

CHARTER OF THE AUDIT COMMITTEE OF THE UNIVERSITY OF NEBRASKA

Purposes of the Audit Committee

The purposes of the Audit Committee (the “Committee”) are to assist the Board of Regents with the oversight of (i) the integrity of the University of Nebraska’s (the “University”) financial statements, (ii) the University’s compliance with laws and regulations (iii) the independent auditors’ (defined as external auditors hired to perform work other than the annual financial audit of the financial statements) qualifications and independence, (iv) the performance of the University’s internal audit function, and independent auditors, (v) the accounting and financial reporting processes of the University and audits of the University’s financial statements and, (vi) the coordination with the Auditor of Public Accounts (APA) on the annual audit of the financial statements.

The function of the Committee is oversight. The management of the University is responsible for the preparation, presentation, and integrity of the University’s financial statements. Management is responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide compliance with accounting standards and applicable laws and regulations. The independent auditors for the University are accountable to the Board of Regents; however, the Committee has the sole authority and responsibility to retain and terminate the University’s independent auditors. The APA is responsible for planning and carrying out a proper audit of the University’s annual financial statements in coordination with the Audit Committee.

Duties and Responsibilities of the Audit Committee

The following are the duties and responsibilities of the Committee:

Independent Auditors

1. The sole authority to appoint, compensate, retain, oversee and terminate the independent auditors.
2. The sole authority to pre-approve all terms of and fees for audit services, audit-related services, tax services, and other services to be performed for the University by the independent auditors.
3. Ensure that the independent auditors prepare and deliver annually a formal written statement (an “Auditors’ Statement”) describing: the independent auditors’ internal quality-control procedures; any material issues raised by the most recent internal quality-control review or peer review of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues; and (to assess the independent auditors’ independence) all relationships between the independent auditors and the University, including each non-audit service provided to the University. The Committee shall discuss with the independent auditors any relationships or services disclosed in the independent Auditors’ Statement that may impact

the quality of independent audit services or the objectivity and independence of the University's independent auditors.

4. Ensure that the independent auditors shall submit to the University annually a formal written statement of the fees billed for each of the following categories of services rendered by the independent auditors: (i) audit services, including the annual financial statement audit (including required quarterly reviews), subsidiary audits, and other procedures required to be performed by the independent auditors to be able to form an opinion on the University's consolidated financial statements; (ii) audit related services, which include assurance and related services that are reasonably related to the performance of the audit or review of the University's financial statements or that are traditionally performed by the independent auditors, but are not necessarily required by statutory or regulatory audit mandates; (iii) tax services for the University; and (iv) all other services rendered by the independent auditors for the most recent fiscal year, in the aggregate and by each category of service.
5. Review the independent auditors' audit plan prior to the commencement of the audit and discuss audit scope, staffing, locations, reliance upon management, and internal audit and general audit approach.
6. Review and evaluate the qualifications, performance, and independence of the independent auditors, including an evaluation of the lead partner of the independent auditors and an evaluation of whether the independent auditors' quality controls are adequate and whether the provision of permitted non-audit services is compatible with maintaining the auditors' independence. The Committee's evaluation of the independence of the independent auditors shall be made with respect to applicable standards of independence set forth in any applicable laws, regulations, or financing standards. The Committee shall consider the opinions of management and the Audit and Advisory services department in its evaluation.
7. Ensure the appropriate rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit. Consider, whether, in order to assure continuing auditor independence, there should be a change of the audit firm itself.
8. Receive and act upon any report from the independent auditors regarding internal control deficiencies and any response from management thereto.
9. Approve any non-audit services by the independent auditors.

Auditor of Public Accounts (APA)

10. Assure open, responsive and professional cooperation with APA as they execute their constitutionally authorized audit function.

11. Review the APA audit plan prior to the commencement of the audit and discuss audit scope, staffing, locations, reliance upon management, and internal audit and general audit approach. Annually obtain the APA's most recent peer review.
12. Receive and act upon any report from the APA regarding deficiencies and any response from management thereto.
13. Review non-audit services by the APA.

Dispute Resolution

Any dispute or claim arising out of or relating to Audit services provided hereunder, or any other audit or attest services provided by or on behalf of the Auditor or any of its subcontractors or agents to the University or at their request, shall be submitted first to non-binding mediation (unless either party elects to forego mediation by initiating a written request for arbitration) and if mediation is not successful within 90 days after the issuance by one of the parties of a request for mediation then to binding arbitration in accordance with the Rules for Non-Administered Arbitration of the International Institute for Conflict Prevention and Resolution then in effect ("CPR Arbitration Rules"). Any issue concerning the extent to which any dispute is subject to arbitration, or any dispute concerning the applicability, interpretation, or enforcement of these dispute resolution procedures) including any contention that all or part of these procedures is invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. By operation of this provision, the parties agree to forego litigation over such disputes in any court of competent jurisdiction.

Mediation, if selected, may take place at a location to be designated by the parties using Mediation Procedures of the International Institute for Conflict Prevention and Resolution, with the exception of paragraph 2 (Selecting the Mediator). All mediation and arbitration shall take place in Lincoln, Nebraska. The arbitration panel shall have no power to award non-monetary or equitable relief of any sort except as provided in CPR Rule 13 (Interim Measures of Protection). Damages that are inconsistent with any applicable agreement between the parties, that are punitive in nature, or that are not measured by the prevailing party's actual damages shall be unavailable in arbitration or any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Either party may seek to enforce any written agreement reached by the parties during mediation, or to confirm and enforce any final award entered in arbitration, in any court of competent jurisdiction. Notwithstanding the agreement to such procedures, either party may seek equitable relief to enforce its rights in any court of competent jurisdiction.

Audit and Advisory Services

All University Audit and Advisory Services and operations analysis staff (audit staff) shall report to their organizational leadership for administrative support and shall report to the Committee as to the process and content of their internal audit function and reporting. All audit staff work products will be provided

to the Director of Audit and Advisory Services and be reported to the Committee. Any changes of employment or responsibilities of the audit staff will be approved by the Chairperson of the Committee prior to the action being taken and the Committee will be notified at their next meeting. The President of the University shall appoint the Director of Audit and Advisory Services with the approval of the Committee. The Director of Audit and Advisory Services shall report to the President for administrative support and to the Committee as to the process and content of the internal audit and advisory services reports.

14. Review and approve the internal audit function of the University, including the proposed audit plans, reporting plans and schedules, and operating procedures for the upcoming year.
15. Review the budget, any changes in plan, activities, or organizational structure, and qualifications of the Audit and Advisory Services department, as needed.
16. Interview the finalists for the Director of Audit and Advisory Services position when it is to be filled.
17. Review significant reports prepared by the Audit and Advisory Services department, together with management's response and follow-up to these reports.

Financial Reporting Principles and Policies; Internal Audit Controls and Procedures

18. Advise management, the Audit and Advisory Services department, the independent auditors and the APA that they are expected to provide to the Committee a timely analysis of significant financial reporting issues and practices.
19. Meet separately and on a periodic basis with management, the Audit and Advisory Services department, the independent auditors, and APA.
20. Meet with management, the independent auditors, APA, and, if appropriate, Director of Audit and Advisory Services to do the following:
 - a. Discuss the scope of the annual audit;
 - b. Discuss any significant matters arising from any audit, including any audit problems or difficulties, and execution of response to audit findings;
 - c. Discuss any audit problems or difficulties the independent auditors or APA encountered in the course of the audit, including any restriction on their activities or access to requested information and any significant disagreements with management, and management's responses thereto;
 - d. Review the form of opinion the independent auditors and APA propose to render to the Board of Regents;

- e. Discuss, as appropriate, any major issues regarding accounting principles and financial statement presentations, including any significant changes in the University's selection or application of accounting principles, and major issues as to the adequacy of the University's internal controls and any special audit steps adopted in light of material control deficiencies;
- f. Discuss and consider the integrity of the University's financial reporting guidelines, policies, and controls governing the process by which senior management for the University and the relevant departments of the University assess and manage the University's exposure to risk, and discuss the University's major financial risk exposures and the steps management has taken to monitor, control, and report such exposures. Review significant findings prepared by the independent auditors and the internal audit department together with management's responses thereto.

21. Review management's analysis of significant financial reporting issues and practices.

Compliance Oversight

- 22. Assist the Board of Regents with oversight of the University's compliance laws and regulations.
- 23. Establish procedures for the receipt, retention, and treatment of complaints received by the University regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by University employees of concerns regarding questionable accounting or auditing matter.

Reporting and Recommendations

- 24. Review and reassess the adequacy of the Committee's charter annually.
- 25. Prepare and report to the Board of Regents (i) following meetings of the Committee, (ii) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities, and (iii) with respect to such recommendations as the Committee may deem appropriate. The report to the Board of Regents may take the form of an oral report by the chairperson of the Committee or any other member of this Committee designated by the Committee to make this report.

Meetings

The Committee shall meet no less frequently than once each fiscal quarter to discuss with management the annual audited financial statements and quarterly financial statements, as applicable. The Committee should meet separately periodically with management, the Director of Audit and Advisory Services, the APA, and the independent auditors to discuss any matters that the Committee or any of these persons or firms believe should be discussed privately. The Committee may request any officer or employee of the University, of the University's General Counsel's Office or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. Members of the

Committee may participate in a meeting of the Committee by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other. The Committee shall maintain minutes or other records of meeting of the Committee.

Resources and Authority of the Audit Committee

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special or independent counsel, accountants or other experts, as it deems appropriate. The Committee may be vested with other specific powers and authority by resolution of the Board of Regents. The University shall provide for appropriate funding, as determined by the Committee, for payment of (i) compensation to the independent auditors for the purpose of rendering or issuing an audit report, (ii) compensation to any advisors employed by the Committee, and (iii) ordinary administrative expenses that are necessary or appropriate for carrying out the duties of the Committee.

Annual Performance Evaluation

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee. The Committee shall conduct such evaluations and review in such manner as it deems appropriate.

Disclosure of Charter

This Charter shall be made available on the University's website.

Amendment

Any amendment or other modifications of this charter shall be made and approved by the Board of Regents.

April 24, 2009