

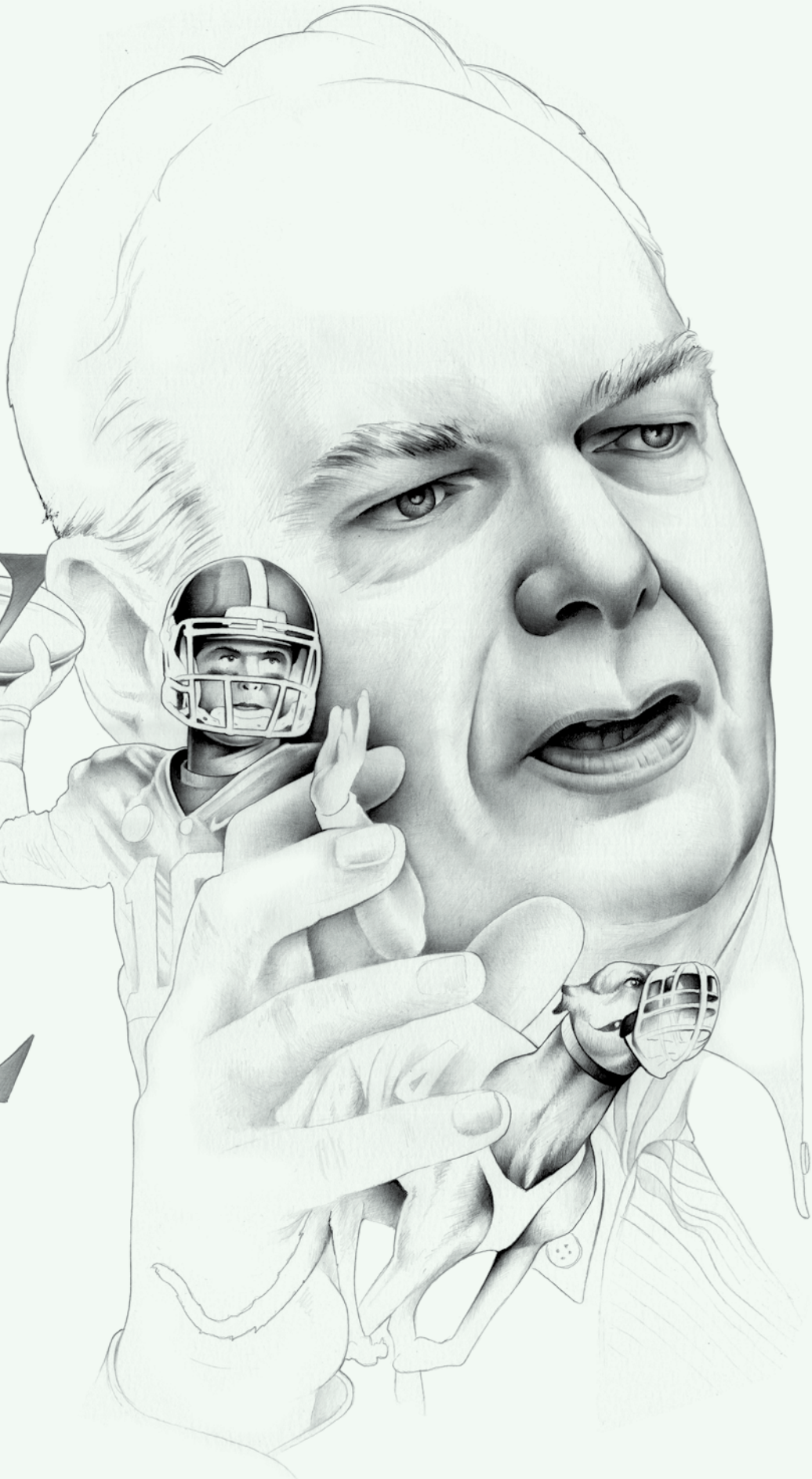
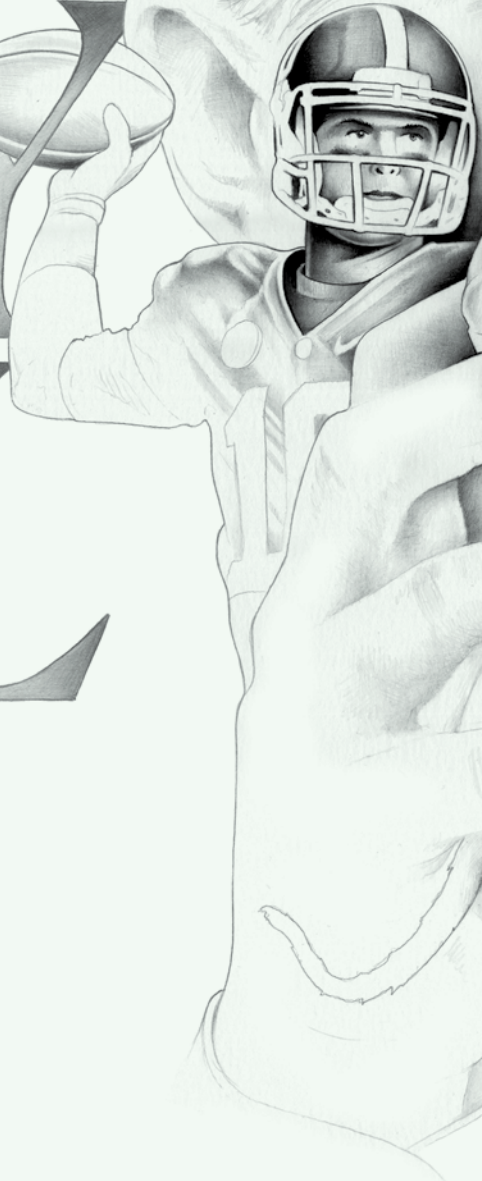
ILLUSTRATION BY RICARDO FUMANAL

*ROLL
MONEY
ROLL*

*INSURANCE AND DOG-RACING MOGUL PAUL BRYANT JR.,
SON OF LEGENDARY COACH BEAR BRYANT, IS THE
UNSEEN FINANCIAL QUARTERBACK BEHIND ALABAMA'S
CHAMPIONSHIP FOOTBALL TEAM.*

BY ANTHONY EFFINGER AND JOHN HELYAR

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The University of Alabama opened a new football-training center last February. Any professional team would be happy to have it. The amenities include a \$9 million weight room, a hydrotherapy pool with a Club Med-style cascade of hot water and an anti-gravity treadmill that's more NASA than Nautilus. Coach Nick Saban goes over the finer points of football with his team in a 212-seat theater with a multiplex-sized screen. After practice,

players shoot pool or kick back on a leather couch with a video game.

Paul "Bear" Bryant, who coached the Crimson Tide to greatness 40 years ago, wouldn't recognize the posh facilities provided for Saban's team, which has won three of the past four Bowl Championship Series titles and as of Nov. 16 was undefeated and en route to another trophy. In the 2012 national championship game, Alabama, led by quarterback A.J. McCarron and runningback Eddie Lacy—who's now playing for the National Football League's Green Bay Packers—beat the University of Notre Dame 42 to 14, as hometown fans screamed, "Roll, Tide, Roll."

The late coaching legend would recognize the graying, taciturn man in one of the 101,821 seats at Alabama's stadium in Tuscaloosa. That man is Bear's son, Paul Bryant Jr., once known as Little Bear. Paul Jr. quarterbacked the 2002 multimillion-dollar fundraising drive, beginning with his own \$10 million, that laid the foundation for Alabama's return to football glory.

Just as his father personified the rugged individualism of an earlier era,

Bear Bryant basked in the celebrity that came from winning six national championships.

prowl the sidelines in a houndstooth hat, this 69-year-old business mogul and president of the university's board of trustees has taken advantage of the sport's new age of commercialism to raise tens of millions of dollars for the football team.

Huge television contracts mean college football is rolling in money. The Southeastern Conference, where Alabama reigns, will partner with sports cable network ESPN to launch the SEC Network in 2014, which Great Falls, Virginia-based sports business consultant John Mansell expects to boost the SEC's broadcast revenues by 50 percent, to more than \$300 million a year.

Media revenue is augmented by wealthy boosters such as Nike Inc. founder Phil Knight, who donated \$68 million for University of Oregon football facilities, and energy baron T. Boone Pickens, who has given \$250 million to Oklahoma State University athletics. Since 2008, the year



before Saban won the first of his three championships, Alabama athletic department revenue has climbed 38 percent, to \$143.4 million for the fiscal year ended on June 30.

The big-money era has brought scandal. The University of Miami was put on three years' probation after the National Collegiate Athletic Association found that a school booster had given players up to \$50,000 in cash each. In 2010, the NCAA ordered the University of Southern California to forfeit an entire season's wins after finding that Heisman Trophy winner Reggie Bush accepted improper gifts. The NCAA put Alabama on five years' probation in 2002 and imposed a two-year bowl ban after uncovering recruiting and other violations from 1995 to 2000—before Bryant joined the board of trustees.

In contrast with his father, who basked in the celebrity that came from winning six national football championships, Bryant wields his power under the radar. Little has been written about

the sources of his wealth. He started his fortune with greyhound racing in 1977. One of his tracks, in La Marque, Texas, grossed \$268 million in 1993, a record for the sport, according to the Texas Racing Commission. Then he diversified into catfish farming and banking. In 2011, he sold a cement business to Mexico-based Cemex SAB for \$350 million. "I'm a pretty good risk taker," Bryant says in a rare interview at the university's offices in Tuscaloosa.

One of Bryant's longest-lived ventures is reinsurance. Alabama Reinsurance Co., which became Alabama Life Reinsurance Co. in 2006, paid Bryant and his two partners a total of \$46 million in dividends from 2002 to 2006, according to a 2006 examination by the Alabama Department of Insurance. At the time, it had just two employees.

The company made a business out of propping up troubled insurers with reinsurance that appeared to reduce liability, says W.O. Myrick, a retired Alabama state insurance examiner. The contracts carried little, if any, risk to Alabama Re, he says. One



Dogs on the run at Greene Group's Gulf Greyhound Park in La Marque, Texas, near Galveston

client, Inter-American Insurance Co. of Illinois, went into liquidation in 1991, according to Cook County court documents. "Historically, Alabama Re has entered into contracts to assume liabilities from problem insurers to help them appear to be in better financial condition than they actually are,"

Myrick says in a telephone interview.

Mississippi also examined Alabama Re. "They were propping up broke companies for a fee," says Tom Gober, who was examiner-in-charge at the Mississippi Insurance Department in the early 1990s. "Companies knew they could call on Alabama Re because Alabama Re had to offset dog track profits." Bryant's enterprises are all units of a holding company called Greene Group Inc., which Gober says allows the firm to consolidate its tax liabilities and offset profits from other enterprises with insurance write-offs.

The owner of one imperiled insurer, Philadelphia lawyer Allen W. Stewart, was convicted by a Philadelphia jury in 1997 on 135 counts of racketeering, wire fraud and money laundering and sentenced to 15 years in prison.

Nine of those counts concerned a reinsurance agreement with Alabama Re. In 1991, Stewart's Fidelity General Life Insurance Co., facing insolvency, paid Alabama Re \$412,500 to take on \$15 million of its liabilities, according to the

GRIDIRON PROFITS

The University of Alabama's football program is one of the most lucrative in the nation. Both revenue and expenditures have soared since Paul Bryant joined the school's board of trustees.

	1	2	3	4	5
FOOTBALL REVENUE,* IN MILLIONS	Texas \$103.8	Michigan \$85.2	Alabama \$82.0	Auburn \$77.2	Georgia \$75.0
EXPENSES,* IN MILLIONS	\$25.9	\$23.6	\$36.9	\$33.3	\$22.7

*For 2011-2012 season.
Source: U.S. Department of Education



indictment. Regulators in California and Arizona rejected the agreement, saying it didn't really shift the liability. Fidelity and Alabama Re then signed a new agreement in March 1993, which included a clause saying there were no other "understandings" between the parties. Yet on or around that same day, a side agreement was signed with Fidelity's parent company, Summit National Life Insurance Co., the indictment says, limiting Alabama Re's possible losses to \$481,250, an amount equal to its fee.

Both Bryant and attorney Scott Phelps, his partner in Greene Group, deny any impropriety. Neither the firm nor its partners were charged with wrongdoing in the Stewart case. "The idea that intentionally doing transactions with insolvent companies was a good business plan is ludicrous," Phelps says in an e-mail.

Phelps says the Summit side agreement was legal and that Bryant had no inkling that Stewart was breaking the law. "We didn't know what he was doing," Phelps says in a phone interview.

Phelps says Alabama Re has done 230 to 240 reinsurance deals since it started in 1981 and that almost all have been with solid companies. In the case of Stewart, "the deal was brought to us by a broker, and we didn't do business with that broker again."

Paul Bryant's head may be in reinsurance, but his heart is on the football field. He tears up as he describes his relationship with his old friend Mal Moore, the university's athletic director until he died in March at 73.

Bryant joined the Alabama board of trustees in 2000. Dorms were shabby, and buildings were run-down, Bryant recalls. The once-triumphant football team won three and lost eight that year. Bryant and Moore got to work. The key to reviving the university was football, Bryant says. The public—and wealthy donors—would get behind a program that included making the Crimson Tide a winner again. "It's hard to explain if



ALABAMA AT HIGH TIDE

| WINS | LOSSES

2009	14	0
2010	10	3
2011	12	1
2012	13	1
2013*	10	0

■ BCS national champion

*As of Nov. 16.
Source: NCAA



you're not from here, but if football isn't doing well, the whole state is in a funk," Bryant says.

Bryant and Moore kicked off a \$50 million fundraising campaign to upgrade athletic facilities and Bryant-Denny Stadium. Called the Crimson Tradition Fund and led by Bryant, it raised \$70 million, including his own \$10 million, according to the university. "You gotta give before you can ask," Bryant says. The university supplemented the \$70 million in private contributions with a \$50 million bond issue, and then issued additional bonds to finance more athletic upgrades, swelling the university's long-term

athletics debt to \$197 million in 2012 from \$36 million in 2002, according to university financial reports.

Alabama's boldest move was hiring Saban, coach of the NFL's Miami Dolphins, in 2007 and paying him \$32 million over eight years, at the time making him the highest-paid coach in the history of college football, according to a Bloomberg analysis of NCAA reports. Bryant says he had nothing to do with the hire; Moore recruited Saban. Yet he worked behind the scenes to make the school attractive to Saban, those who know Bryant say.

"People don't understand the thumbprint Paul Jr. has left on Alabama," says Jackie Sherrill, who played for Bear Bryant from 1962 to 1965 and was a classmate of Little Bear. "He's like his dad, big in stature but very soft-spoken," says Sherrill, a retired football coach himself.

Reviving Crimson Tide football has helped the university by attracting out-of-state students, Bryant says. Non-Alabamians pay \$11,975 a semester compared with \$4,725 for Alabama residents. Sixty percent of this year's freshman class of 6,500 came from out of state, compared with 24 percent in 2002.

Bryant, who is 6 feet 4 inches (1.93 meters) tall, would like to have followed his father into football. That



The **Crimson Tide** was undefeated and on its way to another championship in mid-November.

dream ended when he contracted hepatitis, possibly from a dirty dental instrument, and missed a whole year of high school and most of two others, he says.

Bryant studied business at the University of Alabama. In his 20s, he started Peoples Bank in Tuscaloosa and then sold it. His name brought credibility. "I met a lot of businesspeople through my parents," he says.

Bryant first scored big with greyhound racing, a sport that's condemned as cruel to dogs by animal-rights groups. He started Greenetrack, a dog-racing venue in rural Greene County, Alabama, with a veterinarian named A. Wayne May and a lawyer named Sam Phelps, who died in 2011. May and Scott Phelps, Sam's son, remain partners in Greene Group. Bryant owns 72 percent of the enterprise, according to a 2009 examination of Alabama Re by regulators.

Greenetrack was a quick success, and Bryant expanded nationally, opening tracks in Idaho, Iowa and Texas.

Dog racing, like horse racing, has been in decline since the mid-1990s. When Greenetrack's profits plunged, Bryant gave it away, in 1995 granting

half to employees and half to Greene County. A year later, the county, one of the poorest in the U.S., went bankrupt, in part because of a sharp reduction in tax revenue from the dog track, according to a 2009 study of the bankruptcy in the *Journal of Public Budgeting, Accounting & Financial Management*.

Bryant pivoted from dogs to cement. Greene Group bought Reynolds Ready Mix in 1995 and renamed it Ready Mix USA. They used money from Alabama Re to fund the purchase, ownership records show and Phelps confirms. In 1999, Greene Group bought a majority stake in Harvest Select Catfish Inc., a company that raises the freshwater scavengers in 4,410 acres (1,785 hectares) of shallow ponds in Alabama and Mississippi.

In 2005, Ready Mix started a 50-50 partnership with Cemex, with both

companies forming related joint ventures: Cemex Southeast LLC and Ready Mix USA LLC. Bryant negotiated a put option, which gave Greene Group the right to sell its share in both to Cemex after three years.

Greene Group got a payout in 2010, when the ventures sold 12 cement quarries to SPO Partners & Co., a private-equity firm in Mill Valley, California, for \$420 million. Ready Mix and Cemex each got \$100 million in cash. The bigger payday came in 2011, when Bryant executed the put option, and Cemex paid him \$350 million for his half of the joint ventures.

Today, Bryant spends some of his time running Bryant Bank, which he started in 2005 in Tuscaloosa. It now has 14 branches across Alabama and \$1.17 billion of assets, according to the Federal Deposit Insurance Corp.

Bryant says he wants the bank, which caters to small communities, to be his legacy. "That's my winding-down project," he says. "It's the only time we put our name on anything."

Reflecting on his career, Bryant still regrets that he wasn't able to follow in his father's footsteps. "I'd like to have coached," he says. Still, in this new era of college sports, Bryant can take credit along with coach Saban for the Alabama team's success. He's been calling the money plays.

ANTHONY EFFINGER IS A SENIOR WRITER AT BLOOMBERG MARKETS IN PORTLAND. AEFFINGER@BLOOMBERG.NET
JOHN HELYAR IS AN EDITOR-AT-LARGE AT BLOOMBERG NEWS IN ATLANTA. JHELYAR@BLOOMBERG.NET
WITH ASSISTANCE FROM **MICHAEL BUTEAU** IN ATLANTA.



Bloomberg Tips

ANALYZING ALABAMA

You can use the Financial Analysis (FA) function on the Bloomberg Professional service to analyze the University of Alabama's financial data. Type **27044MF US <Equity> FA <Go>**. For details of the university's income statement, click on the I/S tab and then on the Standardized subtab if it isn't already selected. UA's income from tuition and fees was \$349 million in fiscal year 2012, up from \$194 million in fiscal 2008. To graph the university's operating income, click on the chart icon to the left of that metric.

JON ASMUNDSSON