relates.

So far as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the owners of the Series 2021 Bonds.

The information contained in this Official Statement has been compiled or prepared from information obtained from sources believed to be reliable; however, the University makes no representation as to the accuracy or completeness of such information. The information and the expressions of opinion herein are subject to change without notice. Accordingly, neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that, since the date hereof, there has been no change in the affairs of the University or any other governmental agencies or entities discussed herein.

The distribution of this Official Statement and its use in the offering and sale of the Series 2021 Bonds have been approved by the governing body of the University.

**UNIVERSITY OF SOUTH ALABAMA**

/s/ G. Scott Weldon

Vice President for Finance and Administration



**APPENDIX A**

**AUDITED FINANCIAL STATEMENT FOR THE  
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**APPENDIX B**

**PROPOSED FORM OF APPROVAL OPINION OF BOND COUNSEL TO THE UNIVERSITY**

Proposed Form of Approval Opinion of Bond Counsel

March 10, 2021

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

Ladies and Gentlemen:

We have examined the Constitution and laws of the State of Alabama and certified copies of proceedings of the Board of Trustees of the University of South Alabama (herein called the "University") and other documents submitted to us pertaining to the authorization, issuance and validity of:

**\$40,555,000**  
**University of South Alabama**  
**University Facilities Revenue Bonds**  
**Series 2021**

The statements hereinafter made and the opinions hereinafter expressed are based upon our examination of said constitution, laws, proceedings, and documents, which show as follows:

(1) that the above-referenced Series 2021 Bonds (the "Series 2021 Bonds") have been issued under a University Facilities Revenue Trust Indenture dated as of February 15, 1996, as heretofore supplemented and amended and as further supplemented by an Eighteenth Supplemental University Facilities Revenue Trust Indenture dated the date of the Series 2021 Bonds between the University and The Bank of New York Mellon Trust Company, N.A., as successor trustee (said Indenture, as so supplemented and amended, herein called the "Indenture"), wherein there has been pledged for payment of all bonds issued thereunder so much as may be necessary therefor of (a) the proceeds of the general tuition fees levied against all students attending the University, (b) the gross revenues derived from auxiliary enterprises services furnished by the University, including, without limitation, food services, housing, college stores, dining, concessions and other similar services, as such revenues are shown as a separate item on the audited financial statements of the University, and (c) an amount not exceeding \$10,000,000 in any fiscal year of the University of the gross revenues derived from that certain hospital facility owned and operated by the University and known as USA Children's & Women's Hospital (collectively herein called the "Pledged Revenues"); and

(2) that the University is authorized under the Indenture to issue, without express limit as to principal amount but only upon compliance with certain conditions precedent specified in the Indenture, Additional Bonds (as such term is defined in the Indenture) secured by a pledge of the Pledged Revenues on a parity with all other bonds issued under the Indenture and at any time outstanding.

We are of the following opinion: that the University is a public body corporate under the laws of the State of Alabama and has corporate power to issue the Series 2021 Bonds and to execute and deliver the Indenture; that the Series 2021 Bonds have been duly authorized, executed and issued in the manner provided by the applicable provisions of the Constitution and laws of the State of Alabama, are in due and legal form and evidence valid and binding limited and special obligations of the University payable, as to principal and interest, solely out of the Pledged Revenues; that the payment of the principal of and the interest on the Series 2021 Bonds is secured on a parity with all Bonds (as such term is defined in the Indenture) previously issued under the Indenture and with any other Additional Bonds hereafter issued under the Indenture by a pledge of the Pledged Revenues pro rata and without preference or priority of the Bonds of one series over those of another; that the said pledge is valid, subject to all lawful prior charges on the Pledged Revenues; and that the Indenture has been duly authorized, executed and delivered on behalf of the University.

We are of the opinion that the interest on the Series 2021 Bonds is, under existing statutes and regulations as presently construed, exempt from Alabama income taxation.

We are further of the opinion that under the Internal Revenue Code of 1986, as amended (herein called the "Code"), as presently construed and administered, and assuming compliance by the University with its covenants pertaining to certain requirements of federal tax law that are set forth in the Indenture and the proceedings authorizing the issuance of the Series 2021 Bonds, the interest on the Series 2021 Bonds will be excludable from gross income of the recipient thereof for federal income tax purposes pursuant to the provisions of Section 103(a) of the Code and will not be an item of tax preference included in alternative minimum taxable income for the purpose of computing the minimum tax imposed by Section 55 of the Code. We express no opinion regarding tax consequences arising with respect to the Series 2021 Bonds other than as expressly set forth herein.

We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement of the University relating to the Series 2021 Bonds. We express no opinion with respect to the federal tax consequences to the recipient of the interest on the Series 2021 Bonds under any provision of the Code not referred to above.

The rights of the holders of the Series 2021 Bonds and the enforceability of the Series 2021 Bonds and the Indenture are subject to all applicable bankruptcy, insolvency, reorganization, sovereign immunity, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and the exercise of judicial discretion in appropriate cases.

Neither the principal of nor the interest on the Series 2021 Bonds nor the aforesaid pledge or any other agreements contained in the Indenture constitute an obligation of any nature whatsoever of the State of Alabama, and neither the Series 2021 Bonds nor any obligation arising from said pledge or other agreements are payable out of any moneys appropriated to the University by the State of Alabama. The Indenture does not constitute a mortgage on any of the property of the University, and no foreclosure or sale proceedings with respect to any property of the University shall ever be had under its authority.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

**APPENDIX C**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

## CONTINUING DISCLOSURE AGREEMENT

The University of South Alabama, a public body corporate under the laws of the State of Alabama (the "University"), has entered into this Agreement for the benefit of the holders of its University Facilities Revenue Bonds, Series 2021, in the aggregate principal amount of \$40,555,000 (the "Bonds"). The University is the Obligated Person with respect to the Bonds.

### Recitals

A. The Bonds are being issued pursuant to a University Facilities Revenue Trust Indenture dated as of February 15, 1996 (the said Indenture, as heretofore supplemented and amended and as further supplemented and amended by an Eighteenth Supplemental University Facilities Revenue Trust Indenture dated the date of the Bonds (the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

B. An Official Statement dated February 25, 2021 (the "Official Statement") has been prepared for distribution to prospective purchasers of the Bonds.

C. The Bonds are subject to the provisions of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), as amended. This Agreement is being entered into pursuant to the continuing disclosure requirements of the Rule.

D. Capitalized terms not otherwise defined in this Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with definitions in the Rule, in the Official Statement.

E. There is no Obligated Person with respect to the Bonds other than the University.

**NOW, THEREFORE**, for and in consideration of the premises, the University hereby covenants, agrees and binds itself as follows:

#### 1. Financial Statements; Annual Report.

(a) The University will provide to the Municipal Securities Rulemaking Board (the "MSRB") the audited financial statements of the University, prepared in accordance with generally accepted accounting principles as applicable to the University, not later than 210 days after the close of each fiscal year of the University, beginning with the fiscal year ending September 30, 2021.

(b) The University will provide, not later than 210 days after the end of each fiscal year of the University, commencing with the fiscal year ending September 30, 2021, to the MSRB the following financial and operating data, unless such information is included in the filed audited financial statements (the "Annual Report"):

- (1) the revenues from the general tuition fees the proceeds of which are pledged for payment of the Bonds;
- (2) the revenues from the auxiliary enterprises fees the proceeds of which are pledged for payment of the Bonds;
- (3) the schedule of undergraduate and graduate fees and College of Medicine fees;
- (4) the number of students, by geographic classification, attending the fall term commencing within the fiscal year covered by the University Annual Report;
- (5) the total State appropriations authorized and received.

(c) If the University's fiscal year is changed subsequent to the execution of this Agreement, the University shall provide timely notice of the change to the MSRB stating that its fiscal year has changed and specifying the new period constituting the University's fiscal year.

**2. Event Notices.** The University agrees to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, as required by the Rule, to the MSRB, notice of the occurrence of any of the following events (each a "Listed Event") with respect to the Bonds:

1. principal and interest payment delinquencies.
2. non-payment related defaults, if material.
3. unscheduled draws on debt service reserves reflecting financial difficulties.
4. unscheduled draws on credit enhancements reflecting financial difficulties.
5. substitution of credit or liquidity providers, or their failure to perform.
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. modifications of the rights of holders of the Bonds, if material.
8. bond calls, if material, and tender offers.
9. defeasances.
10. release, substitution or sale of property securing repayment of the Bonds, if material.
11. rating changes.
12. bankruptcy, insolvency, receivership, or similar event of the obligated person.
13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. incurrence of a Financial Obligation of an Obligor, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of an Obligor, any of which affect security holders, if material.
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an Obligor, any of which reflect financial difficulties.

As used herein, "Financial Obligation" shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of (a) or (b). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule.

**3. Additional Information.** Nothing in this Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the University chooses to disseminate information in addition to that required herein, whether by including such information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement or otherwise, the University shall have no obligation under this Agreement to update or continue to provide such information or include it in any future notice of occurrence of a Listed Event.

**4. Form and Method of Filing.** All filings to be provided hereunder to the MSRB shall be made by posting such information in electronic format on the MSRB's Electronic Municipal Market Access ("EMMA") system at <http://emma.msrb.org> accompanied by identifying information as prescribed by the MSRB. All such filings shall be made in conformity with the procedures and requirements established by the MSRB in effect at the time of such filing.

**5. Beneficiaries; Limitation of Remedies Hereunder.** This Agreement is for the benefit of the holders of the Bonds and shall be enforceable by such holders, subject to the limitations herein. The University shall never be subject to money damages in any sum or amount, whether compensatory, punitive or otherwise, for its failure to comply with its obligations contained herein. The only remedy available to the holders of the Bonds for breach by the University of its obligations hereunder shall be the remedy of specific performance or mandamus against the appropriate officials of the University to obtain performance of the University's obligations hereunder. No failure by the University to comply with the provisions of this Agreement shall be an event of default with respect to the Bonds under the Indenture.

**6. Responsibility for Compliance.**

(a) No person other than the University shall have any liability or responsibility for compliance by the University with its obligations under this Agreement. The Trustee has undertaken no responsibility with respect to any reports, notices or disclosures required by this Agreement or the Rule.

(b) The University will pay all costs incurred in connection with the performance of its obligations under this Agreement, including without limitation the fees and expenses of any dissemination agent, consultants, advisers, accountants, legal counsel or other persons that may be retained by the University to assist in the performance of the University's obligations.

**7. Amendment; Waiver.** Notwithstanding any other provision of this Agreement, the University may amend this Agreement and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not cause the undertakings herein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

**8. Termination.** The University reserves the right to terminate its obligation to provide an Annual Report, audited financial statements and notices of material events, as set forth above, if and when the University no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

**9. Contract Formed.** This Agreement shall constitute a contract between the University and the holders from time to time and at any time of the Bonds, but no other person, firm or corporation shall have any rights hereunder.

[Balance of page intentionally left blank]



**IN WITNESS WHEREOF**, this Agreement has been duly authorized by the University and has been executed by and on behalf of the University by its duly authorized officer, all as of the 10<sup>th</sup> day of March, 2021.

**UNIVERSITY OF SOUTH ALABAMA**

By: \_\_\_\_\_

Its: \_\_\_\_\_

**APPENDIX D**  
**DTC PROCEDURES**

## **DTC Book-Entry Only System**

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2021 Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 7A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from University or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Trustee, or University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of University or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to University or Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

THE UNIVERSITY, THE UNDERWRITERS AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2021 BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2021 BONDS, (2) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2021 BONDS, OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE SERIES 2021 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC OR DIRECT OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE UNIVERSITY, THE UNDERWRITERS NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE SERIES 2021 BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (3) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR PREMIUM, IF ANY, ON THE SERIES 2021 BONDS; (4) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND INDENTURE TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2021 BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

**APPENDIX E**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

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

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



**EXHIBIT V**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

## **CONTINUING DISCLOSURE AGREEMENT**

The University of South Alabama, a public body corporate under the laws of the State of Alabama (the "University"), has entered into this Agreement for the benefit of the holders of its University Facilities Revenue Bonds, Series 2021, in the aggregate principal amount of \$40,555,000 (the "Bonds"). The University is the Obligated Person with respect to the Bonds.

### **Recitals**

A. The Bonds are being issued pursuant to a University Facilities Revenue Trust Indenture dated as of February 15, 1996 (the said Indenture, as heretofore supplemented and amended and as further supplemented and amended by an Eighteenth Supplemental University Facilities Revenue Trust Indenture dated the date of the Bonds (the "Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

B. An Official Statement dated February 25, 2021 (the "Official Statement") has been prepared for distribution to prospective purchasers of the Bonds.

C. The Bonds are subject to the provisions of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), as amended. This Agreement is being entered into pursuant to the continuing disclosure requirements of the Rule.

D. Capitalized terms not otherwise defined in this Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with definitions in the Rule, in the Official Statement.

E. There is no Obligated Person with respect to the Bonds other than the University.

**NOW, THEREFORE**, for and in consideration of the premises, the University hereby covenants, agrees and binds itself as follows:

#### **1. Financial Statements; Annual Report.**

(a) The University will provide to the Municipal Securities Rulemaking Board (the "MSRB") the audited financial statements of the University, prepared in accordance with generally accepted accounting principles as applicable to the University, not later than 210 days after the close of each fiscal year of the University, beginning with the fiscal year ending September 30, 2021.

(b) The University will provide, not later than 210 days after the end of each fiscal year of the University, commencing with the fiscal year ending September 30, 2021, to the MSRB the following financial and operating data, unless such information is included in the filed audited financial statements (the "Annual Report"):

- (1) the revenues from the general tuition fees the proceeds of which are pledged for payment of the Bonds;
- (2) the revenues from the auxiliary enterprises fees the proceeds of which are pledged for payment of the Bonds;

- (3) the schedule of undergraduate and graduate fees and Medical College fees;
- (4) the number of students, by geographic classification, attending the fall term commencing within the fiscal year covered by the University Annual Report;
- (5) the total State appropriations authorized and received.

(c) If the University's fiscal year is changed subsequent to the execution of this Agreement, the University shall provide timely notice of the change to the MSRB stating that its fiscal year has changed and specifying the new period constituting the University's fiscal year.

## **2. Event Notices.**

The University agrees to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, as required by the Rule, to the MSRB, notice of the occurrence of any of the following events (each a "Listed Event") with respect to the Bonds:

1. principal and interest payment delinquencies.
2. non-payment related defaults, if material.
3. unscheduled draws on debt service reserves reflecting financial difficulties.
4. unscheduled draws on credit enhancements reflecting financial difficulties.
5. substitution of credit or liquidity providers, or their failure to perform.
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. modifications of the rights of holders of the Bonds, if material.
8. bond calls, if material, and tender offers.
9. defeasances.
10. release, substitution or sale of property securing repayment of the Bonds, if material.
11. rating changes.
12. bankruptcy, insolvency, receivership, or similar event of the obligated person.
13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive

agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. incurrence of a Financial Obligation of the University, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the University, any of which affect security holders, if material.
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the University, any of which reflect financial difficulties.

As used herein, "Financial Obligation" shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of (a) or (b). The term financial obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule

### **3. Additional Information.**

Nothing in this Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the University chooses to disseminate information in addition to that required herein, whether by including such information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement or otherwise, the University shall have no obligation under this Agreement to update or continue to provide such information or include it in any future notice of occurrence of a Listed Event.

### **4. Form and Method of Filing.**

All filings to be provided hereunder to the MSRB shall be made by posting such information in electronic format on the MSRB's Electronic Municipal Market Access ("EMMA") system at <http://emma.msrb.org> accompanied by identifying information as prescribed by the MSRB. All such filings shall be made in conformity with the procedures and requirements established by the MSRB in effect at the time of such filing.

### **5. Beneficiaries; Limitation of Remedies Hereunder.**

This Agreement is for the benefit of the holders of the Bonds and shall be enforceable by such holders, subject to the limitations herein. The University shall never be subject to money damages in any sum or amount, whether compensatory, punitive or otherwise, for its failure to comply with its obligations contained herein. The only remedy available to the holders of the Bonds for breach by the University of its obligations hereunder shall be the remedy of specific performance or mandamus against the appropriate officials of the University to obtain performance of the University's obligations hereunder. No failure by the University to comply

with the provisions of this Agreement shall be an event of default with respect to the Bonds under the Indenture.

**6. Responsibility for Compliance.**

(a) No person other than the University shall have any liability or responsibility for compliance by the University with its obligations under this Agreement. The Trustee has undertaken no responsibility with respect to any reports, notices or disclosures required by this Agreement or the Rule.

(b) The University will pay all costs incurred in connection with the performance of its obligations under this Agreement, including without limitation the fees and expenses of any dissemination agent, consultants, advisers, accountants, legal counsel or other persons that may be retained by the University to assist in the performance of the University's obligations.

**7. Amendment; Waiver.**

Notwithstanding any other provision of this Agreement, the University may amend this Agreement and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not cause the undertakings herein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

**8. Termination.**

The University reserves the right to terminate its obligation to provide an Annual Report, audited financial statements and notices of material events, as set forth above, if and when the University no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

**9. Contract Formed.**

This Agreement shall constitute a contract between the University and the holders from time to time and at any time of the Bonds, but no other person, firm or corporation shall have any rights hereunder.

**IN WITNESS WHEREOF**, this Agreement has been duly authorized by the University and has been executed by and on behalf of the University by its duly authorized officer, all as of the 10<sup>th</sup> day of March, 2021.

**UNIVERSITY OF SOUTH ALABAMA**

By: \_\_\_\_\_

Its: \_\_\_\_\_

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**



**LONG-RANGE PLANNING  
COMMITTEE**

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**Long-Range Planning Committee**

**December 2, 2020**

**3:25 p.m.**

A meeting of the Long-Range Planning Committee of the University of South Alabama Board of Trustees was duly convened by Ms. Chandra Brown Stewart, Chair, on Wednesday, December 2, 2020, at 3:25 p.m. in the Chief Calvin W. McGhee Grand Ballroom of the MacQueen Alumni Center. Public access was provided via YouTube livestream.

Members: Chandra Brown Stewart, Lenus Perkins and Mike Windom were present and Ron Jenkins and Jim Yance participated by video/phone conference.

Member Absent: Steve Stokes.

Other Trustees: Alexis Atkins, Tom Corcoran, Steve Furr, Ron Graham, Arlene Mitchell, Jimmy Shumock, Ken Simon and Margie Tuckson.

Administration & Guests: Owen Bailey, Lynne Chronister, Angela Coleman, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Paul Frazier, Mike Haskins, Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Laura Schrott, John Smith, Margaret Sullivan, Tony Waldrop and Scott Weldon.

The meeting came to order and the attendance roll was called. Ms. Brown Stewart called for a report from Associate Vice President for Institutional Effectiveness Dr. Angela Coleman on the strategic planning process, **Item 25**. Dr. Coleman announced that the strategic planning process, which started in January 2020 and was postponed due to the coronavirus pandemic, was being resumed and she referenced an overview of the strategic planning cycle in the meeting materials. She stressed the importance of considering the effects of the pandemic across multiple environments as part of the dialogue moving forward. She said a Strategic Planning Committee had been reappointed and included Drs. Kent and Smith as co-chairs; Mr. Shumock and Ms. Brown Stewart representing the Board of Trustees; and representation across University constituencies, local government and business, and the greater community. She summarized the work that would take place in the months ahead and culminate in the presentation of a proposed strategic plan for the Board's consideration in December 2021.

There being no further business, the meeting was adjourned at 3:29 p.m.

Respectfully submitted:

Chandra Brown Stewart, Chair



**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**



**COMMITTEE OF THE WHOLE**

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**Committee of the Whole**

**December 2, 2020**

**3:42 p.m.**

A meeting of the Committee of the Whole of the University of South Alabama Board of Trustees was duly convened by Mr. Jimmy Shumock, Chair *pro tempore*, on Wednesday, December 2, 2020, at 3:42 p.m. in the Chief Calvin W. McGhee Grand Ballroom of the MacQueen Alumni Center. Public access was provided via YouTube livestream.

Members: Alexis Atkins, Chandra Brown Stewart, Steve Furr, Lenus Perkins, Jimmy Shumock and Mike Windom were present and Tom Corcoran, Ron Graham, Ron Jenkins, Arlene Mitchell, Ken Simon, Margie Tuckson and Jim Yance participated by video/phone conference.

Members Absent: Scott Charlton, Steve Stokes and Kay Ivey.

Administration & Guests: Owen Bailey, Lynne Chronister, Kristin Dukes, Joel Erdmann, Julie Estis, Monica Ezell, Paul Frazier, Mike Haskins, Andi Kent, Nick Lawkis, John Marymont, Mike Mitchell, Laura Schratt, John Smith, Margaret Sullivan, Tony Waldrop and Scott Weldon.

The meeting came to order and the attendance roll was called. In accordance with the provisions of the Alabama Open Meetings Act, Chairman Shumock made a motion to convene an executive session for an anticipated duration of 45 minutes for the purpose of discussing a criminal investigation and pending or threatened litigation, **Item 33**. He stated Ms. Dukes had submitted the required written declaration for the minutes and that the meeting would effectively be adjourned at the conclusion of the executive session. Ms. Mitchell seconded and, at 3:43 p.m., the Committee of the Whole voted unanimously to convene an executive session, as recorded below, with Chairman Shumock directing the Trustees present to move into the Moulton Board Room and the Trustees participating remotely to join by phone at 3:55 p.m.:

**AYES:**

- Ms. Atkins
- Ms. Brown Stewart
- Mr. Corcoran
- Dr. Furr
- Mr. Graham
- Capt. Jenkins
- Ms. Mitchell
- Mr. Perkins
- Mr. Shumock
- Judge Simon
- Ms. Tuckson
- Judge Windom
- Mr. Yance

There being no further business, the meeting was adjourned at 4:43 p.m.

Respectfully submitted:

James H. Shumock, Chair *pro tempore*

**RESOLUTION**

**AMENDMENTS TO *PRESIDENTIAL SEARCH GUIDELINES*  
AND APPOINTMENT OF PRESIDENTIAL SEARCH COMMITTEE**

**WHEREAS**, President Waldrop has announced his intent to retire from the University of South Alabama effective July 1, 2021, and

**WHEREAS**, a committee composed of representatives of the University of South Alabama Board of Trustees, Faculty, Student Government Association, Administration, National Alumni Association, and Mobile community developed recommended guidelines to be followed in searches for presidents of the University, and

**WHEREAS**, at a regular meeting of the Board on August 24, 2000, the *Presidential Search Guidelines* (“Guidelines”) were adopted, a revision of same was adopted by the Board on August 27, 2001, and additional revisions were adopted by the Board on June 6, 2014, and

**WHEREAS**, the Guidelines call for a search committee to be appointed by the Board at the outset of the search for a new University President,

**NOW, THEREFORE, BE IT RESOLVED**, the Board of Trustees of the University of South Alabama hereby adopts the University of South Alabama *Presidential Search Guidelines* as amended and in the form attached hereto and incorporated herein by reference, and

**BE IT FURTHER RESOLVED**, the Board of Trustees of the University of South Alabama hereby appoints the search committee as set forth in the attachment hereto which is incorporated herein by reference.

**UNIVERSITY OF SOUTH ALABAMA**  
**2021 PRESIDENTIAL SEARCH COMMITTEE**

<b><u>MEMBERSHIP</u></b>	<b><u>COMMITTEE TITLE</u></b>	<b><u>CLASSIFICATION</u></b>
Jimmy Shumock	Ex-Officio	Board Chair <i>pro tempore</i>
Alexis Atkins	Chairman	Trustee
Lenus Perkins	Vice Chairman	Trustee
Chandra Brown Stewart	Secretary	Trustee
Jim Yance		Trustee
Dr. John Cleary		Faculty Senate President
Dr. Mike Chang		Faculty, Health Sciences
Dr. Alvin Williams		Faculty
Dr. Todd McDonald		Faculty
Sam Dean		Hospital Administrator
Dr. Andi Kent		Academic Administrator
Owen Bailey		Administrator
Zeke Aull		Administrator
Kim Lawkis		Alumni
Tia Nickens		SGA President
Cameron Grier-Shepperd		Undergraduate Student
Madeleine Boudreaux		Graduate Student
Robbie Baker		Community
Dr. Charles Guest	Support Staff	
Kristin Dukes	Compliance	

# **UNIVERSITY OF SOUTH ALABAMA PRESIDENTIAL SEARCH GUIDELINES**

*(First Adopted August 2000; Amended August 2001; Amended March 2014; Amended March 2021)*

## **I. LEADERSHIP STATEMENT**

### **UNIVERSITY'S MISSION AND GOALS**

The Mission and Goals of the University of South Alabama are set forth in official university documents, including the current Undergraduate and Graduate Bulletin, and are incorporated by reference herein.

### **PRESIDENTIAL EXPECTATIONS**

This section will be reviewed, revised, and updated by the Presidential Search Committee. The intent of this section is to highlight expected qualifications for prospective candidates and the University's constituents. It will be the duty of the Search Committee to identify candidates who best demonstrate these qualifications and present them to the Board of Trustees for consideration.

### **PREFERRED CREDENTIALS**

- Demonstrated ability to lead a large, complex educational institution.
- Proven ability to set a clear, positive agenda for the organization and to achieve excellent results.
- An earned doctorate in an appropriate discipline. In lieu of an earned doctorate, must possess outstanding training and exemplary record of success in the administration of a large educational organization.
- Proven ability to comprehend and deal with the distinct needs and interests of a complex, comprehensive institution that includes undergraduate and graduate programs, as well as a medical college and hospitals.

### **CHARACTER**

- Demonstrates integrity in all situations; takes clear and consistent positions on important issues; and demonstrates intellectual honesty.

- Possesses self-discipline and a high-energy level focused toward the University's goals.
- Exemplifies the role of a Servant Leader and believes that those served should grow as persons by becoming healthier, wiser, freer, and more autonomous, thereby more likely themselves to become servants.
- Demonstrates respect for others; recognizes the strengths and contributions of university faculty, staff, students, alumni, and supporters, and demonstrates a consistent and sincere concern for them and their feelings; and practices a high degree of objectivity and fairness in all situations.
- Demonstrates a commitment to enhancing racial, gender, and ethnic diversity and equal opportunities throughout the institution.

## **LEADERSHIP BEHAVIOR**

- Articulates a clear vision and leads the organization toward it.
- Demonstrates passion, conviction, and commitment to making a positive difference.
- Clearly communicates performance expectations.
- Holds people accountable for their professional commitments.
- Is willing to share power and influence to benefit the organization.
- Is willing to gather constituent input without compromising timely decision-making.
- Has effective interpersonal skills for coaching and managing, and is capable of gently but relentlessly enforcing the organization's standards of performance.
- Recognizes a need for a strong executive leadership team to assist with organizational success.

## **COMMUNICATION**

- Excellent ability to communicate, both verbally and in writing.
- Committed to open and timely communication throughout the organization.
- Is an effective listener, gives feedback, asks questions, and summarizes.
- Encourages the free exchange of ideas and opinions in a collegial manner regardless of job level, age, gender, race, or economic status.
- Asks students, staff, faculty, alumni, and others for input and makes time available for them.
- Works to establish and enrich communication opportunities with key constituents.
- Can effectively articulate the many needs of the University to governmental and resource-providing bodies.

## **FINANCIAL MANAGEMENT**

- Has significant experience in planning and managing large budgets and a comprehensive understanding of all financial operations and issues in a large, complex public institution.

## **RESOURCE DEVELOPMENT**

- Demonstrates substantial prior experience and success with fundraising and resources acquisition.
- Fully understands the University's vision, mission, and development plan.
- Is motivated and willing to devote a high degree of personal involvement and commitment to leading and directing resources efforts.
- Possesses ability to work effectively with government funding entities at all levels to secure an equitable share of resources for the institution.

## **II. SEARCH PROCESS**

At such time as there is a vacancy in the presidency of the University, a nationally recognized search firm will be engaged to work in concert with the appointed Search Committee, utilizing appropriate national standards and procedures, to provide a slate of candidates. The search consultant will be responsible for conducting background investigations and securing additional information on all candidates, and shall maintain the confidentiality of the files of all candidates. Within six months from the date the list of finalists is submitted, the Board will select the new president.

Any provision of these Guidelines inconsistent with the foregoing hereby is deemed amended to conform herewith.

### **BOARD OF TRUSTEES ACTIONS**

The following procedures are for the Board's consideration at the outset of the search process:

- Discuss issues of confidentiality and openness in the search process.
- Resolve how to handle potential candidacy of any interim or acting president.
- Decide when the next president should assume office.
- Set a preliminary budget for the search.
- Set the range of compensation for the next president.
- Review and modify, as necessary, policies on presidential performance reviews and contracts.
- Consider the role of the outgoing president.
- Identify the tasks the Search Committee must perform and approve a written charge to identify and recommend to the Board an appropriate pool of qualified finalists.
- Review the Board's role in the course of the search.



- Appoint a Search Committee representing the institution's major constituencies, including the Board of Trustees, faculty, staff, students, alumni, and the community. Care shall be taken to appoint a Search Committee that, in its totality, gives due weight to the gender, racial, and ethnic diversity of the student body and the community.

### **SEARCH COMMITTEE COMPOSITION**

- Four (4) Trustees appointed by the Chair *pro tempore*- one to be designated by the Chair as chair of the Search Committee, one as vice chair, one as secretary and one as a member of the committee.
- Four (4) faculty members - the President of the Faculty Senate and three (3) full-time, tenured faculty members appointed by the Chair *pro tempore* of the Board, at least one of whom represents the Division of Health Sciences.
- Three (3) students - the President of the Student Government Association (SGA), and one (1) undergraduate student and one (1) graduate student from the student body at large, both appointed by the Chair *pro tempore*.
- Four (4) University administrators- Three (3) non-academic administrators, including at least one (1) from the University Hospitals, and one (1) academic administrator at the rank of dean or higher, all appointed by the Chair *pro tempore* of the Board.
- One (1) member of the USA National Alumni Association Board of Directors, appointed by the Chair *pro tempore* of the Board.
- The Chair *pro tempore* of the Board of Trustees, or the Vice Chair in the absence of the Chair (or, in the absence of both, a Trustee appointed by the Chair) serves *ex officio* on the Search Committee with full voting rights.
- One (1) community representative from the region primarily served by the University of South Alabama, appointed by the Chair *pro tempore* of the Board.

- The Chair *pro tempore* of the Board shall appoint a non-committee member to assist the secretary in carrying out his/her responsibilities and in the coordination of the search, and to serve as liaison with any professional search consultant engaged pursuant to these guidelines.
- The President or Acting President shall not be involved in matters related to the Search Committee process.
  
- The Board shall use one or more search organizations to help generate a pool of candidates.
- The Board shall otherwise participate in the search process as it sees fit.
- Upon receipt of the Search Committee's list of finalists, the Board of Trustees will vote to accept or reject the slate of candidates for on-campus interviews and arrange for Board members' participation in interviews.
- The Board will coordinate and conduct finalist interviews by Board members.
- Upon completion of all interviews, the Board will evaluate the respective qualifications of the finalists and obtain input from appropriate constituent groups and individuals.
- Selection of the President shall be majority vote of the Board.

#### **SEARCH COMMITTEE ACTIONS**

- Review relevant passages in bylaws, codes, and state regulations.
- Set up a tentative schedule for the search process.
- Update Leadership Statement.
- Communicate timely news about the structure, timing, process, and progress of the search to the major constituents.

- Recommend a search firm to the Board of Trustees to increase the pool of candidates and assist with identifying those candidates who would otherwise not apply.
- Prepare an announcement/advertisement for the position to include:
  - Position
  - Minimal Credentials required
  - Website address directly to Leadership Statement
  - Closing date for applications
  - Equal Opportunity Employer – Minorities/Females/Veterans/Disabled statement.
- Advertise in appropriate and diverse national publications.
- After interviewing all of the semifinalists, the committee selects a candidate or candidates to recommend to the Board as finalist(s) to be invited for campus interviews. These selections should be by consensus if possible, but if not, then by any means determined appropriate by the chair of the committee.
- After forwarding its recommendations to the Board of Trustees, the Search Committee will continue to play an active role in the search process by helping to coordinate campus visits and interviews.

**APPENDIX A**  
**Search Committee Code of Ethics**

Presidential Search Committee Members:

1. Accept their responsibility to protect the integrity of the institution, as well as the integrity of all prospective candidates, semi-final candidates, and finalists.
2. Acknowledge that only the Chair *pro tempore* of the Board of Trustees is authorized to speak to the news media on behalf of the Board, and only the chair of the Search Committee is authorized to speak to the news media on behalf of the Search Committee.
3. Certify that they are not candidates for the position.
4. Agree to disclose promptly to the committee any appearance of real or potential conflict of interest in a relationship with a prospect or candidate.
5. Acknowledge that information management is a crucial component of the search committee's work. This work includes information developed and received about prospects, candidates, and their employing institutions. Specifically, committee members will adhere to the following principles:
  - Respect the absolute confidentiality of all prospects and candidates by not revealing the identity of or any other information about prospects and candidates before or after the committee completes its work.
  - Be fair, accurate, honest, and responsible in managing information related to the search.
  - Guard against inaccuracies, carelessness, bias, and distortion made by either emphasis or omission of information.
  - Strive to treat issues impartially and handle controversial subjects dispassionately, understanding that prospects and candidates who have held executive positions and made difficult decisions have not been in positions to win popularity contests.
  - Give accurate and complete reports on candidates to the search committee chair.
6. Place the best interests of the institution ahead of all special and personal interests and use common sense and good judgment in applying ethical principles to search work.

7. Consider the letter and spirit of this statement to be a matter of personal responsibility.

*Adapted from the Illustrative Code of Ethics model presented in Presidential Search Guidelines and Directory, a publication of the Association of Governing Boards.*