PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 2, 2019

RATINGS: Moody's: "Aa1"
S&P: "AA"

*In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Corporation, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"), (a) the interest on the Series 2019B Bonds [(including any original issue discount properly allocable to an owner thereof)] is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax, (b) the interest on the Series 2019B Bonds is exempt from income taxation by the State of Nebraska and (c) the Series 2019B Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. The interest on the Series 2019A Bonds is included in gross income for federal income tax purposes and is not exempt from State of Nebraska income taxation. See "**TAX MATTERS**" in this Official Statement.*

$550,980,000*
aggregate principal amount of
THE UNIVERSITY OF NEBRASKA FACILITIES CORPORATION
UNIVERSITY SYSTEM FACILITIES BONDS
consisting of:

$513,405,000* SERIES 2019A (TAXABLE)	$37,575,000* SERIES 2019B

The Series 2019 Bonds are special, limited obligations of The University of Nebraska Facilities Corporation (the "**Corporation**") payable solely from payments required to be made by The Board of Regents of the University of Nebraska, a public body corporate and the governing body of the University of Nebraska, (the "**Board**") pursuant to a Financing Agreement, dated as of October 1, 2019 (the "**Financing Agreement**") between the Board and the Corporation. The rights of the Corporation to receive such payments under the Financing Agreement are pledged and assigned to Union Bank and Trust Company, Lincoln, Nebraska, as trustee (the "**Trustee**") for payment of the Series 2019 Bonds in accordance with a Trust Indenture dated as of October 1, 2019 (the "**Indenture**") between the Corporation and the Trustee. Amounts deposited to the applicable Debt Service Account and Construction Account for each series of Bonds under the Indenture are pledged by the Corporation as security for its obligations under the Indenture. The Board's obligations under the Financing Agreement are payable from legally available funds. See "**SECURITY—Available Funds**" herein. **The Board has not pledged any revenues, funds or receipts for its obligations under the Financing Agreement. The obligation of the Corporation to make payments related to the Series 2019 Bonds is limited to amounts received by the Corporation under the Financing Agreement and amounts on deposit with the Trustee in the respective Debt Service Account and Construction Account for each series of Series 2019 Bonds.**

The Series 2019 Bonds will be issued in book-entry form and The Depository Trust Company will act as securities depository for the Series 2019 Bonds. See "**THE SERIES 2019 BONDS—Book-Entry System**." The Trustee is also bond registrar and paying agent for the Series 2019 Bonds under the Indenture.

Interest on the Series 2019 Bonds is payable April 1 and October 1 of each year, commencing April 1, 2020, as more fully described herein.

The Series 2019 Bonds are special, limited obligations of the Corporation and the principal of and interest thereon do not constitute a debt or liability of the Board or the State of Nebraska. The Series 2019 Bonds do not constitute an indebtedness of the Board or the State of Nebraska within the meaning of any constitutional or statutory debt limitation under the laws of the State of Nebraska. The Series 2019 Bonds and the interest payable thereon do not obligate the State of Nebraska to levy any form of taxation therefor or to make any appropriations for their payment, except the Board is obligated to make certain payments related to the Series 2019 Bonds under the Financing Agreement. The Series 2019 Bonds do not and shall never constitute a charge against the general credit or taxing powers of the State of Nebraska. Neither the Board nor the Corporation has taxing power.

MATURITY SCHEDULE – SEE INSIDE COVER

The Series 2019 Bonds are subject to redemption at the option of the Corporation prior to the maturity thereof as described under "**THE SERIES 2019 BONDS—Redemption**" herein. The Series 2019 Bonds are being issued to finance new projects for the University system, to refinance certain outstanding debt obligations of the Board and the Corporation, and to pay costs of issuance. See "**PLAN OF FINANCE**."

An investment in the Series 2019 Bonds involves risk. See **"BONDHOLDER RISKS"** and **"SECURITY." This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.**

The Series 2019 Bonds are offered when, as, and if issued and received by the underwriters identified below and are subject to the approving legal opinion of Gilmore & Bell, P.C., Omaha, Nebraska, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Bryan Cave Leighton Paisner LLP. Certain legal matters will be passed upon for the Corporation and for the Board by James Pottorff, Esq., Vice President and General Counsel of the University. Delivery in definitive form through DTC is expected on or about _______, 2019.

Morgan Stanley

Barclays **BofA Merrill Lynch**

Ameritas Investment Corp. **D.A. Davidson & Co.** **Drexel Hamilton, LLC** **First National Capital Markets** **Piper Jaffray**

This Official Statement is dated _________, 2019

* Preliminary; subject to change.

MATURITY SCHEDULE*

THE UNIVERSITY OF NEBRASKA FACILITIES CORPORATION
UNIVERSITY SYSTEM FACILITIES BONDS

$513,405,000
SERIES 2019A (TAXABLE)

Maturity (October 1)	Principal Amount	Rate of Interest	Price	CUSIP Number†
	$	%	%	

$_________, _____% Term Bond due October 1, 20__, Price ____ %, CUSIP Number† ________

$37,575,000
SERIES 2019B

Maturity (October 1)	Principal Amount	Rate of Interest	Yield	Price	CUSIP Number†
	$	%	%	%	

$_________, _____% Term Bond due October 1, 20__, Yield __% Price ____ %, CUSIP Number† ________

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* Preliminary; subject to change.
† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Capital IQ. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for the CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the Board or the Corporation and are provided solely for convenience and reference. None of the Board, the Corporation or the Underwriters take responsibility for the accuracy of the CUSIP numbers.

THE UNIVERSITY OF NEBRASKA
FACILITIES CORPORATION OFFICERS

Jim Pillen, President
Paul Kenney, Vice President
Chris Kabourek, Secretary/Treasurer

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Tim Clare, Chair, Lincoln, Nebraska
Howard Hawks, Omaha, Nebraska
Paul Kenney, Kearney, Nebraska
Elizabeth O'Connor, Omaha, Nebraska
Bob Phares, North Platte, Nebraska
Jim Pillen, Columbus, Nebraska
Robert Schafer, Beatrice, Nebraska
Barbara Weitz, Omaha, Nebraska
Emily Johnson, Student Regent, UNL
Nicole Kent, Student Regent, UNK
Keith Ozanne, Student Regent, UNMC
Aya Yousef, Student Regent, UNO

UNIVERSITY OF NEBRASKA OFFICERS

Susan M. Fritz, Interim President
Chris Kabourek, Vice President for Business & Finance|CFO
James Pottorff, Vice President and General Counsel
Carmen Maurer, Corporation Secretary
Doug Kristensen, Chancellor, UNK
Jeffrey P. Gold, Chancellor, UNMC and Chancellor, UNO
Ronnie Green, Chancellor, UNL
Heath Mello, Interim Vice President for University Affairs
David Jackson, Interim Executive Vice President and Provost

TRUSTEE

Union Bank and Trust Company

UNDERWRITERS

Morgan Stanley & Co. LLC
Barclays Capital Inc.
BofA Securities, Inc.
Ameritas Investment Corp.
D.A. Davidson & Co.
Drexel Hamilton, LLC
First National Capital Markets
Piper Jaffray & Co.

BOND COUNSEL

Gilmore & Bell, P.C.

FINANCIAL ADVISOR

Janney Montgomery Scott LLC

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The Underwriters intend to offer the Series 2019 Bonds initially at the offering prices set forth on the inside cover page of this Official Statement, which may subsequently change without any requirement of prior notice. In connection with this offering, the Underwriters may overallot or effect transactions that stabilize or maintain the market price of the Series 2019 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

This Official Statement is not, and may not be construed as, a contract with the purchasers of the Series 2019 Bonds. Statements contained herein which involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

REGARDING USE OF THIS OFFICIAL STATEMENT

AUTHORIZED INFORMATION AND REPRESENTATIONS

No dealer, broker, sales representative or other person has been authorized by the Corporation, the Board or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations 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, nor shall there be any sale of the Series 2019 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Corporation, the Board and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters. 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." The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of the Corporation or the Board since the date hereof.

REGISTRATION EXEMPTION

The Series 2019 Bonds have not been registered with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended (the **"Securities Act"**) and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained therein, or under any state securities or "blue sky" laws. In making an investment decision, investors must rely upon their own examination of the Corporation and the Board and the terms of the offering, including the merits and risks involved. No federal or state securities commission or regulatory authority has recommended the Series 2019 Bonds. Moreover, none of the foregoing authorities has confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of federal securities laws. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "anticipate," "budget," "intend" or other similar words. The achievement of certain results, performance, or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. None of the Corporation, the Board or any other party plans to issue any updates or revisions to those forward-looking statements if or when the expectations, or events, conditions or circumstances upon which such statements are based occur.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

References under this heading to the "Issuer" mean the Corporation and references to "Bonds" or "Securities" mean the Series 2019A Bonds offered hereby. **None of the Corporation, the Board, or the Underwriters assume any responsibility for this section.**

MINIMUM UNIT SALES

Each series of Bonds will trade and settle on a unit basis (one unit equaling one Bond of $5,000 principal amount). For any sales made outside the United States, the minimum purchase and trading amount is 30 units (being 30 Bonds in an aggregate principal amount of $150,000).

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

This Official Statement has been prepared on the basis that all offers of the Securities to any person that is located within a member state of the European Economic Area ("EEA") will be made pursuant to an exemption under Article 1(4) Regulation (EU) 2017/1129 (the "Prospectus Regulation") from the requirement to produce a prospectus for offers of the Securities. Accordingly, any person making or intending to make any offer to any person located within a member state of the EEA of the Securities should only do so in circumstances in which no obligation arises for the Issuer or any of the initial purchasers to produce a prospectus or supplement for such an offer. Neither the Issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of Securities through any financial intermediary, other than offers made by the initial purchasers, which constitute the final placement of the Securities contemplated in this Official Statement.

The offer of any Securities which is the subject of the offering contemplated by this Official Statement is not being made and will not be made to the public in any member state of the EEA, other than: (a) to any legal entity which is a "qualified investor" as such term is defined in the Prospectus Regulation; (b) to fewer than 150 natural or legal persons (other than "qualified investors" as such term is defined in the Prospectus Regulation) or (c) in any other circumstances falling within article 1(4) of the Prospectus Regulation, subject to obtaining the prior consent of the relevant Underwriters or the Corporation for any such offer; provided that no such offer of the Securities shall require the Issuer or the Underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplement to a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Securities to the public" in relation to the Securities in any member state of the EEA means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase the Securities.

Each subscriber for or purchaser of the Bonds in the offering located within a member state will be deemed to have represented, acknowledged and agreed that it is a "*qualified investor*" as defined in the Prospectus Regulation. The Corporation and each Underwriter and others will rely on the truth and accuracy of the foregoing representation, acknowledgement and agreement.

Prohibition of sales to EEA retail investors – the Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in Point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MIFID II"); or (ii) a customer within the meaning of directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in Point (10) of Article 4(1) of MIFID II. Consequently no key information document required by regulation (EU) No. 1286/2014 (the "PRIIPS Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS regulation.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This Official Statement has not been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 ("FSMA") and does not constitute an offer to the public in accordance with the provisions of Section 85 of the FSMA. This Official Statement is for distribution only to, and is directed solely at, persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any bonds may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "Relevant Persons"). This Official Statement is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this Official Statement relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Official Statement or any of its contents.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

This Official Statement is not intended to constitute an offer or a solicitation to purchase or invest in the Bonds. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the Six Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Official Statement nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to Art. 652a or Art. 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the Six Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Official Statement nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland. Neither this Official Statement nor any other offering or marketing material relating to the offering, nor the Issuer, nor the Bonds have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Official Statement will not be filed with, and the offer of the Bonds will not be supervised by, the Swiss Financial Market Supervisory Authority ("FINMA"), and the offer of Bonds has not been and will not be authorized under the Swiss Federal Act on collective investment schemes ("CISA"). Accordingly, investors do not have the benefit of the specific investor protection provided under the CISA.

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

The Bonds (except for Bonds which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) ("Securities and Futures Ordinance")) may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the laws of Hong Kong) ("Companies (Winding Up and Miscellaneous Provisions) Ordinance") or (ii) to "Professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "Prospectus"' as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the Bonds may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "Professional Investors" as defined in the Securities and Futures Ordinance and any rules made thereunder.

NOTICE TO PROSPECTIVE INVESTORS IN JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (No. 25 of 1948, as amended, the "FIEA"). Neither the Bonds nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any "Resident" of Japan (as defined under Item 5, Paragraph 1, Article g of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

The primary offering of the Bonds and the solicitation of an offer for acquisition thereof have not been and will not be registered under Paragraph I, Article 4 of the FIEA. As it is a primary offering, in Japan, the Bonds may only be offered, sold, resold or otherwise transferred, directly or indirectly to, or for the benefit of certain Qualified Institutional Investors as defined in the FIEA ("QIIs"). A QII who purchased or otherwise obtained the Bonds cannot resell or otherwise transfer the Bonds in Japan to any person except another QII.

NOTICE TO PROSPECTIVE INVESTORS IN THE REPUBLIC OF KOREA

This Official Statement is not, and under no circumstances is to be considered as, a public offering of securities in Korea for the purposes of the Financial Investment Services and Capital Market Act of Korea. The Bonds have not been and will not be registered with the Financial Services Commission of South Korea for public offering in South Korea under the Financial Investment Services and Capital Markets Act and its subordinate decrees and regulations (collectively the "FSCMA"). The Bonds may not be offered, sold or delivered, directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in South Korea or to any resident of South Korea except as otherwise permitted under the applicable laws and regulations of South Korea, including the FSCMA and the foreign exchange transaction law and its subordinate decrees and regulations (collectively, the "FETL"). Without prejudice to the foregoing, the number of investors offered in South Korea or the number of investors who are residents in South Korea shall be less than fifty and for a period of one year from the issue date of the Bonds, none of the Bonds may be divided resulting in an increased number of the Bonds. Furthermore, the Bonds may not be resold to South Korean residents unless the purchaser of the Bonds complies with all applicable regulatory requirements (including but not limited to government reporting requirements under the FETL) in connection with the purchase of the Bonds.

SELLING RESTRICTIONS FOR OFFER OF SECURITIES IN SINGAPORE

This Official Statement has not been and will not be registered as a prospectus with the monetary authority of Singapore. Accordingly, this Official Statement and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an Institutional Investor (as defined in Section 4a of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA")) under Section 274 of the SFA, (ii) to a Relevant Person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any Person pursuant to Section 275(1a), and in accordance with the conditions specified in Section 275, of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, where each such Person is (1) an Expert Investor (as defined in Section 4a of the SFA) or (2) not an individual.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a Relevant Person which is:

(a) a corporation (which is not an Accredited Investor (as defined in Section 4a of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an Accredited Investor; or

(b) a trust (where the trustee is not an Accredited Investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an Accredited Investor,

Securities or Securities-based Derivatives Contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired such Bonds pursuant to an offer made under Section 275 of the SFA, except:

(1) to an Institutional Investor or to a Relevant Person, or to any person arising from an offer referred to in Section 275(1a) or Section 276(4)(i)(b) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37a of the Securities and Futures (Offers of Investments) (Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

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OFFICIAL STATEMENT

$550,980,000*
aggregate principal amount of
THE UNIVERSITY OF NEBRASKA FACILITIES CORPORATION
UNIVERSITY SYSTEM FACILITIES BONDS
consisting of:

$513,405,000*	**$37,575,000***
SERIES 2019A (TAXABLE)	**SERIES 2019B**

INTRODUCTION

This Official Statement is being provided by The University of Nebraska Facilities Corporation (the **"Corporation"**), a nonprofit corporation duly organized and validly existing under the laws of the State of Nebraska (the **"State"**), to furnish certain information about the Corporation, the University of Nebraska (the **"University"**), and the Corporation's University System Facilities Bonds, Series 2019A (Taxable) (the **"Series 2019A Bonds"**) and University System Facilities Bonds, Series 2019B (the **"Series 2019B Bonds"**; and, together with the Series 2019A Bonds, the **"Series 2019 Bonds"**). The Series 2019 Bonds are issued pursuant to a Trust Indenture, dated as of October 1, 2019 (the **"Indenture"**), by and between the Corporation and Union Bank and Trust Company, Lincoln, Nebraska, as trustee, bond registrar and paying agent (the **"Trustee"**). The Corporation will use the proceeds of the Series 2019 Bonds to (a) pay the costs of certain renewal, renovation and replacement projects on the campuses of the University, (b) refund or fund escrows to refund certain outstanding obligations of The Board of Regents of the University of Nebraska, a public body corporate and governing body of the University (the **"Board"**) and the Corporation, and (c) pay the costs of issuance of the Series 2019 Bonds. See **"PLAN OF FINANCE."**

Pursuant to the Act and a Financing Agreement, dated as of October 1, 2019 (the **"Financing Agreement"**), between the Board and the Corporation, the Board will agree to make payments sufficient to pay the principal of and interest on the Series 2019 Bonds as the same become due. **The Series 2019 Bonds are special, limited obligations payable solely from payments required to be made by the Board to the Corporation pursuant to the Financing Agreement and certain funds held under the Indenture for each series of Series 2019 Bonds.** See **"SECURITY—The Series 2019 Bonds."**

Definitions of initially capitalized terms used in this Official Statement and summaries of the Indenture and the Financing Agreement may be found in **"APPENDIX C—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL DOCUMENTS."** Such definitions and summaries do not purport to be comprehensive or definitive and references herein to the Indenture, the Financing Agreement or existing statutes are qualified in their entirety by reference to those documents. Copies of the Indenture and the Financing Agreement are available at the offices of the Board or the Board's Financial Advisor.

THE CORPORATION

General

The Corporation is a nonprofit corporation duly organized and existing under the laws of the State. The Corporation was organized by the Board in 1930 and exists for the purposes of financing, erecting, owning, leasing, furnishing and managing any lands, buildings, structures, halls, dormitories or apartments for use, in whole or in part, by the University and for the purpose of holding property of any nature in trust for the

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* Preliminary; subject to change.

University. The Corporation is authorized by the Nonprofit Act and a resolution of the Board of Directors adopted August 16, 2019 to issue the Series 2019 Bonds.

Governance

The Corporation is governed by its Board of Directors, the members of which are the voting members of the Board. See **"APPENDIX A: THE UNIVERSITY OF NEBRASKA GENERAL AND FINANCIAL INFORMATION—HISTORY AND GOVERNANCE—Governance."**

Indebtedness of the Corporation

The Corporation has previously sold and delivered numerous series of bonds or notes secured by instruments separate and apart from the Indenture and the Financing Agreement related to the Series 2019 Bonds, but also payable by the Board from legally available funds of the Board. The owners of such bonds or notes have no claim on the assets or funds of the Corporation securing the Series 2019 Bonds, and the owners of the Series 2019 Bonds will have no claims on the assets or funds of the Corporation securing such other bonds and notes. See **"SECURITY—Other Indebtedness."**

With respect to other additional indebtedness of the Corporation, the Corporation may enter into separate agreements for the purpose of providing financing for future projects. In addition, neither the Indenture nor the Financing Agreement restrict the Board's or Corporation's ability to enter into additional obligations or incur additional indebtedness, whether such obligations or indebtedness are issued under and pursuant to the Financing Agreement or the Indenture.

THE UNIVERSITY OF NEBRASKA

Certain information regarding the history, organization, operations and financial condition of the University, and the financial statements of the University, a component unit of the State, as of and for the year ended June 30, 2018, are contained in **"APPENDIX A: THE UNIVERSITY OF NEBRASKA GENERAL AND FINANCIAL INFORMATION"** and **"APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE UNIVERSITY OF NEBRASKA,"** respectively.

PLAN OF FINANCE

Refunded Bonds

A portion of the proceeds of the Series 2019 Bonds will be applied to refund certain outstanding bonds of the Board and the Corporation. The obligations proposed to be refunded are described below and listed in Appendix A hereto under **"BONDED INDEBTEDNESS."**

UNL MTI Bonds. The UNL MTI Bonds consist of the Board's (a) \$2,855,000 outstanding principal amount of Revenue Bonds, Series 2009B-1, dated September 9, 2009, (b) \$4,540,000 outstanding principal amount of Taxable Revenue Bonds, Series 2009B-2 (Build America Bonds-Direct Payment to Issuer), dated September 9, 2009, (c) \$59,085,000 outstanding principal amount of Student Fees and Facilities Revenue Bonds, Series 2011, dated November 16, 2011, (d) \$52,150,000 outstanding principal amount of Student Fees and Facilities Revenue Refunding Bonds, Series 2012, dated May 30, 2012, (e) \$13,965,000 outstanding principal amount Student Fees and Facilities Revenue Bonds, Series 2012B, dated September 6, 2012, (f) \$64,075,000 outstanding principal amount of Student Fees and Facilities Revenue Bonds, Series 2015A, dated June 29, 2015, and (g) \$ 58,495,000 outstanding principal amount of Student Fees and Facilities Revenue Refunding Bonds, Series 2016A, dated July 28, 2016.

UNL Parking MTI Bonds. The UNL Parking MTI Bonds consist of the Board's (a) $4,245,000 outstanding principal amount of Revenue Bonds, Series 2009A, dated November 4, 2009, (b) $5,155,000 outstanding principal amount of Taxable Revenue Bonds, Series 2009B (Build America Bonds-Direct Payment to Issuer), dated November 4, 2009, (c) $4,905,000 outstanding principal amount of Revenue and Refunding Bonds, Series 2013, dated July 25, 2013, and (d) $4,750,000 outstanding principal amount of Revenue Refunding Bonds, Series 2015, dated September 10, 2015.

UNO MTI Bonds. The UNO MTI Bonds consist of the Board's (a) $9,065,000 outstanding principal amount of Revenue Refunding Bonds, Series 2014, dated June 18, 2014, (b) $7,780,000 outstanding principal amount of Revenue Bonds, Series 2015B, dated June 29, 2015, (c) $39,980,000 outstanding principal amount of Revenue and Refunding Bonds, Series 2015, dated December 3, 2015, (d) $33,990,000 outstanding principal amount of Revenue Refunding Bonds, Series 2016B, dated July 28, 2016, (e) $14,570,000 outstanding principal amount of Revenue Refunding Bonds, Series 2017A, dated December 20, 2017, and (f) $9,950,00 outstanding principal amount of Revenue Refunding Bonds, Series 2017B, dated December 20, 2017.

UNK MTI Bonds. The UNK MTI Bonds consist of the Board's (a) $16,610,000 outstanding principal amount of Revenue Refunding Bonds, Series 2015, dated March 12, 2015 and (b) $12,415,000 outstanding principal amount of Revenue Bonds, Series 2017, dated May 4, 2017.

UNFC Refunded Bonds. In addition, the Board and the Corporation expect to refund the Corporation's $930,000 principal amount outstanding Lease Rental Revenue Bonds, Series 2003, dated March 6, 2003 with a portion of the proceeds of the Series 2019 Bonds.

Projects

A portion of the Series 2019 Bonds will be applied to finance the costs of improvements to certain facilities on its campuses, including the Munroe-Meyer Institute at the UNMC Campus and renovation of the East Campus Union at UNL.

THE SERIES 2019 BONDS

Authorization

The Series 2019 Bonds have been authorized by the Indenture, under and pursuant to the Constitution and statutes of the State, including the Nonprofit Act and the Act.

Description

The Series 2019 Bonds will initially be issued in fully registered, book-entry form only in the principal amount of $5,000 or any integral multiple thereof; be dated the date of delivery thereof (the **"Date of Original Issue")**; bear interest from the date of their original issuance (________, 2019) payable semiannually on April 1 and October 1 of each year, commencing April 1, 2020; mature on October 1 in the years and in the principal amounts and bear interest at the rates (calculated on the basis of a 360-day year consisting of twelve, 30-day months) set forth on the inside cover of this Official Statement.

The principal of and redemption premium, if any, on the Series 2019 Bonds shall be payable at maturity or upon earlier redemption to the persons in whose names such Series 2019 Bonds are registered at the maturity or redemption date thereof, upon the presentation and surrender of such Series 2019 Bonds at the principal corporate trust office of the Trustee.

The **"Record Date"** for each installment of interest due on the Series 2019 Bonds is the 15th day (whether or not a Business Day) next preceding such interest payment date. Interest payable on each Series 2019 Bond on any payment date shall be paid by check or draft mailed by the Trustee to the person in whose name such Bond is registered at the close of business on the Record Date for such interest, or in the case of any interest payment to any Owner of $1,000,000 or more principal amount of any series of Bonds, by electronic transmission to such owner upon written notice given to the Trustee by such Owner not fewer than five Business Days prior to the Record Date for such interest payment, containing the electronic transfer instructions including the bank (which shall be in the continental United States), ABA routing number and account number to which such Owner wishes to have such transfer directed.

Book-Entry System

General. The Depository Trust Company (**"DTC"**), New York, New York will act as securities depository for the Series 2019 Bonds. The ownership of one fully registered Series 2019 Bond for each maturity, as set forth on the inside cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as the nominee for DTC. Purchases of beneficial ownership interests in the Series 2019 Bonds may be made in book-entry form only through a book-entry system (the **"Book-Entry System"**) maintained by DTC, in the principal amount of $5,000 or any integral multiple thereof. Beneficial owners of the Series 2019 Bonds will not receive physical delivery of bond certificates evidencing their ownership interest in the Series 2019 Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2019 Bonds. So long as DTC or its nominee is the registered owner of the Series 2019 Bonds, payments of the principal of and interest on the Series 2019 Bonds will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners of the Series 2019 Bonds is the responsibility of DTC participants. A description of DTC, the Book-Entry System and definitions of initially capitalized terms used herein with regards to DTC and the Book-Entry System are found in **"APPENDIX E—BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURES."**

Risk Factors. Beneficial Owners of the Series 2019 Bonds may experience some delay in their receipt of distributions of the principal of and interest on the Series 2019 Bonds because such distributions will be forwarded by the applicable Trustee to DTC, credited by DTC to its Direct Participants, and then credited to the accounts of the Beneficial Owners either directly or indirectly through Indirect Participants.

Because transactions in the Series 2019 Bonds can only be effected through DTC, DTC Participants and certain banks, the ability of a Beneficial Owner to pledge Series 2019 Bonds to persons or entities that do not participate in the Book-Entry System, or otherwise to take actions in respect of such Series 2019 Bonds, may be limited due to the lack of physical certificates. Beneficial Owners will not be recognized by the Registrar as registered owners for purposes of the Indenture, and Beneficial Owners will be permitted to exercise the rights of registered owners only indirectly through DTC and DTC Participants.

Registration, Transfer, and Exchange

The Trustee is bond registrar for the Series 2019 Bonds and will keep a bond register for the registration and for the transfer of Series 2019 Bonds as provided in the Indenture. Each Series 2019 Bond shall be registered in the name of the Owner thereof on the bond register.

Any Series 2019 Bond may be transferred only upon the bond register upon surrender thereof to the Trustee duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or such Owner's legal representative in such form as shall be satisfactory to the Trustee. Upon any such transfer, the Corporation shall execute and the Trustee shall authenticate and deliver in exchange for such Series 2019 Bond a new fully registered Series 2019 Bond or Series 2019 Bonds, registered in the name of the transferee, of any denomination or denominations authorized by the Indenture.

Any Series 2019 Bond, upon surrender thereof at the principal corporate trust office of the Trustee, together with an assignment duly executed by the Owner or such Owner's legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the Owner thereof, be exchanged for Series 2019 Bonds of the same series and maturity, of any denomination or denominations authorized by the Indenture, and bearing interest at the same rate.

In all cases in which Series 2019 Bonds shall be exchanged or transferred hereunder, the Corporation will execute and the Trustee shall authenticate and deliver at the earliest practicable time Series 2019 Bonds in accordance with the provisions of the Indenture. All Series 2019 Bonds surrendered in any such exchange or transfer shall be cancelled by the Trustee. The Trustee may make a charge to the Bondowner requesting the same for every such exchange or transfer of Series 2019 Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer, and such charge shall be paid before any such new Series 2019 Bond shall be delivered.

The foregoing provisions for the registration, transfer and exchange of the Series 2019 Bonds will not be applicable to purchasers of the Series 2019 Bonds so long as the Series 2019 Bonds are subject to the DTC or other book-entry only system.

Redemption[*]

Optional Redemption of Series 2019A Bonds. The Series 2019A Bonds will be subject to redemption prior to maturity on any Business Day, in any order by the Corporation, at the option of the Board by written direction to the Corporation, as a whole or in part on or after October 1, 20__, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the date of redemption; or

Make-Whole Optional Redemption of Series 2019A Bonds. The Series 2019A Bonds are subject to optional redemption prior to maturity by the Corporation, at the option of the Board by written direction to the Corporation, in whole or in part, on any Business Day, in the order of maturity (and pro rata within a maturity) designated by the Board in writing, at the "Make-Whole Redemption Price" (as defined herein).

"Make-Whole Redemption Price" means the greater of:

(i) 100% of the principal amount of the Series 2019A Bonds to be redeemed; or

(ii) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the Series 2019A Bonds to be redeemed (not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2019A Bonds are to be redeemed), discounted to the date on which such Series 2019A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus __ basis points, plus, in each case,

[*] Preliminary; subject to change.

accrued and unpaid interest on such Series 2019A Bonds to, but excluding, the redemption date. The Board will obtain an independent accounting firm or an independent financial advisor to determine the Make-Whole Redemption Price and perform all actions and make all calculations required to determine the Make-Whole Redemption Price. The Trustee, the Corporation and the Board may conclusively rely on such accounting firm's or financial advisor's calculations in connection with, and its determination of, the Make-Whole Redemption Price, and none of the Trustee, the Corporation or the University will have any liability for such reliance. The determination of the Make-Whole Redemption Price by such accounting firm or financial advisor will be conclusive and binding on the Trustee, the Corporation, the Board, and the holders of the Series 2019A Bonds.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to (i) the semiannual equivalent yield to maturity or (ii) if no such semiannual equivalent yield to maturity is available, the interpolated yield to maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two (2) Business Days prior to the redemption date (excluding inflation indexed securities) (or, if Federal Reserve Statistical Release H.15 (519) is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2019A Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, "Treasury Rate" shall mean the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by a Designated Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Series 2019A Bonds to be redeemed that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Series 2019A Bonds.

"Comparable Treasury Price" means, with respect to any redemption date, the average of the Primary Treasury Dealer Quotations for such redemption date or, if the Designated Investment Banker obtains only one Primary Treasury Dealer Quotation, such Primary Treasury Dealer Quotation.

"Designated Investment Banker" means a Primary Treasury Dealer appointed by the Board.

"Primary Treasury Dealer" means one or more entities appointed by the Board, which, in each case, is a primary U.S. Government securities dealer in the City of New York, New York, and its or their respective successors.

"Primary Treasury Dealer Quotations" means, with respect to each Primary Treasury Dealer and any redemption date, the average, as determined by the Designated Investment Banker, of the bid and ask prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Primary Treasury Dealer at 3:30 p.m. New York time on the third Business Day preceding such redemption date.

Optional Redemption for Series 2019B Bonds. The Series 2019B Bonds, including portions thereof, maturing in the year 20__ and thereafter shall be subject to redemption and payment prior to maturity by the Corporation, at the option of the Board by written direction to the Corporation, as a whole or in part on any date on and after October 1, 20__, at par, plus accrued interest thereon to the redemption date.

Extraordinary Optional Redemption. The Series 2019B Bonds shall be subject to redemption and payment prior to the stated maturity thereof by the Corporation, at the option of the Board by written direction to the Corporation, as a whole or in part on any date, at a redemption price of 100% of the principal amount of the Series 2019B Bonds being called for redemption, plus accrued interest thereon to the redemption date, if as a result of changes in the Constitution of the State, or of legislative action by the State, or by the United States, or by reason of any action instituted in any court, the Financing Agreement shall become void or unenforceable, or impossible of performance without unreasonable delay, or in any other way, by reason of such change of circumstances, unreasonable burdens or excessive liabilities are imposed on the Board or the Corporation.

Extraordinary optional redemption shall only be effected to the extent of moneys on deposit with the Trustee and available for such purpose on the date the call for redemption is provided under the Indenture, except to the extent such redemption is effected with refunding bond proceeds.

Mandatory Sinking Fund Redemption. The Series 2019A Bonds including portions thereof, maturing on October 1, 20___ (the **"Term Bonds"**), shall be subject to mandatory redemption and payment prior to maturity pursuant to the sinking fund requirements at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date. The Corporation shall redeem and pay, on October 1, in each of the following years, the following principal amount of Series 2019A Bonds:

Year	Principal Amount

The Series 2019B Bonds including portions thereof, maturing on October 1, 20___ (the **"Term Bonds"**), shall be subject to mandatory redemption and payment prior to maturity pursuant to the sinking fund requirements at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date. The Corporation shall redeem and pay, on October 1, in each of the following years, the following principal amount of Series 2019B Bonds:

Year	Principal Amount

Selection of Bonds to be Redeemed. Series 2019 Bonds may be redeemed only in the minimum authorized denomination of $5,000 or any integral multiple thereof. Series 2019 Bonds to be redeemed pursuant to optional redemption provisions shall be selected from the maturity or maturities selected by the Corporation at the direction of the Board.

If less than all of the Series 2019A Bonds of any maturity are called for redemption, such Series 2019A Bonds will be redeemed on a pro rata basis; provided that, so long as the Series 2019A Bonds are held in book-entry only form, the selection for redemption of such Series 2019A Bonds will be made in accordance with the operational arrangements of DTC then in effect.

If less than all of the Series 2019B Bonds of any maturity are called for redemption, the particular Series 2019B Bonds to be redeemed shall be selected by the Trustee from the Series 2019B Bonds of such maturity, by lot or such other equitable manner as the Trustee may determine and which may provide for the selection for redemption of portions of the principal of Series 2019B Bonds equal to the minimum authorized denomination of the Series 2019B Bonds or a denomination larger than the minimum authorized denomination.

Notice and Effect of Call for Redemption.

Official notice of any redemption shall be given by the Trustee on behalf of the Corporation by mailing a copy of the redemption notice at least 30 days prior to the date fixed for redemption by first class, registered or certified mail, as determined by the Trustee, to the Owner of the Bond or Bonds to be redeemed, unless waived by any Owner thereof, at the address shown on the bond register as of the date of the notice.

With respect to optional redemptions, such optional call may be conditioned upon moneys being on deposit with the Trustee on or prior to the redemption date in an amount sufficient, together with investment earnings thereon, to pay the redemption price on the redemption date. If such notice is conditional and either the Trustee receives written notice from the Corporation that moneys sufficient to pay the redemption price will not be on deposit on the redemption date, or such moneys are not received on the redemption date, then such notice shall be of no force and effect, the Trustee shall not redeem such Bonds and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not or will not be so received and that such Bonds will not be redeemed, and no Event of Default shall be deemed to have occurred under the Indenture.

So long as DTC is effecting book-entry transfers of the Bonds, the Trustee shall provide the notices specified in this subsection only to DTC. It is expected that DTC shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the beneficial owners. Any failure on the part of DTC or a Participant, or failure on the part of a nominee of a beneficial owner of a Bond to notify the beneficial owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

Acceleration

If an Event of Default shall have occurred and be continuing, the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding, shall, by notice in writing delivered to the Corporation and the Board, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

If, at any time after such declaration, but before the Bonds have matured, all overdue installments of principal of and interest on the Bonds, together with the reasonable and proper expenses of the Trustee, and all other sums then payable by the Corporation under the Indenture shall either be paid or provision satisfactory to the Trustee shall be made for such payment, then and in every such case the Trustee shall, but only with the approval of the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding, rescind such declaration and annul such default in its entirety. In such event, the Trustee shall rescind any declaration of acceleration of installments of payments as provided in the Financing Agreement.

In case of any rescission, then and in every such case the Corporation, the Trustee and the Bondowners shall be restored to their former position and rights under the Indenture respectively, but no such rescission shall extend to any subsequent or other default or Event of Default.

See **"APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL DOCUMENTS—THE TRUST INDENTURE—Acceleration of Maturity in Event of Default"** and **"—Exercise of Remedies by the Trustee."**

Mutilated, Lost, Stolen or Destroyed Bonds

In the event any Bond is mutilated, lost, stolen or destroyed, the Corporation shall execute and the Trustee shall authenticate and deliver a new Bond of like series, date and tenor as the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Corporation and the Trustee evidence of such loss, theft or destruction satisfactory to the Corporation and the Trustee, together with indemnity satisfactory to them. In the event any such Bond shall have matured, the Corporation may, instead of issuing a substitute Bond, pay or authorize the payment of the same without surrender thereof. Upon the issuance of any substitute Bond, the Corporation and the Trustee may require the payment of an amount sufficient to reimburse the Corporation and the Trustee for any tax or other governmental charge that may be imposed in relation thereto and any other reasonable fees and expenses incurred in connection therewith.

SECURITY

The Trust Estate

To secure the payment of the principal of, redemption premium, if any, and interest on Bonds issued and Outstanding under the Indenture from time to time, and to secure the performance and observance by the Corporation of all the covenants, agreements and conditions in the Indenture and the Bonds, the Corporation has transferred to the Trustee in trust, and pledges, assigns and grants a security interest to the Trustee in the Trust Estate. The Trust Estate consists of the following:

- All right, title and interest of the Corporation in, to and under the Financing Agreement, including all payments required to be paid by the Board to the Corporation under, pursuant to and subject to the provisions of the Financing Agreement (except for the rights of the Corporation to receive moneys for its own account under the Financing Agreement, and any agreement of the Corporation to receive funds to deposit into the Rebate Fund and certain other funds held by the Trustee);

- All moneys and securities from time to time held by the Trustee under the terms of the Indenture in the respective Debt Service Account and the respective Construction Account for each series of Bonds, and any and all other property, pledged, assigned or transferred as and for additional security under the Indenture by the Corporation or by anyone on the Corporation's behalf, or with its written consent, to the Trustee; and

- All proceeds of the foregoing.

Notwithstanding the foregoing, no assurance can be given that such security interest can or will be perfected by the Corporation or the Trustee. See **"BONDHOLDER RISKS—Enforceability of Pledge of the Trust Estate in the Event of Bankruptcy**."

The Financing Agreement

The Board has designated the Corporation as its agent for the financing and refinancing of the Facilities, and the Facilities shall be held in trust by the Corporation for the Board. When any financed land, building, structure, hall, dormitory or apartment used in whole or in part by the Board on any of its campuses or elsewhere is determined by the Board to no longer constitute part of the Facilities, such land, building, structure, hall, dormitory or apartment shall become the absolute property of the Board, all in accordance with the articles of incorporation of the Corporation, as amended, and the Act.

The Board agrees in the Financing Agreement to pay to the Corporation the amounts, on the dates and in the manner set forth in the Financing Agreement, as shall be sufficient to pay the principal or redemption price of and interest on the Series 2019 Bonds as the same become due. The obligation of the Board to make payments in the amounts, on the dates and in the manner set forth in the Financing Agreement is absolute and unconditional regardless of whether a Project or any part thereof has been completed in whole or in part or is utilized by the University, and shall not be subject to any offset, counterclaim or other diminution on the part of the Board.

The principal of, redemption premium, if any, and interest on the Series 2019 Bonds are payable, except to the extent paid out of money attributable to the proceeds of the Series 2019 Bonds or the income from the temporary investment thereof, solely from payments derived by the Corporation under the Financing Agreement and deposited into the applicable Debt Service Account for each series of Bonds. In the Financing Agreement, the Board covenants and agrees to make payments to the Corporation in such amounts and at such times so as to provide sufficient funds with which to make full and timely payments on the Series 2019 Bonds. In addition to the amounts necessary to make payments of debt service on the Series 2019 Bonds, the Board also agrees that it will pay all costs incurred or required to be paid by the Corporation under the Indenture, and all reasonable fees, charges and expenses of the Trustee under the Indenture.

Pursuant to the Financing Agreement, the Board has irrevocably pledged to the payment of amounts due under such Financing Agreement with respect to the Series 2019A Bonds all amounts deposited, paid in or accruing to the Series 2019A Debt Service Account and the Series 2019A Construction Account, and the Board granted security interests therein to the Corporation and the Trustee for the Series 2019A Bonds. The Board further irrevocably pledges to the payment of the amounts due under the Financing Agreement with respect to the Series 2019B Bonds all amounts deposited, paid in or accruing to the Series 2019B Debt Service Account and the Series 2019B Construction Account, and the Board granted security interests therein to the Corporation and the Trustee for the Series 2019B Bonds.

The Board may make any and all legally permitted expenditures and disbursements from its funds during the term of the Financing Agreement as it shall deem necessary, desirable or advisable to conduct the business and affairs of the University. The Board shall take such action as shall be necessary to ensure that the Trustee shall have on deposit in the applicable Debt Service Account the amounts necessary for payment of principal of, redemption premium, if any, and interest on the applicable Payment Dates.

In accordance with the Indenture, all amounts received from the Board pursuant to the Financing Agreement constituting required Payments will be deposited into the applicable Debt Service Account in the Bond Fund established under the Indenture. The Board is obligated under the Financing Agreement to make the requisite Payments for deposit into the applicable Debt Service Account in the Bond Fund by no later than three Business Days prior to any Payment Date.

Special, Limited Obligations; Source of Payment

The Series 2019 Bonds are special, limited obligations of the Corporation and the principal thereof and interest thereon do not constitute a debt or liability of the Board, the State or any of its political subdivisions and none of the Board, the State or any of its political subdivisions is liable thereon. The Series 2019 Bonds do not constitute an indebtedness of the Board, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation under the laws of the State. The Series 2019 Bonds and the interest payable thereon do not obligate the State or any political subdivision thereof to levy any form of taxation therefor or to make any appropriations for their payment, other than the obligation of the Board to make payments under the Financing Agreement. The Series 2019 Bonds do not now and shall never constitute a charge against the general credit or taxing powers of the State or any political subdivision thereof. Neither the Board nor the Corporation has taxing power.

Available Funds

The Board's obligations under the Financing Agreement related to the Series 2019 Bonds are payable from legally available funds of the University. The table below is an estimation of legally available funds as of the periods indicated, which are referred to in this Official Statement as Available Funds.

> **"Available Funds"** include "Revenues, less (1) State Restricted Funds, and (2) Restricted Funds or Grants, plus Adjusted Beginning Cash and Cash Equivalents."
>
> For purposes of the term **"Available Funds,"** the following definitions apply:
>
> > ***"Adjusted Beginning Cash and Cash Equivalents"*** means the previous fiscal year ending cash, less restricted cash;
> >
> > ***"Restricted Funds or Grants"*** means funds whose purpose has been restricted by the terms of a contract or by the gift, grant or payee thereof, including State loans or grants, Federal loans or grants, and private gifts;
> >
> > ***"Revenues"*** means all financial resources appropriated to the University by the State and received by the University and all income earned by the University, excluding equity in joint venture; and
> >
> > ***"State Restricted Funds"*** means, from time to time, any amounts appropriated to the University by the State for capital projects but not permitted by law to be applied to the repayment of the Series 2019 Bonds.

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Available Funds[1] (in thousands) (unaudited)

Fiscal Year Ended June 30,	2016	2017	2018
Total Revenues	$2,155,882	$2,229,963	$2,244,516
Less:			
State Restricted Funds	(60,353)	(32,497)	(36,182)
Restricted Funds or Grants	(697,297)	(735,790)	(702,821)
subtotal	1,398,232	1,461,676	1,505,513
Plus:			
Adjusted Beginning Cash and Cash Equivalents	773,394	797,207	714,936
Available Funds	**$2,171,626**	**$2,258,883**	**$2,220,449**

[1] Assumes all of the obligations listed under **"PLAN OF FINANCE—Refunded Bonds"** are refinanced with a portion of the proceeds of the Series 2019 Bonds.
Source: University of Nebraska Central Administration

Available Funds are not referred to in, or pledged to the Corporation under, the Financing Agreement for payment of the Board's obligations related to the Series 2019 Bonds, and the table above is for informational purposes only. Furthermore, the Board is permitted under the Financing Agreement to make any legally permitted expenditures from its funds and accounts as the Board deems necessary to conduct the business and affairs of the University.

Other Indebtedness

As of October 1, 2019, the Board had $852,305,000 of outstanding indebtedness consisting of $433,725,000 outstanding principal amount of obligations related to other bonds or notes of the Corporation which are generally or in part payable from legally available funds of the Board and $418,580,000 of bonds that are secured by the MTI. The Board anticipates that all of the MTI bonds will be refunded with a portion of the proceeds of the Series 2019 Bonds. See **"APPENDIX A: THE UNIVERSITY OF NEBRASKA GENERAL AND FINANCIAL INFORMATION—BONDED INDEBTEDNESS"** for additional information about the Board's outstanding long-term debt obligations.

Additional Bonds or Other Obligations

Additional Bonds may be issued under and be secured by the Indenture at any time and from time to time upon compliance with the conditions in the Indenture to finance an additional Project, to refund any Outstanding Bonds, or any other legally permitted purpose. Before any Additional Bonds may be issued under the Indenture, the Corporation must enter into an amendment or supplement to the Financing Agreement with the Board to provide for Payments at least sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds then to be Outstanding (including the Additional Bonds to be issued) as the same become due.

With respect to other additional indebtedness of the Corporation, the Corporation may enter into separate agreements for the purpose of providing financing for future projects. In addition, neither the Indenture nor the Financing Agreement restrict the Board's or Corporation's ability to enter into additional obligations or incur additional indebtedness, whether such obligations or indebtedness are issued under and pursuant to the Financing Agreement or the Indenture.

ESTIMATED SOURCES AND USES OF FUNDS

	Series 2019A	Series 2019B	Total
Sources of Funds			
Principal Amount	$	$	$
[Less/Plus: [Net/Aggregate] Original Issue Discount/Premium]			
Funds Attributable to Refunded Bonds			
Total Sources of Funds:			
Uses of Funds			
Construction Account	$	$	$
Escrow Account			
Costs of Issuance[1]			
Underwriters' Discount			
Total Uses of Funds:			

[1] Includes rating agency fees, legal fees, financial advisor fees, and other miscellaneous costs associated with the issuance of the Series 2019 Bonds.

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DEBT SERVICE REQUIREMENTS

The following table sets forth the amounts required in each fiscal year for the payment of the principal of and interest on the Series 2019 Bonds, and certain other outstanding indebtedness of the Board and the Corporation as of October 1, 2019. See **"APPENDIX A: THE UNIVERSITY OF NEBRASKA GENERAL AND FINANCIAL INFORMATION—BONDED INDEBTEDNESS"** for additional information about each type of obligation, and the anticipated repayment sources for each.

			Series 2019 Bonds		
Fiscal Year	**MTI Bonds*≠**	**UNFC and NUCorp Bonds†≠**	**Principal**	**Interest**	**Total**
2020	$ 19,231,796	$ 37,469,941			$ 56,701,737
2021	36,148,800	78,141,828			114,290,628
2022	36,119,853	54,214,144			90,333,997
2023	37,321,630	56,221,814			93,543,444
2024	35,447,358	51,815,885			87,263,243
2025	32,568,433	40,096,481			72,664,914
2026	32,443,093	43,323,548			75,766,640
2027	32,401,235	30,266,647			62,667,882
2028	32,427,445	30,189,960			62,617,405
2029	32,401,705	30,152,609			62,554,314
2030	29,876,573	29,295,756			59,172,329
2031	25,310,124	29,265,739			54,575,863
2032	24,915,809	4,719,535			29,635,344
2033	24,780,325	4,672,236			29,452,561
2034	22,889,410	4,621,524			27,510,934
2035	22,858,991	2,344,914			25,203,905
2036	21,939,898	2,202,200			24,142,098
2037	20,847,034	2,199,600			23,046,634
2038	20,517,491	2,199,400			22,716,891
2039	16,698,149	2,200,088			18,898,236
2040	12,606,153	2,198,825			14,804,978
2041	9,082,922	2,200,613			11,283,534
2042	9,090,553	2,200,288			11,290,841
2043	9,078,694	1,837,850			10,916,544
2044	4,877,675	-			4,877,675
2045	4,872,075	-			4,872,075
2046	4,869,575	-			4,869,575
2047	690,088	-			690,088
2048	686,813	-			686,813
2049	-	-			-
Total	$612,999,695	$544,051,422	$	$	$1,157,051,118

* Excludes expected subsidy for outstanding Build America Bonds.
† Excludes expected subsidy for outstanding Qualified Energy Conservation Bonds, and includes amounts payable from State appropriations.
≠ Includes debt service on bonds proposed to be refunded with a portion of the proceeds of the Series 2019 Bonds.

BONDHOLDER RISKS

Limited Remedies

The remedies available to the Trustee or the registered owners of the Series 2019 Bonds upon an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Based upon existing constitutional and statutory law and judicial decisions, including specifically the federal bankruptcy code, the remedies provided in the Indenture upon a default may not be readily available or may be limited in application. The various legal opinions to be delivered concurrently with the delivery of the Series 2019 Bonds and the Financing Agreement will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No Revenues of the University are Pledged

As discussed under "**SECURITY,**" while the Board has agreed to make payments under the Financing Agreement from legally available funds, the Board has not agreed to maintain any funds at any certain balance. See **"SECURITY—The Financing Agreement."** The Board may expend its funds during the term of the Financing Agreement as it shall deem necessary, desirable or advisable to conduct the business and affairs of the University.

Reduction of State Appropriations for Operations

The State is not obligated in any manner to make future appropriations to the University in the amounts that have been appropriated in the past for operations. For the fiscal year ended June 30, 2019, State appropriations represented approximately 22% of the University's overall budget. See "**APPENDIX A: THE UNIVERSITY OF NEBRASKA GENERAL AND FINANCIAL INFORMATION—BUDGET AND FINANCE—General Operating Budget Sources of Funding**." State appropriations to the University have been reduced in recent years, and further reductions could have an adverse impact on the University's operations and could also negatively impact the University's bond ratings. See "**APPENDIX A: THE UNIVERSITY OF NEBRASKA GENERAL AND FINANCIAL INFORMATION—BUDGET AND FINANCE—Legislative and Budget Conditions**."

Other Factors Affecting the Operations of the University

One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the University's operations and financial performance (and thereby the operations and financial performance of the University) to an extent that cannot be determined at this time:

Changes in Management. Hank M. Bounds, Ph.D. resigned as president in March 2019, effective in August 2019. Susan Fritz, Ph.D. was named interim president by the Board in May 2019 and was confirmed as interim president on August 16, 2019. The University is conducting a comprehensive national search for its next president. Because the success of the University is highly dependent upon the vision and leadership of its president, the results of that search and the identification of the right individual for that role is critical for the University. The University could experience administrative or operational challenges in the future if there is a change in the executive management of the University, particularly in the office of the President, or if it is unable to attract and retain qualified leaders. See **"APPENDIX A: THE UNIVERSITY OF NEBRASKA GENERAL AND FINANCIAL INFORMATION—HISTORY AND GOVERNANCE—Leadership."**

Net Tuition Revenues and Tuition Discounting. In the past, increases in tuition and related student fees have been necessary to partially offset the University's increasing costs and have been effected without adversely affecting enrollment. Adverse economic conditions on students and families or changes in demographics in the University's service area could limit the University's ability to increase tuition or fees or require the University to increase tuition discounts and financial aid in order to maintain enrollment. See **"APPENDIX A: THE UNIVERSITY OF NEBRASKA GENERAL AND FINANCIAL INFORMATION—TUITION, FEES AND FINANCIAL AID."**

Compliance. Like all institutions of higher education, the University system and its operations are subject to a voluminous set of laws, rules and regulations. As a result of the increasing complexity of the University, including expanding globalization and advances in technology, along with increased governmental regulation at all levels and the continuous evolution of the interpretation and enforcement of these laws, rules and regulations, compliance has become more challenging and will likely continue to be more burdensome and complicated. Although the University implements and maintains compliance processes and procedures, the growing regulatory burden, in conjunction with the increased complexity of the University's operations, could impact the University's ability to effectively prevent, identify, or respond to regulatory violations or liability risks.

Research. The University conducts research activities sponsored by various entities, including agencies and departments of the Federal government, other governmental entities, companies and foundations. See **"APPENDIX A: THE UNIVERSITY OF NEBRASKA GENERAL AND FINANCIAL INFORMATION—RESEARCH."** The University's ability to retain research staff and meet budgetary forecasts is in part dependent on receiving research funding from such sponsors. There can be no assurance that these sponsors will continue to support research at their current levels. In addition, there are other organizations that compete with the University for these grants and contracts. There can be no assurance that the University will continue to receive an equal amount of research grants and contracts in the future.

Gifts, Grants and Bequests. Any decrease in the annual gifts, bequests and grants to the University could adversely affect the financial condition of the University and result in the need to increase tuition or reduce services, either of which could adversely affect the University. See **"APPENDIX A: THE UNIVERSITY OF NEBRASKA GENERAL AND FINANCIAL INFORMATION—FOUNDATION AND INVESTMENTS."**

Organized Labor Efforts. Efforts to organize employees of the University into collective bargaining units could result in adverse labor actions or increased labor costs. The University has agreements with two unions, which cover approximately 900 faculty members at the University of Nebraska at Omaha and the University of Nebraska at Kearney campuses, or 7.35% of the University's total regular employees. Each agreement is scheduled to expire on June 30, 2021. The University anticipates timely renewal of those agreements, and negotiations typically result in changes to terms and conditions of employment, including wages. While the union agreement for the faculty members at the University of Nebraska at Omaha contains provisions that preclude strikes by union employees or lock-outs of union employees by the University, the University cannot assure that those contract provisions in future union contracts will be honored by the unions or the covered employees.

Cybersecurity. The University relies on its information systems to provide security for processing, transmission and storage of confidential and other sensitive information. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches can create disruptions or shutdowns of the University and the services it provides, or the unauthorized access to or disclosure of personally identifiable information and other confidential or sensitive information. If personal or otherwise protected information is improperly accessed, tampered with or distributed, the University may incur significant costs to remediate possible injury to the affected persons, and the University may be subject to sanctions and civil penalties if it is found to be in violation of federal or state laws or regulations. While the University maintains and updates an information security program which is aligned to National Institute of Standards and Technology standards, no assurance can be given that such efforts will prevent a security breach. Any failure to maintain proper functionality and security of the University's information systems could interrupt the University's operations, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations and financial condition. Further, at least one of the rating agencies factors the risk of such an attack into its ratings analysis, recognizing that a cyberattack could affect liquidity, public policy and constituent confidence, and ultimately credit quality.

Environmental Health and Safety. Numerous and significant environmental health and safety laws and regulations impact many aspects of University operations. Despite the University's efforts to comply with such laws and regulations, due to the potential magnitude of a violation, or the possibility that a previously unknown environmental condition could be discovered, environmental health and safety remains an area that could adversely affect the University's operations and financial condition.

Natural Disasters or Terrorist Attacks. The occurrence of natural disasters (such as floods, tornados or droughts), terrorist attacks or any other similar events could damage the facilities of the University, interrupt services or otherwise impair the University's operations.

Financial Aid

A significant percentage of the University's students receive financial support in the form of federally supported loans and scholarships and grants from the University. For the fall 2018 semester, approximately 64% of undergraduates at the University received some form of financial aid, and undergraduates constitute approximately 75% of the University's student body. See **"APPENDIX A: THE UNIVERSITY OF NEBRASKA GENERAL AND FINANCIAL INFORMATION—TUITION, FEES AND FINANCIAL AID."** There can be no assurance that the amount of federally supported financial aid will remain stable or increase in the future. If the amount of such aid decreases in the future, there can be no assurance that the University will be able to increase the amount of financial aid provided by it. Any change in the availability of financial aid could adversely affect the University's enrollment and student demand.

Economic factors, including job and wage prospects, have affected perceptions of student loan indebtedness in recent years. Accordingly, even if the availability of financial aid in the form of student loans increases in future years, students and their families may resist increased debt levels, which could negatively impact the ability of the University to set tuition and fees at levels that correspond with the increasing costs of the University.

Enforceability of Pledge of the Trust Estate in the Event of Bankruptcy

The ability of the Corporation to pay debt service on the Series 2019 Bonds is secured by a lien granted pursuant to the Indenture on the Trust Estate. The effectiveness of the security interest in the Trust Estate under the Indenture may be limited by a number of factors, including: (a) statutory liens; (b) rights arising in favor of the United States of America or any agency thereof; (c) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; and (d) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Nebraska Uniform Commercial Code, as from time to time in effect. Bond Counsel and counsel to the Board and the Corporation are unable to render an opinion that the pledge from the Corporation to the

Trustee under the Indenture can be or will be perfected under the provisions of the Nebraska Uniform Commercial Code.

No Additional Interest or Mandatory Redemption upon Event of Taxability

The Indenture does not provide for the payment of additional interest or penalty on the Series 2019B Bonds or the mandatory redemption thereof if the interest thereon becomes includable in gross income for federal income tax purposes. Likewise, the Indenture does not provide for the payment of any additional interest or penalty on the Series 2019B Bonds if the interest thereon becomes includable in gross income for Nebraska income tax purposes.

Covenant to Maintain Tax-Exempt Status of the Series 2019B Bonds

The tax-exempt status of the Series 2019B Bonds is based on the continued compliance by the Corporation and the Board with certain covenants contained in the Financing Agreement, the Indenture and the Tax Compliance Agreement. These covenants relate generally to use of the financed facilities, arbitrage limitations and rebate of certain excess investment earnings to the federal government. Failure to comply with certain of these covenants may result in the treatment of interest on the Series 2019B Bonds as taxable retroactive to the date of issuance.

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Series 2019 Bonds are subject to the approval of Gilmore & Bell, P.C., Omaha, Nebraska, Bond Counsel, whose approving opinion will be delivered with the Series 2019 Bonds. Certain legal matters will be passed upon for the Underwriters by Bryan Cave Leighton Paisner LLP. Certain legal matters will be passed upon for the Board and the Corporation by James Pottorff, Vice President and General Counsel for the Board and the Corporation.

LITIGATION

The Corporation

There is not now pending against the Corporation any litigation restraining or enjoining the issuance or delivery of the Series 2019 Bonds or questioning or affecting the validity of the Series 2019 Bonds or any proceedings or authority under which the Series 2019 Bonds are to be issued.

The Board

No litigation, proceedings or investigations are pending or, to the knowledge of the Board, threatened against the Board, except litigation involving claims which, if adversely determined, will not, in the opinion of general counsel to the Board, materially and adversely affect the financial condition or operations of the Board.

TAX MATTERS

The following is a summary of the material federal and State of Nebraska income tax consequences of holding and disposing of the Series 2019 Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2019 Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Nebraska, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does address the tax treatment of persons who purchase the Series 2019 Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2019 Bonds.

Tax Status of the Series 2019A Bonds

Introduction. The following discussion summarizes certain material U.S. federal income tax considerations generally applicable to the purchase, ownership, and disposition of the Series 2019A Bonds by the beneficial owners thereof (**"Holders"**). The discussion is limited to the tax consequences to the initial Holders of the Series 2019A Bonds who purchase the Series 2019A Bonds at the issue price, within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended (**"Code"**). The discussion does not address the tax consequences to subsequent purchasers of the Series 2019A Bonds, including but not limited to the impact of the so-called "market discount" rules set forth in Sections 1276-1278 of the Code.

The discussion does not purport to be, and is not, a complete analysis of all of the potential U.S. federal income tax consequences relating to the purchase, ownership, and disposition of the Series 2019A Bonds. For example, the discussion does not address any state, local, non-U.S., U.S. federal estate, or U.S. federal gift tax consequences. The U.S. federal income taxation with respect to an investment in the Series 2019A Bonds is complex and may involve, among other things, significant issues as to the timing, character, source, and allocation of gains and losses. The discussion is necessarily general and is not intended to be applicable to all categories of purchasers, some of which, such as banks, thrifts, insurance companies, regulated investment companies, real estate mortgage investment conduits, dealers and traders in securities that elect to mark to market their securities portfolios, Holders who do not own the Series 2019A Bonds as capital assets, and non-U.S. Holders (as hereinafter defined) classified for U.S. federal income tax purposes as "controlled foreign corporations," "passive foreign investment companies," "personal holding companies," or "expatriates," may be subject to special rules. The discussion also does not address the special rules applicable to purchasers who hold the Series 2019A Bonds as part of a hedge, straddle, conversion, constructive ownership or constructive sale transaction, or other risk reduction transaction. The discussion assumes the Series 2019A Bonds are held as capital assets within the meaning of Section 1221 of the Code.

The discussion is based on the Code, Treasury Regulations issued under the Code (**"Treasury Regulations"**), administrative rulings, and judicial decisions as in effect at the time this Official Statement is being written, all of which are subject to change (possibly with retroactive effect) or different interpretations. No assurance can be given that future legislation, administrative guidance, administrative rulings, or judicial decisions will not modify the conclusions set forth herein. The actual tax and financial consequences of the ownership or sale of the Series 2019A Bonds will vary depending upon each Holder's circumstances.

Moreover, the legislation commonly referred to as the "Tax Cuts and Jobs Act" (**"2017 Tax Reform Act"**) significantly changed the U.S. taxation of individuals, sole proprietorships, corporations, and pass-through entities. Most provisions in the 2017 Tax Reform Act which apply to individuals are set to expire on December 31, 2025, which means U.S. federal income tax law as applied to individuals reverts back to the law as it existed prior to the effectiveness of the 2017 Tax Reform Act. Although this section of the Official

Statement summarizes certain key changes made by the 2017 Tax Reform Act and explains, where appropriate, how an expiration of those provisions may affect Holders, it is not intended to be an exhaustive discussion of those provisions.

Nomenclature. This section uses certain nomenclature to distinguish between the tax treatment applicable to different types of Holders. For purposes of this discussion, a "U.S. Holder" is a Holder of a Series 2019A Bond that, for U.S. federal income tax purposes, is: (i) a citizen or resident of the United States (as such residency is determined for U.S. federal income tax purposes); (ii) a corporation, or an entity treated as a corporation for U.S. federal income tax purposes, in either case created or organized in or under the laws of the United States or of any political subdivision thereof; (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust, the administration of which is subject to the primary supervision of a court within the United States and which has one or more United States persons (as described in Section 7701(a)(30) of the Code) with the authority to control all substantial decisions of the trust, or a trust that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person (as described in Section 7701(a)(30) of the Code). For purposes of this discussion, a "Non-U.S. Holder" is a person that is not a United States person (as described in Section 7701(a)(30) of the Code).

Tax Consequences to U.S. Holders

In General. Interest received or accrued, as well as any gain or loss on the sale, exchange, redemption, or other disposition of the Series 2019A Bonds, will not be exempt from U.S. federal income tax in the hands of a U.S. Holder. Instead, subject to the more detailed discussion herein, interest received or accrued on the Series 2019A Bonds will be taxable to a U.S. Holder at ordinary income tax rates and any gain on the sale, exchange, redemption, or other disposition of a Series 2019A Bond generally will be taxable to the U.S. Holder at the tax rates applicable to capital gains. The U.S. federal income tax consequences to a U.S. Holder may also be affected if a U.S. Holder acquires a Series 2019A Bond at a discount or at a premium. If a partnership, or an entity taxable as a partnership, holds the Series 2019A Bonds, then the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the tax status of the partnership. Partners of partnerships holding the Series 2019A Bonds should consult their own tax advisors with respect to the U.S. federal income tax treatment of the purchase, ownership, and disposition of the Series 2019A Bonds.

Stated Interest. Stated interest on the Series 2019A Bonds will be taxable to a U.S. Holder as ordinary income and generally at the time the interest is received or accrued in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

OID. A Series 2019A Bond will be treated as issued with original issue discount ("OID") if the excess of the Series 2019A Bond's "stated redemption price at maturity" over its "issue price" equals or exceeds a *de minimis* amount equal to one quarter of one percent of the Series 2019A Bond's stated redemption price at maturity multiplied by the number of years to its maturity. The stated redemption price at maturity of a Series 2019A Bond is generally equal to all payments on a Series 2019A Bond other than "qualified stated interest." In general, qualified stated interest is interest that is unconditionally payable at least annually. The Corporation intends to treat stated interest payable under the Series 2019A Bonds as qualified stated interest under Treasury Regulations relating to OID. The issue price of a Series 2019A Bond generally will be the first price at which a substantial amount of the Series 2019A Bonds is sold to persons other than bond houses, brokers or similar persons acting in the capacity of underwriters, placement agents or wholesalers. Assuming all interest payable under each of the Series 2019A Bonds is qualified stated interest, the stated redemption price at maturity is generally expected to equal the principal amount of each respective Series 2019A Bond.

If the Series 2019A Bonds are treated as issued with OID, then a U.S. Holder will be required to accrue OID using a constant yield method, include such accrued OID in income, and pay any resulting tax, all before the U.S. Holder receives cash attributable to that income and regardless of such U.S. Holder's method of tax accounting. The amount of OID generally includible is the sum of the daily portions of OID with respect to a Series 2019A Bond for each day during the taxable year or portion of the taxable year in which the U.S. Holder holds the Series 2019A Bond. Any *de minimis* OID generally will be included in income as principal payments are received on the Series 2019A Bonds in the proportion that each such payment bears to the original principal balance of the Series 2019A Bonds, and such income will generally be treated as an amount received on retirement of the Series 2019A Bonds. The treatment of the resulting gain or loss is subject to the general rules discussed below under "*Sale, Exchange, Redemption, or Other Disposition*." A U.S. Holder who includes OID in income is permitted to increase his, her, or its tax basis in the Series 2019A Bonds by the amount of OID included in income.

Bond Premium. If a U.S. Holder purchases a Series 2019A Bond for an amount in excess of the amount payable at maturity (*i.e.*, at a premium), then the U.S. Holder generally will be considered to have purchased the Series 2019A Bond with "amortizable bond premium" equal to the amount of such excess. A U.S. Holder who purchases a Series 2019A Bond with amortizable bond premium may either: (i) elect to amortize the bond premium as an offset to interest income, and not as a separate deduction, with the amount of the amortizable bond premium calculated under a constant yield method; or (ii) add the premium to the U.S. Holder's tax basis in the respective Series 2019A Bond, with the amount of the premium decreasing the gain or increasing the loss otherwise recognized on the disposition of the Series 2019A Bond. If the U.S. Holder elects to amortize the bond premium, then any amortizable amounts will reduce the U.S. Holder's tax basis in the Series 2019A Bonds. Moreover, if the U.S. Holder elects to amortize bond premium, then such election will apply to all Series 2019A Bonds (i) held by such U.S. Holder on the first day of the taxable year to which the election applies, and (ii) thereafter acquired by the U.S. Holder.

Principal Payments. Subject to certain exceptions (including the special rules for *de minimis* OID described above), principal payments on the Series 2019A Bonds generally will constitute a tax-free return of capital that will reduce a U.S. Holder's adjusted tax basis in the Series 2019A Bond to which the principal payment relates.

Sale, Exchange, Redemption, or Other Disposition. If a U.S. Holder of a Series 2019A Bond sells, exchanges, redeems, or otherwise disposes of the Series 2019A Bond, then the U.S. Holder will recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange, redemption, or other disposition (other than amounts representing accrued but unpaid interest, which amounts will be treated as a payment of interest) and the U.S. Holder's adjusted tax basis in the Series 2019A Bond. The U.S. Holder's adjusted tax basis of a Series 2019A Bond generally will equal the U.S. Holder's cost of acquiring such bond, increased by any OID previously included by the U.S. Holder in income with respect to such bond, and decreased by the amount of any bond premium previously amortized with respect to such bond and by the amount of principal payments received by the U.S. Holder with respect to such bond. Further, if the Corporation establishes a legal defeasance of any Series 2019A Bond, that Series 2019A Bond may be deemed to be retired and "reissued" for U.S. federal income tax purposes as a result of the defeasance.

Effect of Recent Changes in U.S. Tax Laws. Under the 2017 Tax Reform Act, a U.S. Holder that uses an accrual method of accounting for U.S. federal income tax purposes and prepares an "applicable financial statement" (within the meaning of Section 451 of the Code) generally would be required to include certain amounts in income no later than the time such amounts are reflected on such financial statements. This rule generally is effective for tax years beginning on or after January 1, 2018, but for debt instruments issued with OID, this rule is effective for tax years beginning on or after January 1, 2019. The application of this rule may require the accrual of income earlier than would be the case under the general tax rules previously discussed for certain U.S. Holders. Prospective purchasers should consult their own tax advisors regarding the potential applicability of these rules to their ownership and disposition of the Series 2019A Bonds.

Tax Consequences to Non-U.S. Holders

In General. The United States currently taxes the worldwide income of U.S. citizens, resident aliens, and domestic corporations without regard to whether the income arose from a transaction or activity that originated outside its geographic borders. Nonresident aliens and foreign corporations are generally taxed in the same manner as U.S. citizens, resident aliens, and domestic corporations on income that is effectively connected with a trade or business in the United States. Stated differently, foreign persons are subject to U.S. tax on any income that is effectively connected with the conduct of a trade or business in the United States.

Different rules apply when the income is not effectively connected with a trade or business in the United States. For example, income not effectively connected with a trade or business in the United States, but which is fixed, determinable, annual or periodical, generally is taxed at a rate equal to thirty percent (30%), unless a lower rate applies pursuant to U.S. law or an applicable income tax treaty. Pursuant to Sections 1441 and 1442 of the Code, tax due on fixed, determinable, annual or periodical income is generally required to be withheld from each payment made to the foreign person and remitted by the withholding agent to the U.S. Department of the Treasury. In general, interest (including OID) is fixed, determinable, annual or periodical income, and as such, interest (including OID) is typically subject to U.S. withholding tax, unless an exception applies. Pursuant to Sections 871(h) and 881(c) of the Code, so-called "portfolio interest" is exempt from U.S. withholding tax. Prospective purchases should consult their own tax advisors regarding the potential applicability of the "portfolio interest" exemption from U.S. withholding tax.

Payments of Interest. Subject to the discussion below under the headings "FATCA" and "Backup Withholding and Information Reporting," payments of interest (including OID) with respect to a Series 2019A Bond held by a Non-U.S. Holder generally may not be subject to U.S. withholding tax, provided that the statement requirement set forth in Section 871(h) or Section 881(c) of the Code (each described below) has been fulfilled with respect to such Non-U.S. Holder.

Payments of Principal. Subject to the discussion below under the headings "FATCA" and "Backup Withholding and Information Reporting," payments of principal with respect to a Series 2019A Bond held by a Non-U.S. Holder generally may not be subject to U.S. withholding tax.

Proceeds from a Sale, Exchange, Redemption, or Other Disposition. Subject to the discussion below under the headings "FATCA" and "Backup Withholding and Information Reporting," a Non-U.S. Holder generally will not be subject to U.S. withholding tax on gain realized from the sale, exchange, redemption, or other disposition of a Series 2019A Bond, unless: (i) such Non-U.S. Holder is an individual who is present in the United States for 183 or more days in the taxable year of such sale, exchange, redemption, or other disposition and certain other conditions are met; or (ii) such gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States (and, under certain income tax treaties, is attributable to a U.S. permanent establishment maintained by such Non-U.S. Holder). Further, if the Corporation establishes a legal defeasance of any Series 2019A Bond, that Series 2019A Bond may be deemed to be retired and "reissued" for U.S. federal income tax purposes as a result of the defeasance.

Required Certifications to Obtain Exemption From Withholding. Sections 871(h) and 881(c) of the Code require that, in order for a Non-U.S. Holder to obtain the above-described exemptions from U.S. withholding tax, either the Non-U.S. Holder or a securities clearing organization, bank, or other financial institution that holds customers' securities in the ordinary course of its trade or business ("Financial Institution") and that is holding the Series 2019A Bond on behalf of such Non-U.S. Holder, must file a statement with the Corporation, its paying agent, or other applicable withholding agent to the effect that the Non-U.S. Holder is not a United States person (as defined in Section 7701(a)(30) of the Code). Such requirement will be met if the Non-U.S. Holder: (i) provides his, her, or its name and address; (ii) certifies under penalties of perjury that he, she, or it is not a United States person (as defined in Section 7701(a)(30) of the Code); and (iii) so certifies on the appropriate IRS Form, which is IRS Form W-8BEN for an individual, Form W-8BEN-E for an entity, Form W-8EXP for a foreign government, international organization, foreign central bank of issue, foreign tax-exempt organization, foreign private foundation, or government of a U.S. possession, or any successor form. Such requirement will also be met if any Financial Institution holding the Series 2019A Bond on behalf of the Non-U.S. Holder files a statement with the Corporation, its paying agent, or other applicable withholding agent to the effect that it has received such a statement from the Non-U.S. Holder (and furnishes the Corporation, its paying agent, or other applicable withholding agent with a copy thereof). In addition, in the case of Series 2019A Bonds held by a foreign intermediary (other than a "qualified intermediary") or a foreign partnership (other than a "withholding foreign partnership"), the foreign intermediary or partnership, as the case may be, generally must provide a properly executed IRS Form W-8IMY (or successor form) and attach thereto an appropriate certification by each foreign beneficial owner or payee. A certificate is generally effective only with respect to payments of interest (including OID) made to the certifying Non-U.S. Holder after issuance of the certificate in the calendar year of its issuance and the two immediately succeeding calendar years. Thus, Non-U.S. Holders will be required to provide these certifications more than once.

Non-U.S. Holders Engaged in a Trade or Business in the United States. If a Non-U.S. Holder is engaged in a trade or business in the United States, and if interest (including OID) or gain realized on the sale, exchange, redemption, or other disposition of a Series 2019A Bond is effectively connected with the conduct of such trade or business, then the Non-U.S. Holder, although exempt from U.S. withholding tax, generally will be subject to regular U.S. federal income tax on such effectively connected income or gain in the manner as if it were a U.S. Holder. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to thirty percent (30%) (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. Interest income (including OID) or gain that is effectively connected with a trade or business in the United States will not be subject to withholding tax if the Non-U.S. Holder provides a properly executed IRS Form W-8ECI (or successor form) to the Corporation, its paying agent, or other applicable withholding agent in order to claim an exemption from withholding tax.

Effect of Not Providing the Required Exemption Certificate. A Non-U.S. Holder who does not satisfy the exemption requirements is generally subject to United States withholding tax on payments of interest (including OID).

FATCA

The Foreign Account Tax Compliance Act (**"FATCA"**) generally imposes U.S. withholding tax on interest payments and gross proceeds of the sale, exchange, redemption, or other disposition of the Series 2019A Bonds paid to certain foreign financial institutions (which is broadly defined for this purpose to generally include most non-U.S. banks and investment funds) and certain other non-U.S. entities, unless certain disclosure and due diligence requirements related to financial accounts held by U.S. taxpayers or by foreign entities in which U.S. taxpayers hold substantial ownership interests are satisfied. A foreign financial institution or other entity that is subject to FATCA, but which fails to meet the requirements imposed by FATCA, generally will be subject to a U.S. withholding tax with respect to any "withholdable payments." For this purpose, withholdable payments generally include U.S.-source payments otherwise subject to nonresident withholding tax (*e.g.*, U.S.-source interest, including OID) and the entire gross proceeds from the sale, exchange, redemption, or other disposition of any debt instruments of U.S. issuers, even if the payment would otherwise not be subject to U.S. nonresident withholding tax (*e.g.*, because the proceeds are a capital gain). Thus, if a Holder is a foreign financial institution or other entity that is subject to FATCA, but that institution or entity does not comply with FATCA, then such Holder would be subject to a thirty percent (30%) U.S. withholding tax. An intergovernmental agreement between the United States and an applicable non-U.S. country may modify these requirements.

The Corporation will not pay any additional amounts in respect of any amounts withheld, including pursuant to FATCA, and Holders or beneficial owners of the Series 2019A Bonds will have no recourse against the Corporation.

Backup Withholding and Information Reporting

There will be reported annually to the IRS, and to each Holder, the amount of interest (including OID) paid on, or the proceeds from the sale, exchange, redemption, or other taxable disposition of, the Series 2019A Bonds and the amount withheld for U.S. federal income tax purposes, if any, for each calendar year, except as to certain exempt recipients, such as corporations, tax-exempt organizations, qualified pension and profit sharing trusts, individual retirement accounts, or nonresident aliens who provide an appropriate certification as to their tax status. Each Holder, other than a Holder who is not subject to the foregoing reporting requirements, will be required to provide, under penalties of perjury, a certificate containing its name, its address, its correct U.S. federal taxpayer identification number, and a statement that the Holder is not subject to back-up withholding. If any Holder fails to provide the required certification, or if there are other related compliance failures, then there will be withheld amounts at a prescribed rate from the interest otherwise payable to the Holder or the proceeds from the sale, exchange, redemption, or other taxable disposition of the Series 2019A Bonds, and the withheld amounts will be remitted to the U.S. Department of the Treasury and credited against the Holder's U.S. federal income tax liability. In addition, Holders will be required to provide to the Corporation or designated agents all information, documentation, or certifications acceptable to the Corporation or its agents to permit compliance with tax reporting obligations under applicable law, including any applicable cost basis reporting obligations. Non-U.S. Holders should consult their own tax advisors with respect to the possible applicability of U.S. withholding and other taxes with respect to their holding the Series 2019A Bonds.

State, Local, and Foreign Taxes

Holders may be subject to state, local, or foreign taxes with respect to an investment in the Series 2019A Bonds. In light of the potential impact of state, local, and foreign taxes (including the limitations on deductibility of state and local taxes imposed by the 2017 Tax Reform Act), prospective investors are urged to consult their tax advisors with respect to the state, local and foreign tax consequences of an investment in the Series 2019A Bonds.

No Nebraska Tax Exemption

The interest on the Series 2019A Bonds is *not* exempt from income taxation by the State of Nebraska.

No Opinions.

Bond Counsel is expressing no opinion regarding federal, state or local tax consequences arising with respect to the Series 2019A Bonds. Purchasers of the Series 2019A Bonds should consult their tax advisors as to the applicability of these tax consequences and other income tax consequences of the purchase, ownership and disposition of the Series 2019A Bonds

Tax Status of the Series 2019B Bonds - Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Corporation, under the law existing as of the issue date of the Series 2019B Bonds:

Federal and State of Nebraska Tax Exemption. The interest on the Series 2019B Bonds [(including any original issue discount properly allocable to an owner thereof)] is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Nebraska.

Alternative Minimum Tax. The interest on the Series 2019B Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

Bank Qualification. The Series 2019B Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Bond Counsel's opinions are provided as of the date of the original issue of the Series 2019B Bonds, subject to the condition that the Corporation and the Board comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2019B Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Corporation and the Board have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2019B Bonds in gross income for federal and State of Nebraska income tax purposes retroactive to the date of issuance of the Series 2019B Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2019B Bonds.

Series 2019B Bonds - Other Tax Consequences

[*Original Issue Discount.* For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a bond over its issue price. The issue price of a Series 2019B Bond is generally the first price at which a substantial amount of the Series 2019B Bonds of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2019B Bond during any accrual period generally equals (1) the issue price of that Series 2019B Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2019B Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Series 2019B Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that Series 2019B Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.]

[***Original Issue Premium.*** For federal income tax purposes, premium is the excess of the issue price of a bond over its stated redemption price at maturity. The issue price of a Series 2019B Bond is generally the first price at which a substantial amount of the Series 2019B Bonds of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the Series 2019B Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Series 2019B Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2019B Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.]

Sale, Exchange or Retirement of Series 2019B Bonds. Upon the sale, exchange or retirement (including redemption) of a Series 2019B Bond, an owner of the Series 2019B Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2019B Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series 2019B Bond. To the extent a Series 2019B Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2019B Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series 2019B Bonds, and to the proceeds paid on the sale of the Series 2019B Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Series 2019B Bonds should be aware that ownership of the Series 2019B Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2019B Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2019B Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2019B Bonds, including the possible application of state, local, foreign and other tax laws.

RATINGS

Moody's Investors Service has assigned the Series 2019 Bonds the rating of "Aa1" and S&P Global Ratings has assigned the Series 2019 Bonds the rating of "AA." Such ratings reflect only the views of such organizations, and an explanation of the significance of such ratings may be obtained from Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007, telephone (212) 553-0300, and S&P Global Ratings, 55 Water Street, New York, New York, 10041, telephone (212) 438-2124.

Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agencies. The debt ratings are not a recommendation to purchase, sell or hold a security, inasmuch as they do not comment as to market price or suitability for a particular investor. There is no assurance that the above ratings will remain for any given period of time or that they may not be lowered, suspended or withdrawn entirely by either or both rating services if they deem circumstances are appropriate. Any downward change in, suspension or withdrawal of either or both ratings may have an adverse effect on the market price of the Series 2019 Bonds.

FINANCIAL STATEMENTS

The financial statements of the University of Nebraska, a component unit of the State of Nebraska, as of and for the years ended June 30, 2018 and June 30, 2017 included in **APPENDIX B** to this Official Statement, have been audited by the Auditor of Public Accounts of the State of Nebraska, as stated in its report appearing herein. The Auditor of Public Accounts has not been engaged to perform and has not performed, since the date of its report included here, any procedures on the financial statements addressed in that report. The Auditor of Public Accounts also has not performed any procedures relating to this Official Statement.

The financial statements of the University of Nebraska Foundation that are included as a discretely presented component unit in the University of Nebraska financial statements as of and for the years ended June 30, 2018 and 2017 have been audited by KPMG, LLP, independent accountants, as stated in their report appearing herein.

CONTINUING DISCLOSURE

Continuing Disclosure Undertaking

The Board is executing and delivering a Continuing Disclosure Undertaking for the benefit of the Beneficial Owners of the Series 2019 Bonds and in order to assist the Underwriter in complying with its obligations under Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the **"Rule"**). The Board and the Corporation have determined that no financial or operating data concerning the Corporation is material to an evaluation of the offering of the Series 2019 Bonds or to any decision to purchase, hold or sell the Series 2019 Bonds and the Corporation will not provide such information. The Board is the only "obligated person" with responsibility for continuing disclosure under the Rule. Accordingly, the Corporation shall have no liability to the registered or Beneficial Owners of the Series 2019 Bonds or any other person with respect to the Continuing Disclosure Undertaking executed by the Board.

The form of Continuing Disclosure Undertaking for the Series 2019 Bonds is included in this Official Statement as **APPENDIX D**.

Compliance with Prior Undertakings

The Board believes that it has complied in all material respects during the past five years with its prior undertakings under the Rule.

Electronic Municipal Market Access ("EMMA")

All Annual Reports and notices of Material Events required to be filed by the Board pursuant to the Continuing Disclosure Undertaking must be submitted to the MSRB through the MSRB's Electronic Municipal Market Access system (**"EMMA"**). EMMA is an internet-based, online portal for free investor access to municipal bond information, including offering documents, material event notices, real-time municipal securities trade prices and MSRB education resources, available at www.emma.msrb.org. Nothing contained on EMMA relating to the Board or the Series 2019 Bonds is incorporated by reference in this Official Statement.

UNDERWRITING

Morgan Stanley & Co. LLC, as representative of the Underwriters (the "**Underwriter**") has agreed, subject to certain customary closing conditions, to purchase (a) the Series 2019A Bonds at an aggregate purchase price of $___________ (equal to the par amount of the Series 2019A Bonds and less Underwriters' discount of $_________) and (b) the Series 2019B Bonds at an aggregate purchase price of $___________ (equal to the par amount of the Series 2019B Bonds [plus/less [net/aggregate] original issue premium/discount in the amount of $________] and less the Underwriters' discount of $_________). The Underwriter will be obligated to purchase all of the Series 2019 Bonds if any such Series 2019 Bonds are purchased. The Series 2019 Bonds may be offered and sold to certain dealers at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Corporation, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Corporation.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Morgan Stanley & Co. LLC, one of the Underwriters of the Series 2019 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC (the **"MS Distribution Arrangement"**). As part of the MS Distribution Arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this MS Distribution Arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2019 Bonds.

BofA Securities, Inc., as an Underwriter of the Series 2019 Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (**"MLPF&S"**). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2019 Bonds.

FINANCIAL ADVISOR

Janney Montgomery Scott LLC (**"Janney"**) has been retained by the Board to act as its financial advisor in connection with the issuance of the Series 2019 Bonds. Although Janney has assisted in the preparation of this Official Statement, Janney is not obligated to undertake, and has not undertaken to make, any verification to assume responsibility for the information contained in this Official Statement.

MISCELLANEOUS

The Board has furnished all of the information in this Official Statement relating to the Board. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The summaries or descriptions of provisions of the Series 2019 Bonds, the Financing Agreement, the Indenture, and all references to other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of the provisions thereof. Reference is hereby made to such instruments, documents and other materials for the complete provisions thereof.

The delivery of this Official Statement has been duly authorized by the Board and the Corporation.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

THE UNIVERSITY OF NEBRASKA FACILITIES CORPORATION

APPENDIX A

THE UNIVERSITY OF NEBRASKA
GENERAL AND FINANCIAL INFORMATION

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HISTORY AND GOVERNANCE

General

Chartered by the Nebraska Legislature (the **"Legislature"**) in 1869 as the state university and also the land grant institution of the State, the University of Nebraska (the **"University"**) acquired the dual responsibility of providing academic instruction in liberal arts and sciences and practical training in agriculture and mechanical arts. From this diversified beginning, the University refined its mission into three interdependent areas: teaching, research, and public service.

Founded in Lincoln, the University was expanded in 1968 into a state educational system under the guidance of the Board and the University of Nebraska Central Administration (**"UNCA"**).

The University's Lincoln campuses are called, collectively, the University of Nebraska-Lincoln (**"UNL"**). The agricultural components, organized within the Institute of Agriculture and Natural Resources, are affiliated with UNL. UNL is the University's flagship campus, enrolling more than 25,000 students annually. UNL is a Carnegie I Research Institution, a member of the Association of Public and Land-grant Universities, and accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools. UNL is a member of the Big Ten Conference.

Omaha's former municipal university became the University of Nebraska at Omaha (**"UNO"**) and joined the University in 1968. With more than 15,000 students, UNO is known for its student-centered environment and its community engagement. UNO has built strong partnerships with local business, education, government, arts and civic organizations in the City of Omaha. UNO has consistently ranked among the nation's top universities for community service and civic engagement, with more than 500 partner organizations focused on community issues. UNO also has maintained a steady presence in the top tier of *Military Times* magazine's "Best for Vets" annual rankings.

The former Kearney State College became the University of Nebraska at Kearney (**"UNK"**) in 1991. UNK offers its more than 6,000 students opportunities in an environment that gives them a private school feel, but on a major state university campus. As the educational hub for rural Nebraska, UNK offers 120 undergraduate majors, 22 pre-professional programs, and 27 graduate programs. The campus is a model for undergraduate research, with over 30% of UNK students doing research outside of the classroom and presenting at academic conferences. More than 76% of full-time faculty have the highest degrees in their fields.

The University's College of Medicine in Omaha was renamed the University of Nebraska Medical Center (**"UNMC"**) and joined the University in 1902. The State's first medical college expanded to include a dental college, a pharmacy college, nursing college and other areas of study. Today, UNMC, in partnership with Nebraska Medicine, a nonprofit corporation in which the University owns a 50% joint interest, generate an annual economic impact of $4.2 billion for the State. UNMC is Nebraska's only public academic health sciences center. It is committed to the education of a 21st century health care work force, to finding cures and treatments for devastating diseases, to providing the best patient care and to serving the community and the State through outreach. UNMC's primary care program was ranked eighth in the nation by *U.S. News and World Report*.

Instruction is organized within individual colleges and schools on each of the campuses. Many of these units, while administered by one campus, offer academic programs on other campuses within the system. In addition to bachelor degrees, the University offers masters, professional, specialist, and doctoral degrees, which are granted by a system-wide Graduate College.

More than 51,000 students were enrolled at the University in the fall of 2018. Approximately 75% of students for the fall 2018 semester originated from Nebraska, approximately 8% from Colorado, Iowa, Kansas, Illinois or Minnesota, and approximately 17% from other states or territories.

Governance

The University is governed by a Board of Regents (the **"Board"**) that includes eight members elected by district, each of whom serves a six-year term. Under Nebraska law, there are no term limitations for members of the Board. There are also four non-voting student members of the Board who are the presidents of the student bodies of each campus of the University. Board members receive no compensation for their services but may be reimbursed for the cost of actual expenses incurred in the discharge of their duties. The Board holds regularly scheduled meetings six times a year. Under Nebraska law, the Board has full power to appoint its own presiding officer and secretary and is further authorized to enact laws for the government of the University, to elect a president, vice presidents, chancellors, vice chancellors, deans, associate deans, assistant deans, directors, associate directors, assistant directors, professors, associate professors, assistant professors, other members of the faculty, staff, and employees generally of the university, to prescribe the duties of all such persons, and to fix their compensation.

Current members of the Board are as follows:

Name	Occupation	City
Tim Clare, Chair	Attorney	Lincoln, Nebraska
Jim Pillen, Vice Chair	Agribusiness	Columbus, Nebraska
Howard Hawks	Chairman, Tenaska, Inc.	Omaha, Nebraska
Paul Kenney	Agribusiness	Kearney, Nebraska
Elizabeth O'Connor	Attorney	Omaha, Nebraska
Bob Phares	Financial Consultant	North Platte, Nebraska
Robert Schafer	Attorney	Beatrice, Nebraska
Barbara Weitz	Education	Omaha, Nebraska

Current non-voting student members of the Board are as follows:

Name	Campus
Emily Johnson	UNL
Nicole Kent	UNK
Keith Ozanne	UNMC
Aya Yousef	UNO

The Board also has four standing committees, as follows:

> Executive Committee, which serves as the consultant group for the President during times when the full Board is not in session. The Executive Committee reviews the proposed agenda of each meeting of the Board and approves all agenda items of the remaining committees of the Board.
>
> Academic Affairs Committee, which addresses matters involving teaching, research, service and extension.
>
> Audit, Risk and Compliance Committee, which addresses policies affecting operations review, accountability, and audit.

Business Affairs Committee, which addresses matters of finance, budget, and business administration.

Leadership

President

The president of the University is appointed by the Board, and is the chief executive officer responsible for University administration, operation and implementation of Board policies and goals. The president also supervises the chancellors and certain central leadership personnel, including the chief financial officer and general counsel. See **"BONDHOLDER RISKS—Other Factors Affecting the Operations of the University—*Changes in Management*."**

After four years of services as the president of the University, Hank M. Bounds, Ph.D. announced in March 2019 that he would resign from the role in August 2019. The Board is undertaking a national search for a new president. Following a public nomination process that generated almost 200 names, the Board approved the appointment of a 23-person Presidential Search Advisory Committee that will assist the Board with the search for the next president. Members of the Advisory Committee include Board members, student leaders, community and business leaders, faculty, and staff.

The Board in May 2019 appointed Susan Fritz, Ph.D. as interim president of the University. Dr. Fritz has served as executive vice president and provost of the University since 2012, and has worked at the University for more than 30 years. She was installed as interim president on August 16, 2019. Before joining the Provost's Office, Dr. Fritz served as the Associate Vice Chancellor for the Institute of Agriculture and Natural Resources and Interim Dean of the Agricultural Research Division. She also directed the Institute of Agriculture and Natural Resources' international agricultural programs and is a former associate dean of the College of Agricultural Sciences and Natural Resources and department head of the Agricultural Leadership, Education and Communications (ALEC) program. Dr. Fritz is a 1979 graduate of UNL and received her master's degree in 1989 and her Ph.D. in 1993, both from UNL. In 2009, Dr. Fritz was inducted into the Nebraska Hall of Agricultural Achievement and is the recipient of numerous awards for teaching excellence. She completed a Fulbright Senior Specialist assignment at the University of Zagreb (Croatia), and serves as a North Central Higher Learning Commission Consultant Evaluator, a Fulbright Evaluator, and a 2012 Baldrige Examiner with the U.S. Department of Commerce.

Chancellors

Each campus operates under the direct administration of a chancellor. Below are brief biographies of the current chancellors of each campus:

University of Nebraska-Lincoln. Ronnie Green assumed full authority as the UNL's 20th chancellor on May 8, 2016. Prior to being named chancellor, Chancellor Green served for six years as the Harlan Vice Chancellor of the Institute of Agriculture and Natural Resources. In this role, he also jointly served as the Vice President for Agriculture and Natural Resources of the University system. Since 2015, Chancellor Green also was UNL's Senior Vice Chancellor for Academic Affairs, the institution's chief academic officer and responsible authority in the absence of the chancellor. Chancellor Green received bachelor and master's degrees in animal science from Virginia Tech and Colorado State University, respectively. His doctoral program was completed jointly at the University of Nebraska and the USDA-ARS U.S. Meat Animal Research Center in animal breeding and genetics in 1988. Chancellor Green has served on the animal science faculties of Texas Tech University and Colorado State University, and as the national program leader for animal production research for the USDA's Agricultural Research Service and executive secretary of the White House's interagency working group on animal genomics within the National Science and Technology Council. Prior to returning to the University, Chancellor Green served as senior global director of technical services for Pfizer Animal Health's animal genomics business. Chancellor Green has published 130 refereed publications and abstracts, nine book chapters and 56 invited symposia papers; and has delivered invited presentations in 43 U.S. states and 21 countries around the world. He is a past-president of both the American Society of Animal Science (ASAS) and the National Block and Bridle Club, and has served in a number of leadership positions for the U.S. Beef Improvement Federation, National Cattlemen's Beef Association, National Pork Board, Federated Animal Science Societies and the National Research Council. He was named a fellow of ASAS in 2014 and, in 2015, a fellow of the American Association for the Advancement of Science.

University of Nebraska Medical Center and the University of Nebraska at Omaha. Jeffrey P. Gold, M.D., became Chancellor of UNMC on February 1, 2014. In addition, Chancellor Gold became Interim Chancellor of UNO on May 8, 2017, and was formally installed as chancellor of UNO on September 5, 2019. Chancellor Gold also chairs the board of a clinical enterprise that includes UNMC's primary hospital partner, The Nebraska Medical Center; its physician practice group, UNMC Physicians; and the Bellevue Medical Center. Chancellor Gold also holds a health professions appointment in the department of surgery. Prior to joining UNMC in 2014, Chancellor Gold served as Chancellor of the University of Toledo's health science campus, which includes the Colleges of Medicine, Nursing, Pharmacy, Health Science and Human Service, and Graduate Medical Study. In that role, Chancellor Gold had full leadership responsibility of the clinical, education and research programs, the faculty practice plan and the clinical delivery system. Prior to joining the University of Toledo, Chancellor Gold served at the Albert Einstein College of Medicine and the Weill Cornell Medical College. Chancellor Gold graduated from the Cornell University College of Engineering, where he majored in theoretical and applied mechanics. He earned his M.D. from the Weill Cornell College of Medicine and completed his general surgery residency at The New York Hospital and Memorial Hospital, where he served as the administrative chief resident; and his cardiothoracic residency training at the Brigham and Women's Hospital and Boston Children's Hospital of Harvard Medical School. Chancellor Gold is a board certified thoracic surgeon and specializes in adult and pediatric cardiac surgery. Chancellor Gold serves on over 50 professional committees and over 100 national organizations, volunteer boards, government/public health councils, and industry. He was recently elected to the American Medical Association's Council on Medical Education and the Liaison Committee on Medical Education and has served as president of the Thoracic Surgery Directors Association, a national organization devoted to improving the education of resident physicians. Chancellor Gold has authored over 200 peer-reviewed articles, 250 national presentations, 40 books and chapters and over 60 invited professorships.

University of Nebraska at Kearney. Douglas A. Kristensen was appointed Chancellor of UNK in July 2002. Chancellor Kristensen is the former, and longest serving, Speaker of the Nebraska State Legislature where he represented the 37th legislative district after having been elected to the office first in 1988 and reelected in 1992, 1996, and 2000. At the time he held political office, he was an active partner in the law firm of Lieske & Kristensen in Minden, Nebraska. Chancellor Kristensen was Kearney County Attorney from 1983 to 1988, and was previously in private legal practice in Carroll, Iowa. Chancellor Kristensen's civic and professional awards include the Nebraska State Bar Association Award of Merit, recognition as a Friend of the University at the University of Nebraska at Kearney in 1998; League of Nebraska Municipalities Distinguished Service Award; American Council of Young Political Leaders; Presidents' Award, Nebraska Association of County Officials; Outstanding Young Men of America; the Innocents Society, University of Nebraska.; Phi Kappa Phi; and Acacia National Fraternity Order of Pythagoras. Chancellor Kristensen's current memberships include the U.S. Supreme Court Bar Association; Nebraska Bar Association; the Kearney Area Chamber of Commerce Board of Directors; Platte Valley State Bank and Trust Company Board of Directors; and Rowe Sanctuary Board of Directors. He is the former National Vice President of the National Conference of State Legislatures; Executive Board Member of the Council of State Governments; and a member of the State Legislative Leaders Foundation. He has also served on the Nebraska Constitutional Review Commission and the Federal Communications Commission Local and

State Government Advisory Committee. Chancellor Kristensen's educational credentials include a bachelor's degree in Economics and Political Science from the University of Nebraska-Lincoln, and the Doctor of Jurisprudence from Drake University.

Business and Finance

Chris Kabourek is Vice President|CFO of the University of Nebraska System. Mr. Kabourek was appointed interim Vice President|CFO beginning in January 2018, and was named to the permanent position in July 2018. Mr. Kabourek serves as the primary executive officer of the University system in all matters of business, finance and general administration and is a member of the President's Executive Cabinet. A 22-year employee of the University, Mr. Kabourek was most recently the University's Assistant Vice President and Director of Budget and Planning where he was responsible for developing the university-wide budget and managing any number of finance and planning issues. He holds a B.S. degree from Nebraska Wesleyan University and an M.B.A. from UNL.

Brenda Owen is Assistant Vice President/Controller of the University of Nebraska System. Ms. Owen previously served as Director of University Accounting (2017-2018) and prior to that, she was the Director of Accounting at UNL from 2008 to 2017, and Assistant Director of Accounting at UNL from 2002-2008. Before she joined the University, Ms. Owen was an auditor with Deloitte & Touche. In her current position, Ms. Owen is responsible for financial statements, managing annual audits, tax compliance, financing administration of capital projects, and debt management functions. Ms. Owen holds a bachelor's degree in Business Administration with an Accounting emphasis from UNL and is a licensed CPA in the State of Nebraska.

University Affairs

Heath Mello, a former state senator and public policy strategist, was named Interim Vice President for University Affairs in July 2019. Mr. Mello had served as Associate Vice President for University Affairs and Director of State Relations since December 2017. Mr. Mello has more than 15 years of public policy, communications, marketing, fundraising, and community relations in the nonprofit and higher education industry. As Interim Vice President for University Affairs, Mr. Mello serves on the President's Executive Cabinet and is responsible for promoting positive relations and outcomes between the University and its constituents. As the senior member of the University Affairs team, Mr. Mello oversees the unit responsible for state and federal government relations, marketing, communications and event planning. He also serves as the University's chief lobbyist.

General Counsel

James Pottorff was named the University's Vice President and General Counsel in September 2018. Mr. Pottorff is the chief legal officer for the University system, leading a team responsible for all legal matters including employment issues, real estate transactions, contract negotiations, administrative matters, litigation and appeals, intellectual property and technology transfer, athletics, health sciences, University policies, rules, regulations, and compliance with local, state and federal laws. Mr. Pottorff most recently was general counsel at the University of Kansas, a role he held for 17 years and prior to that, he was the staff judge advocate for the 10th Mountain Division in Fort Drum, New York.

Provost

David Jackson was named the Interim Executive Vice President and Provost in August 2019 when Dr. Fritz was named Interim President of the University. Dr. Jackson, a 25-year veteran of UNL, has served in a number of faculty and administrative roles, and most recently was the associate vice president for academic affairs.

Chief Information Officer

Bret Blackman is the Vice President for Information Technology and Chief Information Officer at the University. He also serves as the Chief Information Officer for UNO. In his role as Vice President and CIO, Mr. Blackman leads a University-wide team of more than 300 staff at UNK, UNL, UNO as well as UNCA. As a member of the President's Executive Cabinet, he works closely with the chief academic, business and legal officers, as well the campus chancellors and CIOs, on strategic information technology initiatives to serve the University community.

Agriculture and Natural Resources

Michael Boehm joined the University in the dual role of Harlan Vice Chancellor for the Institute of Agriculture and Natural Resources at UNL and vice president for Agriculture and Natural Resources at the University system on January 1, 2017. Dr. Boehm leads efforts across the University system for all agricultural, natural resources and related affairs. As vice president, Dr. Boehm oversees the executive directors of the Rural Futures Institute and the Daugherty Global Water for Food Institute and the dean of the Nebraska College of Technical Agriculture at Curtis, Nebraska (**"NCTA"**). Prior to serving in this role, Dr. Boehm was professor of plant pathology and vice provost for academic and strategic planning at The Ohio State University.

Strategic Framework

The University's Strategic Framework sets forth its key goals and guides University planning. It is all built around the University's mission: "The University of Nebraska, through its four campuses, strives to be the best public university in the country—as measured by the impact we have on our people and our state, and through them, the world."

The six goals included in the Strategic Framework are:

- Access and Affordability
- Quality Academic Programs
- Workforce and Economic Development
- Research Growth
- Engagement with the State
- Accountability

Each goal has related objectives and strategies, with accountability measures that allow for Board and University-wide monitoring over time. The Board and Committees regularly review and discuss the accountability measures and indicators. Below is a brief summary of the six goals within the Strategic Framework, and related objectives or indicators.

Access and Affordability. The University will provide the opportunity for Nebraskans to enjoy a better life through access to high quality, affordable undergraduate, graduate and professional education. Examples of activity or strategic indicators include: State funding growth; affordable and predictable tuition levels or growth; expansion of financial aid; retention rates; graduation rates; enrollment growth; student and faculty diversity; and distance education opportunities.

Quality Academic Programs. The University will build and sustain undergraduate, graduate and professional programs of high quality with an emphasis on excellent teaching. Examples of activity or strategic indicators include: recruitment and retention of faculty and staff; competitiveness in faculty salaries; faculty diversity; and faculty participation in teaching and fellowship programs such as Fulbright.

Workforce and Economic Development. The University will play a critical role in building a talented, competitive workforce and knowledge-based economy in Nebraska in partnership with the State, private sector and other educational institutions. Examples of activity or strategic indicators include: resident student enrollment; amount of merit-based scholarships; attracting non-resident student enrollment including international students; and alignment of university programs alongside in-State workforce and local or regional industry demand.

Research Growth. The University will pursue excellence and regional, national and international competitiveness in research and scholarly activity, as well as their application, focusing on areas of strategic importance and opportunity. Examples of activity or strategic indicators include: federal research funding growth; student participation in research activities; level of interdisciplinary research; quantity and quality of public and private research support; and focus of research on areas of core expertise.

Engagement with the State. The University will serve the entire State through strategic and effective engagement and coordination with citizens, businesses, agriculture, other educational institutions, and rural and urban communities and regions. Examples of activity or strategic indicators include: support of Nebraska's economic development that includes partnership with public and private sectors; support of entrepreneurship initiatives at the student and business unit levels; and use of resources to engage in and support community development where major campuses are located.

Accountability. The University will be cost effective and accountable to the citizens of the State. Examples of activity or strategic indicators include: long range capital facilities planning processes; pursuit of energy efficiency; best practice in resource allocation to business units and programs; promote transparency to the public regarding cost of education and student outcomes; and integrate information technology.

BUDGET AND FINANCE

Sources of Funds and Appropriations

The Board has multiple sources of funds available to it for the operation of the University. The first consists of funds made available to the Board through a biennial appropriation from the Legislature. The Legislature has complete control over whether and for what purposes money is appropriated to the Board from the general revenue of the State. To the extent there has been a general appropriation to the Board by the Legislature, the Legislature cannot control the use by the Board of such generally appropriated amounts.

The second source of funds available to the Board consists of money accruing to the cash funds established for the University and its campuses for instruction and research, and other funds derived from self-supporting operations. The cash funds established for the University and its campuses consist primarily of money derived from tuition, indirect cost reimbursements and patient care. Funds derived from self-supporting operations of the Board consist primarily of revolving funds, auxiliary operations and athletics. These funds, which are not derived from taxation, have a different status than those drawn from the State Treasury. These funds may be budgeted and expended by the Board for the governance and operations of the Board without a specific appropriation by the Legislature.

The Board operates various self-supporting revenue-producing facilities such as dormitories, student facilities and parking structures. Many of such facilities have been financed with the Board's revenue bonds and are secured by a Master Trust Indenture (the **"MTI"**). The revenues securing obligations issued pursuant to the MTI are used for operations of such facilities and are pledged for payment of such obligations and other applications as set forth in the MTI, and do not constitute cash available for general University operations or other obligations of the Board. So long as any related bonds are outstanding under the MTI, such revenues are not part of legally available funds that may be applied to the Board's obligations under the Financing Agreement related to the Series 2019 Bonds. However, in connection with the issuance of the Series 2019 Bonds, the Board expects that all of its obligations under the MTI will be refinanced with the proceeds thereof. In addition, in the Resolution, the Board indicated that it is the Board's intention that it will not issue additional bonds secured by the MTI. Accordingly, if the Board's obligations under the MTI are refunded with a portion of the proceeds of the Series 2019 Bonds, the revenues previously securing the related bonds under the MTI will constitute part of legally available funds. under See **"BONDED INDEBTEDNESS—Master Trust Indenture"** for additional information about the Board's outstanding MTI indebtedness.

Budget

The University prepares a General Operating Budget for the University system annually, which is approved by the Board in June of each year for the following fiscal year. The University's operating budget is supported from a variety of funding sources, which have been categorized as unrestricted, designated, or restricted.

The following table is a summary of the University's general operating budget by sources of funding for the 5 most recent budget years.

General Operating Budget
Sources of Funding
Fiscal Year Ended June 30, 2016 through 2020
(Dollars in thousands)

Year	State Funds	Cash Funds	Federal Funds	Trust Fund	Revolving	Total
2016	$563,886	$415,580	$516,052	$372,294	$622,762	$2,490,574
2017	583,069	437,717	518,130	382,695	637,350	2,558,961
2018	570,601	460,751	529,482	397,500	659,732	2,618,066
2019	574,746	477,168	530,552	404,500	662,750	2,649,716
2020	592,105	486,489	535,601	421,800	681,950	2,717,945

Source: University of Nebraska General Operating Budget.

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Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2014 through 2018 (in thousands)

	2014	2015	2016	2017	2018
OPERATING REVENUES:					
Tuition and fees, net	$ 347,428	$ 362,210	$ $376,599	$ 389,649	$ 405,808
Federal grants and contracts-restricted	206,506	207,919	209,317	254,173	268,437
State and local grants and contracts - restricted	38,490	41,936	47,594	40,799	39,539
Private grants and contracts - restricted	150,095	179,918	187,745	196,221	192,482
Sales and services of educational activities	96,858	97,332	98,992	102,299	112,573
Sales and services of health care entities	200,853	228,002	23,557	27,437	32,008
Sales and services of auxiliary operations	169,563	156,423	175,915	179,631	213,933
Sales and services of auxiliary segments, net	111,800	119,043	121,910	125,642	122,619
Other operating revenues	11,999	12,237	13,238	12,956	13,751
Total operating revenues	1,333,592	1,405,020	1,254,867	1,328,807	1,401,150
OPERATING EXPENSES:					
Compensation and benefits	1,232,351	1,312,206	1,221,257	1,263,594	1,303,485
Supplies and services	537,445	559,880	540,357	573,995	573,061
Depreciation	117,361	108,112	115,216	120,111	139,408
Scholarships and fellowships	70,195	70,440	63,600	68,639	75,807
Total operating expenses	1,957,352	2,050,638	1,940,430	2,026,339	2,091,761
OPERATING LOSS	(623,760)	(645,618)	(685,563)	(697,532)	(690,611)
NON-OPERATING REVENUES (EXPENSES):					
State of Nebraska noncapital appropriations	527,656	544,201	561,079	576,559	559,188
Federal Grants	42,337	43,170	42,343	43,004	48,820
Gifts	86,548	120,297	95,741	100,968	96,071
Investment income, net	18,823	33,697	26,942	39,037	45,633
Interest on bond obligations	(24,410)	(22,752)	(24,424)	(24,044)	(32,758)
Equity in joint venture	25,852	32,500	47,982	36,784	36,111
Other non-operating revenues	37,009	(21,142)	(21,642)	8,466	(2,300)
Net non-operating revenues	713,815	729,971	728,021	780,774	750,765
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	90,055	84,353	42,458	83,242	60,154
OTHER REVENUES, EXPENSES, GAINS OR LOSSES:					
State of Nebraska capital appropriations	27,051	49,244	60,353	32,497	36,182
Capital grants and gifts	105,495	87,665	112,856	98,506	55,213
Additions to permanent endowments	39	58	1,701	2,119	2,259
Other revenues (expenses)	-	-	(1,003)	-	-
Net other revenues, expenses, gains or losses	132,585	136,967	173,907	133,122	93,654
INCREASE IN NET POSITION	222,640	221,320	216,365	216,364	153,808
NET POSITION					
Net position, beginning of year	2,921,863	3,144,503	3,354,116	3,570,481	3,786,845
Effect of System Integration Agreement (SIA)*		(11,707)			
Net position, end of year	$ 3,144,503	$ 3,354,116	$ 3,570,481	$ 3,786,845	$ 3,940,653

* Effective July 1, 2016, Nebraska Medical Center (NMC), the University, Bishop Clarkson Memorial Hospital (Clarkson), and UNMC Physicians (UNMC) entered into a System Integration Agreement (SIA) and a successor Joint Operating Agreement (SJOA) to permanently integrate the businesses of NMC and UNMCP into Nebraska Medicine (NM). Balances reported for the year ended June 30, 2015 and prior have not been restated for the SIA. In addition, certain revenue and expense reclassifications have occurred that do not impact net position.

2019 Performance

Based on preliminary and unaudited information presently available, management of the University expects modestly positive operating performance for the fiscal year ended June 30, 2019. No assurance can be made, however, that such preliminary and unaudited information is representative of the audited financial results when completed and available.

Legislative and Budget Conditions

The 2019 session of the Nebraska Legislature included enactment of the State's two-year budget for fiscal years 2019-2020 and 2020-2021. At the beginning of the legislative session there were multiple demands on State funding including Medicaid expansion, health care provider rates, prison overcrowding, replenishing a depleted State cash reserve fund, and property tax relief. The Legislature's challenge was attempting to address all of these areas within the confines of available revenues.

The appropriations bill ultimately contained a 3.0% increase in 2019-2020 and a 3.7% increase in 2020-2021 for the University. In the enacted budget, these general increases are included at a level to cover estimates of salary and health insurance increased costs. Increased funds for salary were based on a 2.0% increase for bargaining units at UNO and UNK for faculty and the equivalent of 2.2% for all other employees. For health insurance, the University is anticipating increases of 3.2% on January 1, 2020 and 8.7% on January 1, 2021. The budget also includes funding for a 2% per year increase in utility costs.

No reductions were made to any of the amounts pledged by the State in support of capital projects or debt financed projects, including the University's capital projects and financed projects payable in part from State appropriations.

The State's partnership is a key reason the University was able to hold tuition increases to an average of 2.75% over the next two years in 2019-2020 and 2020-2021. With the minimal increases, tuition rates at University of Nebraska campuses will continue to be well below those at peer institutions.

Yet then-President Hank Bounds noted that the University's State funding increases – coming on the heels of multiple rounds of cuts that have necessitated $28 million in administrative and programmatic reductions – were not enough to cover all its needs. Adjusted for inflation, the University's spending will be flat or down for a second consecutive year. Flat spending produces challenges for investing in talent and workforce development necessary for future growth in the State. However, the University believes its partnership with the State, together with continued focus on operating efficiently, will promote affordable excellence for the people of the State.

Bounds said the University will continue to work together with policymakers and the private sector to address the needs of the State, including the 34,000 annual openings in high-skill, high-demand, high-wage jobs like nursing, engineering and accounting that will soon exist across Nebraska. Two-thirds of those jobs will require higher education, meaning continued investment in an accessible and competitive university is vital.

On June 28, 2019, the Board approved two years' worth of tuition rates to help students and families plan. Tuition rates are subject to change if, for example, the University's State appropriation is reduced. The budget included an average tuition increase of 3.75% over the next two years for nonresident students at UNL, a change driven by the national market. Even with the increase, UNL's nonresident tuition will remain well below the Big Ten average. As it has in past years, the University will increase its investment in need-based financial aid at the same rate as tuition.

CAMPUSES

University of Nebraska-Lincoln

UNL is best known for the comprehensive nature of its academic programs and the high degree of specialization possible within its doctoral programs.

UNL offers undergraduate instruction in more than 100 academic disciplines through eight undergraduate colleges: Agricultural Sciences and Natural Resources, Architecture, Arts and Sciences, Business Administration, Fine and Performing Arts, Engineering and Technology, Education and Human Sciences, and Journalism and Mass Communications. Students may combine their regular undergraduate work with a pre-professional study plan in such areas as architecture, business, medicine, law, or pharmacy.

In addition, an array of comprehensive graduate programs is offered in all the colleges. In 1897, UNL became the first institution west of the Mississippi River to formally establish a graduate school. Post-baccalaureate degrees have been conferred since 1874. Currently, 36 programs lead to the degrees of doctor of philosophy, doctor of education and doctor of musical arts; 78 masters programs are offered under 14 separate degree titles. A program leading to the Juris Doctor degree exists in the professional College of Law.

Most of the students are from Nebraska, although students from all 50 states and more than 100 countries are represented in the student body. There are nearly equal numbers of male and female students. The majority of students served by the Lincoln campuses are of traditional college age, from 17 to 22 years old, but a growing number of non-traditional students are also served.

The UNL campus is home to the University of Nebraska Institute of Agriculture and Natural Resources, which comprises 19 academic departments, three regional research and extension centers, 15 specialized centers and units and administers NCTA at Curtis, Nebraska. The Institute was founded in 1973 by the Nebraska Legislature to give added emphasis to agriculture and the management of natural resources in Nebraska.

UNL has a substantial commitment to outreach and service. UNL is a leader in distance education, with some 125,000 people serviced via satellite, classroom and computer delivery each year. Extension programs and youth programs, such as 4-H, serve an additional 400,000 people annually. Among outreach programs are the outstanding fine and performing arts activities presented at the Lied Center for Performing Arts. The campus also is home to the world class collections of the Sheldon Memorial Art Gallery and Sculpture Gardens. UNL athletics also earn national recognition for excellence.

UNL has more than 1,600 full-time equivalent faculty members in the broad roles of teaching, research, and public service/outreach. Although individual faculty members contribute their time and talents in varying proportions to instruction, research, and service, the full range of these responsibilities is served by the faculties' collective efforts.

The University of Nebraska at Omaha

UNO is a fully accredited, four-year degree granting metropolitan university. UNO is the second largest university in the State, after UNL. UNO lies in the heart of Omaha, a city of approximately 420,000 residents located in a metropolitan area of approximately 820,000 residents. The greater metropolitan Omaha area is Nebraska's major economic and population center.

The role and mission of UNO reflects a distinctively metropolitan emphasis with three overarching goals: to place its focus on student needs, excel academically and engage with the community. Accordingly, many of UNO's instruction programs, research activities, and public service efforts are designed to respond to its urban/suburban environment, addressing the educational needs of Omaha's citizens. UNO has a statewide responsibility for providing programs and services in criminal justice, gerontology, public administration, urban studies and social work.

Academic programs at the undergraduate level are offered within six colleges: Arts and Sciences; Business Administration; Education; Communication, Fine Arts and Media; Information Science and Technology; and Public Affairs and Community Service. Courses are also taught on the Omaha campus by the Lincoln-based Colleges of Human Resources and Family Sciences and Engineering and Technology. UNO maintains a faculty of approximately 650 full-time equivalent faculty members.

In addition to providing course work leading to a variety of master's degrees and to specialist degrees in education, UNO faculty members participate in joint doctoral programs with colleagues at UNL and UNMC in the fields of industrial psychology, developmental psychology, and psychobiology, educational administration, and information science. The Peter Kiewit Institute for Information Science and Technology is regarded as one among a vanguard of institutions offering advanced degrees in information science. UNO also offers doctoral programs in criminal justice and public administration.

Through residential housing programs, UNO serves as home for more than 2,000 students. The UNO student population is a diverse mix of full and part-time students, men and women, and traditional and non-traditional age enrollees, business professionals and international students.

University of Nebraska at Kearney

UNK is located in the heart of the Platte River valley, 140 miles west of Lincoln. Kearney is Nebraska's fifth largest city, and is an agricultural, commercial, medical and cultural center of a large mid-state region. UNK is situated on 246 acres. The institution also is the home of the Museum of Nebraska Art, which houses the Nebraska Art Collection.

UNK students are served through its colleges of Business & Technology, Education, Fine Arts & Humanities, and Natural & Social Sciences. In addition, UNMC offers Nursing classes on the UNK campus. Undergraduate degrees offered by UNK are: Bachelor of Arts, Bachelor of Fine Arts, Bachelor of Arts in Education, Bachelor of Science and Bachelor of Science in Education. UNK has more than 300 full-time equivalent faculty members.

A wide variety of preprofessional programs are also available as are masters degrees in business and education. The UNK Safety Center helps meet the growing need for safety education, providing graduate courses for teachers, administrators and supervisors of traffic safety and industrial safety.

University of Nebraska Medical Center

UNMC in Omaha specializes in programs of health professions education, patient care, and research. Its professional schools include the Colleges of Medicine, Nursing, Pharmacy, Allied Health Professions, and Dentistry. Graduate studies are offered at UNMC, and degrees are granted by the system-wide Graduate College.

The College of Medicine provides a four-year course of study leading to the M.D. degree, with special emphasis placed upon training for the primary care specialties of family practice, internal medicine, pediatrics, and obstetrics-gynecology. Instruction is offered in 22 departments with many inter-disciplinary courses.

The professional programs offered by the College of Nursing enable students to qualify for the bachelors, masters or doctoral (Ph.D.) degree or to enter practice at the completion of one or more of these levels. With divisions in Omaha, Lincoln, Kearney and Scottsbluff, the College of Nursing is the only public unit in Nebraska that offers graduate programs to train nurse-teachers, nursing administrators, and clinical nursing specialists.

The College of Pharmacy provides a full range of undergraduate, residency and graduate programs leading to the Doctor of Pharmacy degree. Programs in dentistry, culminating in the Doctor of Dental Surgery degree and the Bachelor of Science degree in dental hygiene, are administered by the College of Dentistry. Graduate programs are offered in the dental specialties of endodontics, pedodontics, periodontics, oral and maxillofacial surgery, and orthodontics. The College of Dentistry is located on the East Campus in Lincoln.

The College of Allied Health Professions has programs in biomedical communications, medical nutrition education, medical technology, nuclear medicine technology, physical therapy, physician assistant education, radiation therapy technology, and radiologic technology.

Two other units housed at UNMC are the Munroe-Meyer Institute and the Eppley Institute for Cancer Research (**"Eppley"**). These two units serve as primary clinical education settings for certain degree programs, and Eppley blends cancer research, education, and clinical care at UNMC and across the University of Nebraska. Further, UNMC Eppley Cancer Center is now named The Fred & Pamela Buffett Cancer Center (FPBCC or Buffett Cancer Center). The name changed in June 2014 as a consequence of a generous donation from the Rebecca Susan Buffett Foundation as part of a $323 million capital campaign to build a new integrated clinical and research complex for the Buffett Cancer Center on the UNMC campus. The Buffett Cancer Center is the only National Cancer Institute-designated Cancer Center in Nebraska, accessibly serving patients across Nebraska and western Iowa. The FPBCC is a matrix Cancer Center with research programs in basic, translational, clinical and population science research.

The University and Bishop Clarkson Memorial Hospital (**"Clarkson"**) entered into a Joint Operating Agreement in 1997 forming the Nebraska Health System, a Nebraska non-profit corporation doing business as the Nebraska Medical Center (**"NMC"**). Effective July 1, 2016, NMC, the University, Clarkson, and UNMC Physicians (**"UNMCP"**) entered into a System Integration Agreement and a successor Joint Operating Agreement to permanently integrate the businesses of NMC and UNMCP into Nebraska Medicine (**"NM"**). In addition, the University and NM have entered into an Academic Affiliation Agreement for Education and Research. In connection with the agreement, NM has agreed to financially support certain educational, research, operational, and clinical activities of the University College of Medicine that further the mission and objectives of NM.

The University routinely has transactions with NM. The members of the faculty at the University are also members of the medical staff of NM, and in many other areas, the operations of the University and NM are integrated and overlap. The University provides certain operational and support services, as well as certain direct financial support to NM. See Notes E and M to the University's audited financial statements for the years ended June 30, 2018 and 2017 included in **"APPENDIX B"** hereto.

The following table includes a summary of key statistics by campus for the fiscal year ended June 30, 2019.

Summary of Statistics by Campus
2018-19 Fiscal Year

Campus	Fall Headcount Enrollment[1]	Full-Time Equivalent Faculty[2]	Full-Time Equivalent Staff[2]	Total Budget (in thousands)[3]
UNL	25,820	1,805	4,190	$1,293,129
UNO	15,431	575	900	366,321
UNMC	3,972	1,301	2,806	741,049
UNK	6,327	322	426	157,046
UNCA	-	1	434	85,953
NCTA	335	12	32	6,218
TOTAL	51,885	4,016	8,788	$2,649,716

(1) Fall 2018 Enrollment Report to the Board of Regents
(2) NU Factbook, updated April 24, 2019. Staff numbers include administrative, managerial-professional, graduate assistants and students.
(3) Represents 2018-2019 Budget

FACULTY, EMPLOYEES AND BENEFITS

General

The University employed 12,804 full-time equivalent employees in the Fall of 2018, making the University one of the largest employers in the State of Nebraska. Of those full-time equivalent employees, 4,016 were faculty and 8,788 were non-faculty employees (including administrative, managerial-professional, graduate assistants and students).

Employee Benefits

Health Insurance

The Board provides for faculty and staff group health and dental benefits through a self-insurance program. The University accrued an estimate for known, as well as incurred but not reported, claims based on claim history adjusted for current trends. A trust agreement with a bank provides for the collection, investment, and administration of premiums and for payment to the third-party administrators for claims paid.

As of June 30, 2019, the trustees for the health and other insurance claims programs held cash and cash equivalents and investments totaling approximately $75 million, which can only be used for payment of claims under the programs.

Retirement Plans

The University sponsors a defined contribution retirement plan that the Board established and has the authority to amend. The plan covers all academic faculty, administrative, and classified staff. Under the plan, the University matches faculty and staff participation by contributing at certain levels depending on participation. The University's policy is to fund costs accrued on an annual basis. The University has no unfunded pension liabilities.

University Faculty

The University is committed to recruiting and retaining exceptional faculty in order to help build and sustain undergraduate, graduate and professional programs of high quality with an emphasis on excellent teaching. For the 2018 fall semester, approximately 72% of tenure track faculty were tenured at UNL and UNO, and 64% at UNK. At UNMC for the same period, approximately 28% of health professional faculty were tenured.

STUDENT AND ENROLLMENT INFORMATION

Enrollment, Growth, and Workforce Initiatives

The University is committed to enrollment growth at its campuses, as well as to students graduating on time, entering the workforce and contributing to a prosperous future for Nebraska. The following is a sampling of the efforts underway in various parts of the University in pursuance of those goals:

- The University is exploring new strategies and programs to expand access, student success and workforce development, including UNO's Completion Imperative, announced in May 2019, which has the ambitious goal that every UNO student earn their degree;
- In April 2019, UNL announced a $3.6 million grant that will provide scholarships and academic support to underrepresented Nebraska students pursuing careers in workforce-critical STEM (science, technology, engineering and math) fields at UNL, as well as Southeast Community College based in Lincoln, Nebraska, and Western Nebraska Community College based in Scottsbluff, Nebraska;
- UNK unveiled its "Be Blue. Be Gold. Be Bold" marketing campaign in August 2019 which aims to attract students through stories about UNK and its students, and in February 2019 announced a "pathway" partnership between UNK and Central Community College, based in Grand Island, Nebraska, that expands access to UNK through a co-enrollment program with Central Community College; and
- UNMC continues to add programs to meet the evolving needs of Nebraska's health care workforce, including a new master's degree in genetics counseling and a master's in health administration.

Student Enrollment Data

The following tables includes the actual number of undergraduate and graduate students for each campus of the University as well as University-wide totals for the fall semesters indicated below, and a breakdown of each of the undergraduate and graduate students by campus for each fall semester. Included in the data below are students whose courses may be physically located on another campus, but whose program is administered by the campus listed below.

Student Headcount by Campus
Fall Term 2015-2019

Fall	UNL	UNO	UNMC	UNK	Total	Percent Change From Prior Year
2015	25,260	15,526	3,790	6,747	51,323	1.0
2016	25,897	15,627	3,862	6,788	52,174	1.7
2017	26,079	15,731	3,908	6,644	52,362	0.4
2018	25,820	15,431	3,972	6,327	51,550	-1.6
2019	25,332	15,153	4,055	6,279	50,819	-1.4

Source: Institutional Research Office; 2019 data is preliminary

Undergraduate Student Headcount by Campus
Fall Term 2015-2019

Fall	UNL	UNO	UNMC	UNK	Total	Percent Change From Prior Year
2015	20,182	12,488	885	5,108	38,663	0.9
2016	20,833	12,536	877	5,056	39,302	1.7
2017	20,954	12,624	860	4,843	39,281	-0.1
2018	20,830	12,430	869	4,484	38,613	-1.7
2019	20,478	12,245	918	4,429	38,070	-1.4

Source: Institutional Research Office; 2019 data is preliminary

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Graduate/Professional Student Headcount by Campus
Fall Term 2015-2019

Fall	UNL	UNO	UNMC	UNK	Total	Percent Change From Prior Year
2015	5,078	3,038	3,790	1,639	12,660	1.2
2016	5,064	3,091	3,862	1,732	12,872	1.7
2017	5,125	3,107	3,908	1,801	13,081	1.6
2018	4,990	3,001	3,972	1,843	12,937	-1.1
2019	4,854	2,908	3,137	1,850	12,749	-1.5

Source: Institutional Research Office; 2019 data is preliminary

The following table includes the full-time equivalent of undergraduate and graduate student enrollment for each campus of the University as well as University-wide totals for the five most recent fall semesters.

Full-Time Student Equivalent Enrollment
Fall Term 2015-2019

Fall	UNL	UNO	UNMC	UNK	Total
2015	22,726	12,220	3,415	5,365	43,726
2016	23,340	12,499	3,471	5,255	44,565
2017	23,528	12,477	3,566	5,099	44,670
2018	23,401	12,385	3,615	4,917	44,318
2019	22,931	12,293	3,688	4,823	43,735

Source: IPEDS Fall Enrollment Survey/Institutional Research Departments; 2019 data is preliminary

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The following table includes certain information regarding freshman applicants, enrollment and ACT scores for UNL, UNO and UNK for the five most recent fall semesters.

Freshmen Admissions Data
Fall Semester 2015-2019

	Number of Freshman Applicants	Number of Freshman Accepted	Number of Freshman Enrolled	Composite ACT Scores of Enrolled Freshman
UNL				
2015	9,724	7,425	4,628	25.2
2016	11,193	8,425	4,860	25.2
2017	12,321	7,525	4,905	25.3
2018±	14,956	11,906	4,816	25.4
2019	16,829	13,165	4,475	25.5
UNO				
2015	5,581	4,238	2,007	22.5
2016	5,551	4,799	2,069	22.4
2017	5,036	4,628	2,105	22.0
2018±	8,170	6,673	2,151	22.6
2019	8,565	7,148	2,069	22.5
UNK				
2015	2,511	2,144	938	22.6
2016	2,815	2,395	1,008	22.5
2017	2,594	2,181	904	21.1
2018±	5,518	4,809	944	22.7
2019	5,324	4,535	863	23.2

Source: Institutional Research Office

±Beginning in 2018, the University moved to one application for resident first-time freshman for UNL, UNO, and UNK for a single application fee. This significantly increased the duplicate applications across campuses, bringing downward pressure on the matriculation rate over prior years.

2019 data is preliminary.

The following table includes the percentage of first-time freshman who return after their freshman year for UNL, UNO and UNK.

Retention Rates of First-Time
Full-Time Freshmen after One Year

Cohort Year	UNL	UNO	UNK
2014	83%	77%	80%
2015	82	78	84
2016	83	76	79
2017	83	75	80
2018	84	74	80

Source: Institutional Research Office

TUITION, FEES AND FINANCIAL AID

General

By statute, the Board has the ability to set the tuition, fees, rates and charges of the University. One of the six key goals of the University is affordability and access for students. The Board believes maintaining affordability is central to its mission.

The following table presents historical tuition and fees for resident, non-resident, undergraduate and graduate students of the University by campus. Amounts shown are per credit hour.

Tuition and Fees Summary
Academic Years 2015-16 through 2019-20
(per credit hour)

	Resident		Non-Resident		
	Under-Graduate	Graduate	Under-Graduate	Graduate	Average Fees (per semester)
UNL					
2015-16	$219.75	$290.00	$692.00	$829.75	$843.00
2016-17	225.25	297.25	709.25	850.50	935.00
2017-18	237.50	313.25	747.50	896.50	887.75
2018-19	245.00	323.25	771.50	925.25	901.75
2019-20	252.00	332.00	800.00	960.00	902.75
UNO					
2015-16	$200.25	$249.50	$626.75	$697.00	$782.50
2016-17	205.25	255.75	642.50	714.50	832.00
2017-18	216.25	269.50	677.25	753.00	859.30
2018-19	223.25	299.00	699.00	777.00	875.65
2019-20	229.00	332.00	718.00	798.00	893.95
UNMC					
2015-16	$219.75	$290.00	$692.00	$829.75	$288.25
2016-17	225.25	297.25	709.25	850.50	278.50
2017-18	237.50	313.25	747.50	896.50	266.00
2018-19	245.00	323.25	771.50	925.25	266.00
2019-20	252.00	332.00	800.00	960.00	266.00
UNK					
2015-16	$177.50	$220.25	$386.50	$483.25	$699.50
2016-17	182.00	225.75	396.25	495.25	746.25
2017-18	191.75	238.00	417.75	522.00	786.25
2018-19	198.00	245.50	431.00	538.75	786.25
2019-20	203.00	252.00	443.00	554.00	805.25

Source: Board of Regents Agenda Items

Undergraduate Tuition and Mandatory Fee Market Comparison

UNL has the lowest tuition and fees in the Big Ten for both resident and non-resident undergraduate students. The following is a comparison of 2018-2019 undergraduate tuition and mandatory student fees at the thirteen public Big Ten institutions.

Undergraduate Tuition and Mandatory Fees
Academic Year 2018-2019
Public Big Ten Universities

	Rank	Resident	Rank	Non-Resident
Pennsylvania State University	1	$18,454	5	$34,858
University of Michigan	2	15,262	1	49,350
University of Illinois	3	15,094	7	31,664
Rutgers University	4	14,974	8	31,282
University of Minnesota	5	14,760	11	30,438
Michigan State University	6	14,460	2	39,766
The Ohio State University	7	10,726	10	30,742
Indiana University	8	10,681	3	35,456
University of Maryland	9	10,595	4	35,216
University of Wisconsin	10	10,533	6	34,783
Purdue University	11	9,992	12	28,794
University of Iowa	12	9,267	9	31,233
University of Nebraska - Lincoln	**13**	**9,242**	**13**	**25,038**

Source: National Center for Education Statistics, College Navigator

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Financial Aid

The following table shows the amount of scholarship aid, Pell grants and federal student loans received by undergraduate students at the University for the 2017-2018 year. The table excludes information for graduate students. See **"BONDHOLDER RISKS—Financial Aid."**

Undergraduates Receiving Grant or Scholarship Aid[(1)]

	Total
Number receiving aid	25,834
Percent receiving aid	66%
Total amount of aid received	$233,462,566
Average amount of aid received	$9,037

Undergraduates Receiving Pell Grants, 2017-18

	Total
Number receiving aid	11,019
Percent receiving aid	28%
Total amount of aid received	$46,359,367
Average amount of aid received	$4,207

Undergraduates Receiving Federal Student Loans, 2017-18

	Total
Number receiving aid	16,144
Percent receiving aid	41%
Total amount of aid received	$99,848,396
Average amount of aid received	$6,184

(1) Grant or scholarship aid includes aid received, from the federal government, state or local government, the institution, and other sources known by the institution
Source: National Center for Education Statistics, College Navigator

MARKET POSITION

Over 86% of the students in public four-year colleges in the State are enrolled on one of the campuses of the University of Nebraska with UNL being the only major public research institution in the State. UNO is the largest university in the Omaha metropolitan area and the second largest university in the State. The remaining four-year public institutions of higher education in the State outside of the University system, and the respective headcount enrollment for the 2018 fall semester, was Chadron State College (2,448), Peru State College (2,114) and Wayne State College (3,633). Because the University of Nebraska offers a larger number of degree programs than do the state colleges, coupled with its status as both a major research institution and a publicly supported institution, the University of Nebraska views itself as providing unique educational opportunities for residents of the State.

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RESEARCH

The University has been a hub for research and a driver of growth for Nebraska since the University was founded. Today, the University's research focuses on agriculture and natural resources, transportation and highway safety, early childhood education, nanotechnology and alternative energy. The University's research also focuses on a wide range of public health issues, including research in cancer, diabetes, organ transplantation, aging, and neurodegenerative diseases. Research funding at the University has more than doubled since 2000, which has led to construction of new research facilities at UNL and UNMC.

Recent notable research items include:

- A report from the National Academy of Inventors and Intellectual Property Owners Association ranked the University 70th in the world in earning U.S. utility patents in 2017. The University's 37 utility patents in 2017 included a robotic surgical device and a structural concrete formula to shield buildings from electromagnetic pulse attack. The report echoed similar findings in 2017 from the Milken Institute that ranked the University in the top 16% nationally on a metric that accounted for patents and licenses received, licensing income earned and startup companies formed.

- Recently, the University and United States Strategic Command (**"USSTRATCOM"**) announced that the University's National Strategic Research Institute (**"NSRI"**) has been renewed with a five-year, $92 million contract from the U.S. Air Force. The renewal follows the $84 million initial contract earned upon NSRI's inception in 2012. With that award, the University and its partners pursued research and development to combat weapons of mass destruction for the United States and its allies. With the new, larger contract, University faculty from its four campuses will have expanded opportunities to conduct research that meets the needs of USSTRATCOM and the Department of Defense.

- The Board recently approved the establishment of a Center for Excellence in Pancreatic Cancer administered by UNMC, which will pursue research related to pancreatic cancer early detection, genetic counseling, surgical techniques, and various other therapies. This research will be conducted by a team that incorporates basic, innovative, translational and clinical research in pancreatic cancer.

- Four UNL faculty members were named 2017 fellows of the American Association for the Advancement of Science, the largest general scientific society in the world. UNL's fellows included Roger Bruning, Velma Warren Hodder Professor of Educational Psychology; David Hage, James Hewett University Professor of Chemistry; Jim Lewis, Aaron Douglas Professor of Mathematics; and Jay Storz, Susan J. Rosowski Professor of Biological Sciences. Five fellows from the University were named in 2016 and a record eight in 2015.

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The University's research expenditures for the five years ended June 30, 2018 are included in the following table. See **"BONDHOLDER RISKS—Other Factors Affecting the Operations of the University—*Research.*"**

Total University Research Expenditures
(in thousands)

	2014	2015	2016	2017	2018
UNL	$278,299	$284,438	$294,856	$302,204	$308,053
UNMC	139,126	145,009	150,694	171,491	177,245
UNO	9,222	9,422	10,459	12,061	12,943
UNK	1,504	1,496	1,864	3,510	2,639
UNCA	*	*	*	*	13,352
TOTAL	$428,151	$440,365	$457,873	$489,266	$514,232

Source: National Science Foundation and University Office of the Provost
*First year of National Science Foundation reporting in fiscal year 2018.

FOUNDATION AND INVESTMENTS

The University of Nebraska Foundation

The University of Nebraska Foundation (**"Foundation"**) is a separate, nonprofit organization incorporated in the State of Nebraska and its purpose is to encourage private financial support of the University from individuals, corporations, and other foundations. Oversight of the Foundation is the responsibility of a separate and independent Board of Trustees, not otherwise affiliated with the University. In carrying out its responsibilities, the Board of Trustees of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation.

Although the University does not control the timing or amount of receipts from the Foundation, the resources that the Foundation holds and invests, or the income thereon, are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation are primarily used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is therefore discretely presented with the University's financial statements. Based on the Foundation's audited financial statements as of June 30, 2018 and 2017, the Foundation's net assets (including unrealized gains) totaled approximately $2.05 billion and $1.94 billion, respectively. See the University's audited financial statements for the years ended June 30, 2018 and 2017 included in **"APPENDIX B"** hereto.

During the years ended June 30, 2018 and 2017, the Foundation contributed approximately $134 million and $93 million, respectively, to the University for academic support, student assistance, faculty assistance, research, museums, and libraries. In addition, the Foundation provided capital gifts of approximately $44 million and $100 million during 2018 and 2017, respectively, to the University. These contributions provided support for several projects, including the construction of the UNMC Fred & Pamela Buffett Cancer Center, Howard L. Hawks Hall (the new College of Business building at UNL), the UNL McCollum Hall Law Clinic addition, several UNL Athletics Capital Projects, and for debt service on certain other projects financed with bonds issued by the Corporation. See **"BONDHOLDER RISKS—Other Factors Affecting the Operations of the University—*Gifts, Grants and Bequests.*"**

Cash, Investments and Asset Allocation

Foundation Cash and Investments
(in thousands)

	June 30,				
	2014	**2015**	**2016**	**2017**	**2018**
Cash and cash equivalents	$ 8,452	$ 998	$ 27,100	$ 40,780	$ 48,769
Temporary investments	373,607	396,545	354,396	373,191	400,377
Investments (long term)[1]	1,304,569	1,313,934	1,259,154	1,364,287	1,442,372
Foundation Cash and Investments[1]	$1,686,628	$1,711,477	$1,640,650	$1,778,258	$1,891,518

[1]Excludes amounts attributable to Fund N as such amounts are included in the University Cash and Investments table below. Fund N consists of endowed gifts given directly to the University and managed by the Foundation through an agency agreement.

Foundation Investments Asset Allocation
June 30, 2018

Certificates of deposit, savings, and money market funds	0.56%
U.S. government securities and sovereign debt	2.18
International bonds	1.11
Corporate bonds	3.76
Common stock	29.37
Mutual funds	12.15
Preferred stock	0.04
Limited partnerships	5.12
Commingled funds	21.34
Index funds	12.87
Hedge funds	9.64
Other investments stated at other than fair value	1.87
	100.00[1]

[1] Includes Fund N cash and investments discussed under **"Foundation Cash and Investments"**.

University Cash and Investments
(in thousands)

	June 30,				
	2014	**2015**	**2016**	**2017**	**2018**
Cash and cash equivalents[1]	$1,085,766	$1,150,065	$1,147,716	$1,139,193	$1,272,113
Investments[1]	567,585	538,499	508,320	516,815	536,731
	$1,653,351	$1,688,564	$1,656,036	$1,656,008	$1,808,844

[1]Includes current and non current cash and cash equivalents, and investments

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University Investments Asset Allocation
June 30, 2018

Money market funds	4.56%
U.S. government securities	13.65
Municipal bonds	1.63
International bonds	1.85
Corporate bonds	12.99
Common stock	30.73
International equity	20.22
Mutual funds	10.39
Index funds	1.79
Real estate held for investment purposes	0.17
Real estate mutual funds	2.02
	100.00

Total Cash and Investments for the University and the Foundation based on audited financial statements as of June 30, 2018 was $3.68 billion. Based on preliminary and unaudited information presently available to the University, total Cash and Investments for the University and the Foundation as of June 30, 2019 was $3.91 billion.

Future Capital Plans

The University has an ongoing capital improvement program which has historically been funded by a combination of gifts, State appropriations, University funds and debt financing. From time to time, the University may also issue debt or enter into other obligations to refinance its existing debt obligations.

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BONDED INDEBTEDNESS

The following table includes all of the outstanding long-term obligations of the Board and bonded indebtedness of the Board as of October 1, 2019.

Issue	Principal Outstanding as of October 1, 2019 (unaudited)	Final Maturity
Corporation Bonds[(1)]		
Lease Rental Revenue Bonds, Series 2003	$ 930,000	2023
Lease Rental Revenue Bonds, Series 2011 (NCTA)*	6,280,000	2035
Cancer Center Bonds, Series 2014A	49,140,000	2024
QECBs (Direct Pay), Taxable Series 2014B	4,325,000	2029
QECBs (Direct Pay), Taxable Series 2015	1,875,000	2029
UNO Arena and UNL CBA Bonds, Series 2015	12,925,000	2025
Veterinary Diagnostic Center Bonds, Series 2015*	2,680,000	2020
Cancer Center Bonds, Series 2016	29,280,000	2031
Utility Improvement Projects Bonds, Series 2016	9,920,000	2026
Deferred Maintenance Refunding Bonds, Series 2016±	10,690,000	2020
Building and Refunding Bonds (Health Center and CON Projects), Series 2016*	16,820,000	2033
Building Bonds (Global Center), Series 2017	51,260,000	2025
Facilities Bonds, Series 2017A±	77,335,000	2030
Facilities Refunding Bonds, Series 2017B	36,000,000	2043
Facilities Refunding Bonds (Eye Institute), Series 2018	13,000,000	2023
Facilities Bonds, Series 2018±	94,275,000	2030
Subtotal	$416,735,000	
Nebraska Utility Corporation Bonds[(1)]		
Facilities Revenue Refunding Bonds, Series 2010	$ 4,990,000	2022
Taxable Facilities Revenue QECBs (Direct Payment to Issuer), Series 2014B	5,500,000	2033
Taxable Facilities Revenue QECBs (Direct Payment to Issuer), Series 2014A	6,500,000	2033
Subtotal	$16,990,000	
Master Trust Indenture Bonds[(2)]		
Revenue Bonds, Series 2009B-1 (UNL)	$ 2,855,000	2024
Taxable Revenue Bonds, Series 2009B-2 (UNL)	4,540,000	2029
Revenue Bonds, Series 2009A (UNL Parking)	4,245,000	2024
Taxable Revenue Bonds, Series 2009B (UNL Parking)	5,155,000	2029
Revenue Bonds, Series 2011 (UNL)	59,085,000	2042
Revenue Refunding Bonds, Series 2012 (UNL)	52,150,000	2038
Revenue Bonds, Series 2012B (UNL)	13,965,000	2030
Revenue and Refunding Bonds, Series 2013 (UNL Parking)	4,905,000	2033
Revenue Refunding Bonds, Series 2014 (UNO)	9,065,000	2033
Revenue Refunding Bonds, Series 2015 (UNK)	16,610,000	2035
Revenue Bonds, Series 2015A (UNL)	64,075,000	2045
Revenue Bonds, Series 2015B (UNO)	7,780,000	2035
Revenue Refunding Bonds, Series 2015 (UNL Parking)	4,750,000	2023
Revenue and Refunding Bonds, Series 2015 (UNO)	39,980,000	2039
Revenue Refunding Bonds, Series 2016A (UNL)	58,495,000	2039
Revenue Refunding Bonds, Series 2016B (UNO)	33,990,000	2038
Revenue Bonds, Series 2017 (UNK)	12,415,000	2047
Revenue Refunding Bonds, Series 2017A (UNO)	14,570,000	2040
Revenue Refunding Bonds, Series 2017B (UNO)	9,950,000	2030
Subtotal	$418,580,000	
Total	$852,305,000	

(1) Payable from legally available funds of the Board, excluding State appropriations for general operations.
(2) Secured by pledged revenues and the MTI. Proposed to be refunded with a portion of the proceeds of the Series 2019 Bonds.
* Payable in part from State appropriations for specified capital projects which total approximately $7.4 million per year in the aggregate. In 2019, the State extended a portion of such appropriations through 2050, to be applied to renewal or replacement of existing University facilities.
± Payable in part from annual State appropriations of $11 million through 2030.

University of Nebraska Facilities Corporation

The Corporation was organized as a non-profit corporation in January 1930, as "The University of Nebraska Dormitory Corporation" for the purpose of providing for, erecting, owning, leasing, furnishing and managing any building, hall, dormitory or apartments, lands or grounds for use in whole or in part of the University of Nebraska, and for the purpose of holding property of any nature in trust for such institution. In 1972, the name of the Corporation was changed to "The University of Nebraska Facilities Corporation" and its purposes expanded to include the power to contract with the Board for the purposes set forth in the legislation which authorized the construction of the Devaney Sports Center. Subsequently, the powers of the Corporation were further expanded to facilitate the financing of additional projects authorized by subsequent legislation. The Articles of Incorporation grant to the Corporation all of the powers granted to nonprofit corporation under the laws of the State. The board of directors of the Corporation is comprised solely of members of the Board of Regents so long as such individuals are duly-elected Regents.

The obligations of the Corporation listed above are generally payable by the Board from legally available funds of the Board, although the University's financing obligations related thereto do not pledge any revenues of the University therefor or contain any covenants restricting the University from expending legally available funds. Certain indebtedness is also payable in part from State appropriations, as indicated.

Nebraska Utility Corporation

On May 17, 2001, the Board and the City of Lincoln, Nebraska, acting for and on behalf of Lincoln Electric System, authorized the formation of the Nebraska Utility Corporation (**"NUCorp"**) pursuant to (1) the Nebraska Nonprofit Corporation Act, Chapter 21, Article 19, Reissue Revised Statutes of Nebraska, as amended, and (2) an Interlocal Cooperation Agreement dated May 17, 2001, as amended executed and delivered in accordance with the Nebraska Interlocal Cooperation Act, to develop, maintain, monitor, control and coordinate energy requirements, utility and infrastructure facilities and all related energy, utility and infrastructure on the City Campus and the East Campus of UNL.

NUCorp's Series 2010 Bonds were issued for the purpose of paying the costs of constructing, equipping and furnishing certain facilities to provide energy services on the UNL campus. Such bonds are payable from amounts due to NUCorp from the Board pursuant to an Energy & Utility Services Agreement dated as of December 15, 2001. NUCorp's Series 2014A Bonds and Series 2014B Bonds were issued for the purpose of financing a portion of a central renewable energy system for the delivery of heated and cooled water to certain buildings and facilities on the Nebraska Innovation Campus affiliated with, and owned in part by, the Board. Such bonds are payable from amounts due to NUCorp from the Board pursuant to an Energy Service Agreement dated as of February 6, 2014. The Board's obligations related to the NUCorp Bonds are generally payable from legally available funds of the Board, although the related Energy Services Agreements do not pledge any revenues of the Board therefor or contain any covenants restricting the University from expending amounts constituting legally available funds.

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Master Trust Indenture

The indebtedness of the Board in the table above is payable from the applicable pledged revenues and secured by the MTI. The revenues that secure the Board's debt service obligations, and all related funds, are pledged for the various systems that comprise the Facilities under the MTI. All such revenues and funds are not part of Available Funds, except to the extent the applicable Member of the Obligated Group is removed from the MTI in accordance with its terms. The Board anticipates that all of the MTI bonds will be refunded with the proceeds of the Series 2019 Bonds. In the resolution of the Board authorizing the Series 2019 Bonds, the Board indicated that it is the Board's intention that it will not issue additional bonds payable on a parity basis with the MTI Bonds as to the applicable pledged revenues or secured by the MTI. See **"PLAN OF FINANCE—Refunded Bonds"** in this Official Statement.

* * * *

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE UNIVERSITY OF NEBRASKA

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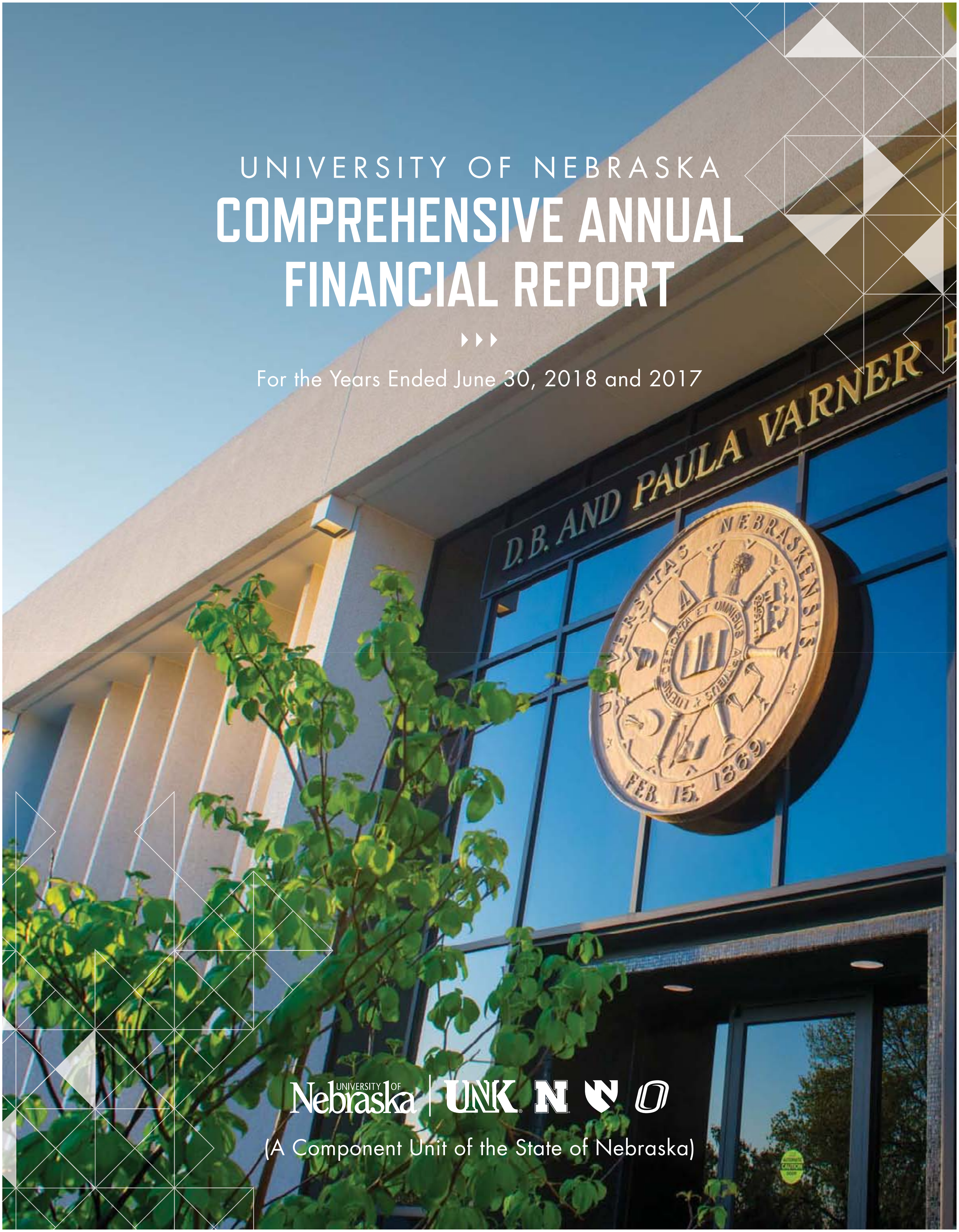

UNIVERSITY OF NEBRASKA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended June 30, 2018 and 2017

(A Component Unit of the State of Nebraska)

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THE UNIVERSITY OF NEBRASKA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended June 30, 2018 and 2017

(A Component Unit of the State of Nebraska)

Office of the Vice President | CFO

UNIVERSITAS NEBRASKENSIS

LITERIS DEDICATA ET OMNIBUS ARTIBUS

FEB. 15, 1869.

THE UNIVERSITY OF NEBRASKA

COMPREHENSIVE ANNUAL FINANCIAL
REPORT FOR THE YEAR ENDED JUNE 30, 2018

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THE UNIVERSITY OF NEBRASKA

COMPREHENSIVE ANNUAL FINANCIAL
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STATISTICAL SECTION (UNAUDITED)*

*Tables Relating to Property Tax Levies, Assessed Values, Property Tax Rates, Legal Debt Margin, Bonded Debt to Assessed Value, Direct and Overlapping Debt, and Principal Taxpayers are omitted, as they are not applicable to the University of Nebraska

INTRODUCTION

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Nebraska UNIVERSITY OF

VICE PRESIDENT | CFO

December 19, 2018

Dr. Hank Bounds, President
Members of the Board of Regents
University of Nebraska

Dear President Bounds and Board Members:

We enclose for your review and use the Comprehensive Annual Financial Report for the University of Nebraska as of and for the fiscal year ended June 30, 2018.

Management is responsible for the preparation and fair presentation of the financial statements, based upon a comprehensive internal control framework that it has established for this purpose. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Because the cost of control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The University of Nebraska's financial statements for the year ended June 30, 2018 have been audited by the Auditor of Public Accounts, who has, based on their audit and the reports of other auditors, issued an unmodified report on those financial statements. The independent auditors' report is presented in the financial section of this document.

Management's discussion and analysis (MDA) immediately follows the auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. The MDA is designed to complement this letter and should be read in conjunction with it.

Profile of the University

History. The University of Nebraska was founded on February 15, 1869, less than two years after Nebraska became the nation's 37th state. The original goal of this new land-grant university was, "To afford the inhabitants of this state with the means of acquiring a thorough knowledge of the various branches of literature, science, and the arts." This goal has stood the test of time, inspiring the University's dedication to the education of students, research in a broad range of disciplines, and service to the state's citizens.

The University of Nebraska is the state's only public university. In 1903 it became the first institution west of the Mississippi River to offer graduate education. Founded in Lincoln, the University included a medical center in Omaha beginning in 1902.

The University was reorganized under a 1968 act of the Nebraska Legislature. The legislation provided for the addition of the University of Nebraska at Omaha (formerly the municipal University of Omaha) and designated the University of Nebraska-Lincoln and the University of Nebraska Medical Center as separate campuses. In 1991, the University of Nebraska at Kearney (formerly Kearney State College) became a campus of the university. In addition to the four campuses, the University also includes many research, extension, and service facilities statewide.

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<u>Governance</u>. The University of Nebraska system operates under a single president and Board of Regents. The members of the Board are elected by district on six year terms. The Board exercises the final authority in government of the University within the limits of the Constitution, the laws of the State of Nebraska, and the laws of the United States. The Board delegates to the President of the University, and through him to the appropriate administrative officers, general authority and responsibility to carry out the policies and directions of the Board.

Subject to the approval of the Board, the President appoints Chancellors for each of the four campuses of the University. The Chancellors, in turn, are responsible for the operation of each of their respective campuses within the policies, procedures and operational guidelines established by the Board and the President.

<u>The Campuses of the University of Nebraska</u>. In addition to being a strong economic driver for the State of Nebraska, the University and its four campuses provide a diversity of educational, research, and outreach opportunities to students, faculty and citizens of the State of Nebraska;

> <u>University of Nebraska at Kearney</u>: The University of Nebraska at Kearney (UNK) is Nebraska's public, residential university that is distinguished by a commitment to excellence in undergraduate education. A mid-sized, comprehensive university, it is especially noted for small classes, a scholarly faculty devoted to teaching students first, and an enviable location in a thriving regional population center. Personalized attention for students is a hallmark of education at UNK.
>
> <u>University of Nebraska-Lincoln</u>: Founded in 1869, the Lincoln campus of the University of Nebraska (UNL) is the state's land-grant university. Through its three primary missions of learning, discovery and engagement, the University of Nebraska is the state's intellectual center and has been recognized by the Legislature as the primary research and doctoral-degree granting institution in the state. Today, it is one of the top 50 American universities in the number of doctoral degrees granted annually. It is of national and international influence, with students from every state and more than 100 nations.
>
> <u>University of Nebraska Medical Center</u>: The University of Nebraska Medical Center (UNMC) is the only public academic health science center in Nebraska. Its mission is to improve the health of Nebraskans through premier educational programs, innovative research, the highest quality patient care and outreach to underserved populations. Its success in this endeavor is marked by the fact that nearly half of Nebraska's physicians, dental professionals, pharmacists, bachelor-prepared nurses and allied health professionals have graduated from UNMC. The vision and strategic plan for UNMC: to become a world renowned health sciences center and system, repositioning the Medical Center from a regional to a national center of excellence in the 21st century.
>
> <u>University of Nebraska at Omaha</u>: The University of Nebraska at Omaha (UNO) is located in the heart of Nebraska's largest city and serves as the state's metropolitan university. UNO offers nearly 200 programs of study in a learning environment that features a small-school atmosphere within Nebraska's largest city. UNO has enjoyed many recent successes in its move to becoming a metropolitan university of high distinction. Among these major landmarks is the Peter Kiewit Institute for Information Science, Technology and Engineering education which presents a new dynamic in how business and academia partner with each other to achieve common goals. This and the addition of residential units are among the factors leading to strong growth in numbers of students at UNO.

<u>The University of Nebraska Foundation.</u> The University of Nebraska Foundation is a strong supporter of the University in its drive to excellence. The Foundation continues to experience fundraising successes for the support of academics, research, and facilities. The University received over $178 million from the Foundation during 2018 for the funding of scholarships, professorships, and capital projects.

The financial statements include the discrete presentations of the Foundation's statements. Governmental Accounting Standards Board (GASB) Statement 39, *Determining Whether Certain Organizations Are Component Units*, and Statement 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No, 14 and 34* that require that financial reporting for a component unit that raises and holds funds for the direct benefit of the University be included in its financial statements.

The Nebraska Economy

The state-wide presence and mission of the University closely ties its well-being with that of the state economy. The economy of Nebraska is broad-based with one-third of non-farm jobs being in the services sector of the economy. Behind the services sector, another third is accounted for by the combination of manufacturing, retail and financial sectors. Omnipresent is performance of the agricultural economy. The combination of this broad economic base and the underpinning of agriculture have tended to buffer Nebraska from some of the national economic woes.

The State of Nebraska has historically been conservative in its financial management. The State is required to achieve a balanced budget, is prohibited from borrowing, and has no outstanding indebtedness.

The State of Nebraska finished fiscal 2018 in June with a surplus of $62 million (1.4%) as revenues exceeded projections. A majority of the surplus accrues to strength in personal income tax receipts being $50 million or 2.2% in excess of projections. This was slightly offset by sales and use taxes that fell short of projections by $17 million or 1.1%.

Through the end of September, receipts continued to be greater than forecasted, with receipts exceeding projections by $63 million or 5.5%. We are optimistic that University officials, residents of Nebraska, and State leadership will increasingly work together with a common vision to the future. This collaboration yields a growing, vibrant University while providing a high quality, affordable education to its citizens. This is fundamental, even vital, to the long-term well-being of the Nebraska economy. Today the University of Nebraska represents a $3.9 billion annual economic engine for the state and is a leading player in workforce development, with 1 of every 36 jobs in Nebraska attributable to the University. Beyond the numbers are the many ways in which we advance health care, scholarship and quality of life in communities across the state. As we pass the 150th anniversary of the University of Nebraska, the University's role in ensuring the continued prosperity of Nebraska and its citizens is as important as it has ever been.

Planning and Initiatives

The performance of the economy has put an even greater emphasis on planning and strategic initiatives. To that end, President Bounds has challenged all University constituents to join him in the pursuit of four broad goals for excellence that will keep us focused on priorities that serve the state and ensure the long-term success and competitiveness of the University of Nebraska. They are:

The University of Nebraska will be the best place in the nation to be a student. Students come first on the list of priorities. We will focus on continuing to provide excellent education for a great value, expanding access especially for underrepresented students, ensuring quality advising and timely graduation, enhancing diversity, and doing whatever we can to improve the success and well-being of our students.

The University of Nebraska will transform lives through research and innovation. We will invest in talent, modern facilities and an entrepreneurial culture, with an eye on elevating our reputation and impact in key areas where we think we can make a real difference. These include water and agriculture, early childhood education, national security and defense, rural development, cancer, public health, engineering, information technology, and the arts and humanities.

The University of Nebraska will work hand-in-hand with our partners. We're fortunate to have productive, mutually beneficial relationships with state and federal policymakers, business leaders, colleagues in K-12 and higher education, private donors, and all Nebraskans. We'll continue to work side-by-side to advance our shared goals for excellent education, health care, quality of life and economic vitality.

The University of Nebraska will win with people. We will create an environment that allows our employees to succeed, through competitive compensation, inclusive workplaces and increased efforts to share and celebrate the good work of our faculty and staff.

Responsible management of the University's resources is vital to our ability to pursue the goals the President has articulated. The University is performing well, with net position increasing $154 million or 4.1% in fiscal year 2018. We will continue to attempt to preserve a prudent level of reserves so as to provide an operating environment that is comparatively stable and predictable.

Our capital facilities planning and initiatives continue to serve us well. The University expended $135 million in 2018 on construction projects that touched the educational, research and outreach missions. In 2016, the Nebraska Legislature and the Governor approved and funded a continuation of the deferred maintenance initiative to keep buildings in good repair. The Legislature appropriated $11 million annually through 2030 which the University will match with pledged tuition revenue.

Our debt strategy allows us to be less subject to the uncertainties of the market and remain confident in this volatile environment. The increasing footprint of the Federal government in the debt markets adds even more unknowns. We will continue our strategy to avoid the event and emotion-driven capital markets by being a fixed-rate borrower, in projects that provide good coverage, and with level amortization versus pushing increasing debt payments into the future. Lastly, unlike many peers, we have neither the burden of post-employment benefit liabilities nor the specter of unfunded pension liabilities looming in our future.

The University continues to benefit from the generosity of donors and the good work of the University of Nebraska Foundation. The Foundation had another successful fiscal year, with over $186 million raised for the university in private gifts, 43,874 donors to the university, and an 8.5 percent return on the main endowment. Details of the Foundation activity can be found at www.nufoundation.org. Granted, while virtually all of the gifts to the Foundation are designated toward a specific purpose, their importance cannot be overstated as they contribute significantly to our momentum and service to students and the state.

We combine financial prudence with other strategic priorities of the Board of Regents to make the University of Nebraska a leader in public higher education, appealing to outstanding students, faculty, and staff. Goals for the University include expanding access to students both in our state and beyond so that we can produce many more skilled graduates for Nebraska's workforce. Particularly given that more than 70 percent of jobs in our state will soon require higher education, there is nothing that will provide greater long-term benefit to the State and the nation than an educated citizenry. We will continue in our efforts to make an affordable education available to all, with a particular focus on expanding access for first-generation, minority, low-income and other historically underrepresented students, and on leveraging online learning and other new technologies to increase our reach. We will buttress these efforts by reaching down into the P-12 ranks to assist in college preparedness.

Research will continue to be a priority. Funded research in 2018 totaled $378 million. The effort will become even more keenly focused in the future, with food, water, fuels, cancer, public health, early childhood education, and national security and defense being among the foundational pillars receiving increasing focus.

Finally, accountability will continue to be among our guiding priorities, so that all those who invest their resources in the University of Nebraska can be assured that their investment is providing a good return.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the University of Nebraska for its comprehensive annual financial report for the fiscal year ended June 30, 2017. The University has been awarded the Certificate for twenty-five of the last twenty-six years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Although we believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, the University has decided to discontinue its participation in the program.

The preparation of this report would not have been possible without the efficient and dedicated service of the staff of the Senior Vice President for Business and Finance and campus business and finance personnel. We would like to express our appreciation to all members of those departments who assisted and contributed to preparation of this report. Credit also must be given to President Bounds and the Board of Regents for their active support for maintaining the highest standards of professionalism in the management of the University of Nebraska's finances.

Respectfully submitted,

Chris J. Kabourek

Christopher J. Kabourek

Vice President | CFO

Brenda Owen

Brenda Owen

Director of University Accounting Services

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THE UNIVERSITY OF NEBRASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Principal University Business Officials

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Christopher J. Kabourek, Interim Vice President | CFO
Stacia Palser, Interim Vice President and General Counsel
Carmen Maurer, Corporation Secretary
Brenda Owen, Director of University Accounting Services

University of Nebraska-Lincoln Administration

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William Nunez, Interim Vice Chancellor
Mary LaGrange, Controller

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Jeffrey Gold, Chancellor
Doug Ewald, Vice Chancellor for Finance and Business
William Lawlor, Assistant Vice Chancellor

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Jeffrey Gold, Interim Chancellor
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Carol Kirchner, Assistant Vice Chancellor for Business and Finance

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University of Nebraska Facilities Corporation

Timothy P. Clare, President
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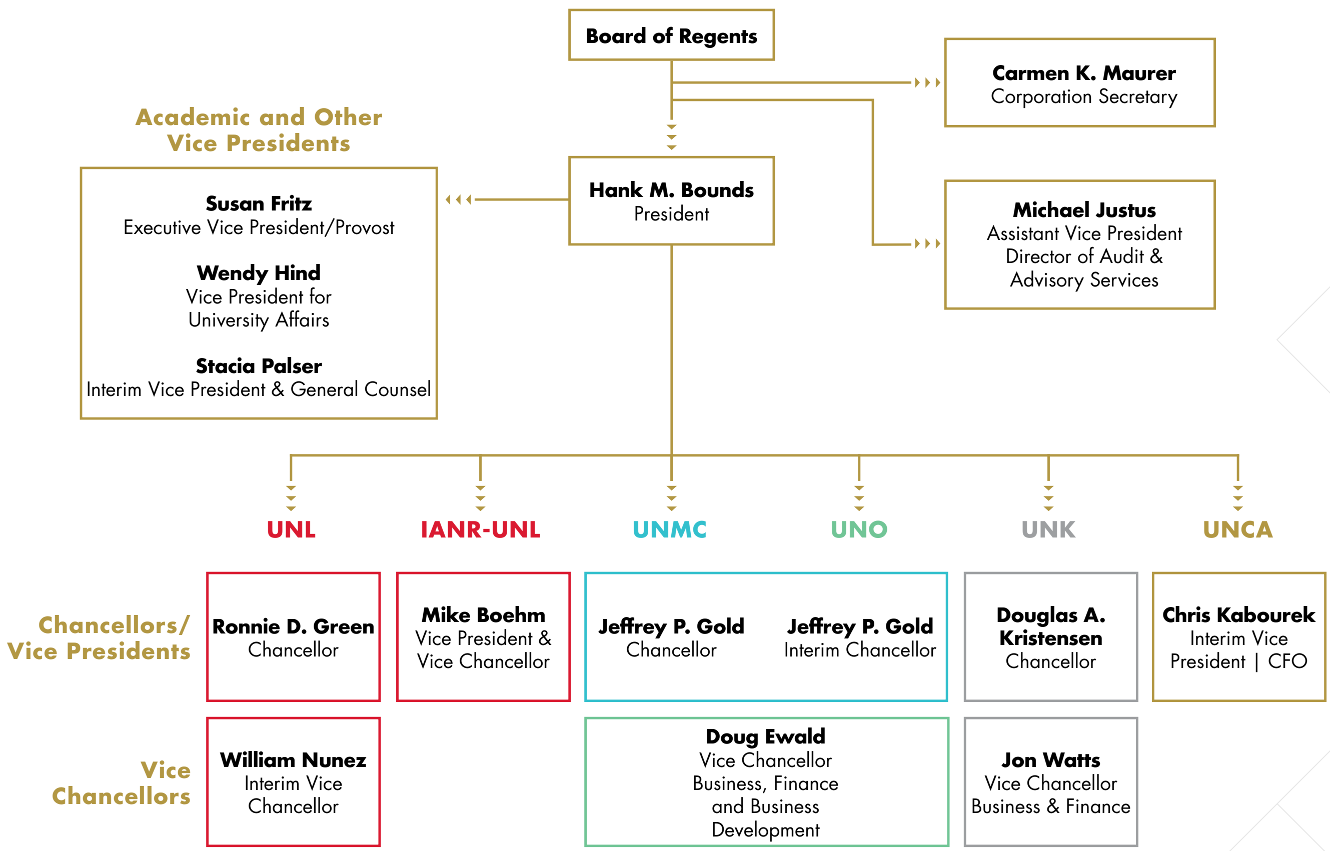
UNIVERSITY OF NEBRASKA ADMINISTRATION

Business Affairs Organizational Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

University of Nebraska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

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FINANCIALS

THE UNIVERSITY OF NEBRASKA

The University of Nebraska strives to be the best public university in the country as measured by the impact we have on our people and our state—and through them, the world. We help build and sustain Nebraska by offering educational and economic opportunity and a high quality of life: through access to high-quality education, through research that improves lives, through developing the state's workforce, and through programs that leverage Nebraska's resources in areas that are important in our state, nationally and globally.

The University of Nebraska is the state's only public university. It became the first institution west of the Mississippi River to offer graduate education in 1903. Founded in Lincoln, the university included a medical center in Omaha beginning in 1902.

The University of Nebraska became a multi-campus university in 1968 when the original campus was designated the University of Nebraska–Lincoln, and the University of Nebraska Medical Center and the University of Nebraska at Omaha (formerly a municipal institution) were designated by the state legislature as separate campuses. The University of Nebraska at Kearney (formerly a state college) was added in 1991.

Today's University of Nebraska stands proudly in the company of America's great public universities, with faculty and staff of about 16,000 serving nearly 53,000 and 1.9 million Nebraskans. The University's momentum is apparent, with new initiatives that are improving access for Nebraskans, ambitious goals for enrollment growth, continued improvements in student outcomes, success in increasing research funding, and record levels of private support.

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
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INDEPENDENT AUDITORS' REPORT

Board of Regents of the University of Nebraska
Lincoln, Nebraska:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and the discretely presented component unit of the University of Nebraska (University) (a component unit of the State of Nebraska) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the University of Nebraska Foundation (Foundation), a discretely presented component unit of the University; the University of Nebraska Facilities Corporation, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, and the Nebraska Utility Corporation, blended component units of the University (collectively identified as the Blended Component Units); and the activity relating to the Members of the Obligated Group under the Master Trust Indenture. The Blended Component Units and the activity relating to the Members of the Obligated Group under the Master Trust Indenture represent 22 percent, 5 percent, and 13 percent, respectively, of the assets, net position, and revenues of the University at June 30, 2018, and 22 percent, 4 percent, and 12 percent, respectively, of the assets, net position, and revenues of the University at June 30, 2017. Those statements were audited by other auditors, whose reports have been furnished to us, along with the Foundation report, which appears herein, and our opinion, insofar as it relates to the amounts included for the Foundation, the Blended Component Units, and the activity relating to the Members of the Obligated Group under the Master Trust Indenture, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation, the University of Nebraska Facilities Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, and the Nebraska Utility Corporation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University of Nebraska, as of June 30, 2018 and 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 18 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying introductory and statistical sections on pages 3 through 12 and pages 93 through 110 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Mark Avery

Lincoln, Nebraska
December 17, 2018

Mark Avery, CPA
Assistant Deputy Auditor

KPMG LLP
Suite 300
1212 N. 96th Street
Omaha, NE 68114-2274

Suite 1120
1248 O Street
Lincoln, NE 68508-1493

Independent Auditors' Report

The Board of Directors
University of Nebraska Foundation:

We have audited the accompanying consolidated financial statements of the University of Nebraska Foundation (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Nebraska Foundation as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Lincoln, Nebraska
September 28, 2018

Introduction

This discussion and analysis is designed to provide an overview of the financial position and activities of the University of Nebraska (the University) for the years ended June 30, 2018 and 2017. This analysis has been prepared by management of the University of Nebraska and it is intended to be read with the financial statements and related footnotes that follow this section.

The University is a comprehensive public institution of higher education, research, and public service. It was founded in Lincoln, Nebraska on February 15, 1869. The University became a multi-campus institution in 1968 by an act of the Nebraska Legislature that provided for the addition of the University of Nebraska at Omaha to the University system (formerly the municipal University of Omaha) and, at the same time, designated the University of Nebraska-Lincoln and University of Nebraska Medical Center as separate campuses. In 1991, the former Kearney State College became the fourth campus as the University of Nebraska at Kearney.

The University's four campuses provide a diversity of offerings. The University of Nebraska-Lincoln (UNL) offers a wide range of undergraduate majors and has primary responsibility for graduate education, particularly at the doctoral level, and in the non-medical professions. UNL also includes the Institute of Agriculture and Natural Resources, which operates research extension centers across the State of Nebraska (the State), as well as offering major educational and research programs on campus. The University of Nebraska Medical Center (UNMC) features undergraduate, graduate, and professional degree programs that prepare students for a wide variety of careers in health sciences. The University of Nebraska at Omaha (UNO) is a metropolitan university located in the heart of Nebraska's largest city offering a broad range of undergraduate programs, as well as doctoral programs in criminal justice and public administration. The University of Nebraska at Kearney (UNK) is a mid-sized, residential campus with a commitment to excellence in undergraduate education. UNK offers undergraduate degrees in the arts and sciences, education, and business and technology, with a wide range of majors.

The financial statements for the University of Nebraska include six blended entities, those being the University of Nebraska Facilities Corporation (UNFC), the UNMC Science Research Fund, the University Dental Associates, UNeHealth, the Nebraska Utility Corporation, and the University Technology Development Corporation. Additional information regarding these entities is described in the footnotes to the financial statements.

In accordance with the guidance of Governmental Accounting Standards Board (GASB) Statement No. 39 and GASB Statement No. 61, the University of Nebraska Foundation's (the Foundation) financial statements are discretely presented with the University's financial statements. Management's discussion and analysis relates only to the University and does not include any overview of the financial position and activities of the Foundation. References to the Foundation within the analysis relate only to specific transactions with the University.

(Columnar Amounts in Thousands)

Student Enrollment – Headcount

	Fiscal Year				
Campus	**2014**	**2015**	**2016**	**2017**	**2018**
UNL	24,745	25,390	25,772	26,239	26,396
UNMC	3,681	3,696	3,790	3,862	3,908
UNO	15,227	15,227	15,526	15,627	15,731
UNK	7,052	6,902	6,747	6,788	6,644
Total	50,705	51,215	51,835	52,516	52,679

The fall semester (fiscal 2018) headcount enrollment was 52,679 students on the four campuses, showing continued upward movement in enrollment figures across the University system. Increasing enrollment is a strategic priority of the University and all campuses have devoted greater efforts to recruit both in-state and out-of-state students through such activities as improvement of student residences and facilities. The number of students enrolled in graduate and professional programs was 13,081, representing 25% of the student body, an important part of the University's commitment to its increasing prominence as a major research institution.

Financial and Operating Highlights

- ***Growth in Net Position.*** Overall total net position of the University grew by $154 million or 4% and is attributable to several factors. Invested in capital assets increased by $76 million. Sales and services of auxiliary operations increased by $34 million, primarily due to increased athletic revenue sharing as UNL became a full member of the Big Ten Conference. The fair value of permanent endowments increased $9 million, while plant construction also increased $18 million. Unrestricted net position remains strong at $674 million, an increase of $23 million over the prior year.

- ***New Capital Construction.*** Investments in capital projects followed University priorities, with many of these projects coming courtesy of private support. The following endeavors align behind the educational, research, and public service missions and make the University more competitive in continuing to attract high caliber students and faculty.
    - Construction continued for the UNMC Interprofessional Experiential Center for Enduring Learning (iEXCEL). Total budget for the iEXCEL building is about $122 million, with roughly $48 million expended to date. A $26 million renovation of Wittson Hall kicked off in 2018, as well as a $10 million renovation of the Joseph D. and Millie E. Williams Science Hall.

    - Construction nears completion on a $16 million Village Flats Housing project at UNK. The residence hall contains 68 one-bedroom and 31 two-bedroom apartments, and is geared toward upperclassmen and graduate-level students.

- At UNO, construction continued for the Strauss Performing Arts Center addition and renovation at a cost of $18 million. The renovation is needed to update the existing facility to meet current ADA, fire and life safety codes as well as addressing needed rehabilitation of interior spaces and upgrade old systems, furnishings and finishes. Additionally, construction began on the Biomechanics Research Building Addition, a project with a total cost of approximately $12 million.

- At UNL, construction was substantially completed on Howard L. Hawks Hall, Massengale Residential Center, Nebraska Veterinary Diagnostic Center and the University Health Center and College of Nursing. New projects in process include the Morrill Hall 4th Floor Renovation for $11 million and the Gymnastic Training Facility for $14 million.

- ***Indebtedness.*** Overall, bonded indebtedness increased in 2018 by approximately $14 million on a base of $912 million at June 30, 2017, the result of five new issues net of maturities/calls:

  Two issues were marketed by the Master Trust Indenture (MTI):

  - $15,120 of UNO Revenue Bonds to advance refund $15,405 of Series 2010B Bonds.
  - $10,960 of UNO Revenue Bonds to advance refund $12,345 of Series 2010 Bonds.

  Three new issues were marketed by UNFC:

  - $13,000 of UNMC Eye Institute Project Bonds to refinance $14,740 of UNMC Eye Institute Bonds, Series 2011.
  - $77,335 of Deferred Maintenance Bonds for continued renewal, renovation and replacement projects on the four campuses of the University of Nebraska.
  - $36,535 of UNO/Community Refunding Bonds to advance refund $35,800 of UNO/Community Facility Bonds, Series 2013A.

  Financial performance in the operations financed by MTI bonds (unions, student residences, recreation facilities, and parking) led to strong debt coverage ratios of 1.65 times versus a required 1.15. As the bond covenants state that defined excess funds must stay within the bonded portion of the enterprise, strong performance also allows MTI members to create reserves that allow measured, planned modernizations of facilities and equity infusion into projects without incurring additional incremental borrowings that would otherwise be required.

- ***State appropriations and tuition.*** The Nebraska Legislature appropriated a 2% decrease in state support of University operations for fiscal 2018 compared to a 3% increase in 2017 and 2016. Tuition increased 5.4% and 2.5% in 2018 and 2017, respectively, compared to a 1.75% increase in fiscal 2016. This support, along with internal reallocations, permitted the University to provide a 1.75% increase in the salary pool for faculty and staff and to pay negotiated salary increases for UNO and UNK collective bargaining units. The University will continue to work with the State with the hope of returning to historical norms of increased support.

- ***Federal Grants and Contracts.*** Revenues from Federal grants and contracts increased by 6% from 2017 to 2018 compared to an 8% increase from 2016 to 2017. Revenues from Federal sources support the research and discovery efforts of the University and provide financial aid to students.

- ***Capital grants and gifts.*** Capital grants and gifts continue to be an important source of funding for facilities at the University. Capital grants and gifts totaled $55 million in 2018 compared to $98 million in 2017, and $113 million in 2016. The largest decrease in gifts resulted from completion of the Fred and Pamela Buffett Cancer Center at UNMC.

Using the Financial Statements

The financial statements of the University include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements are prepared in accordance with GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. The statements and related footnotes are presented on a combined basis for the University as a whole.

Statement of Net Position. The Statement of Net Position includes all of the assets, deferred outflows, liabilities, and deferred inflows of the University and its component units on the accrual basis of accounting. The difference between total assets and deferred outflows and total liabilities and deferred inflows represents the net position of the University, and is one indicator of its overall current financial condition. Over time, increases or decreases in the University's net position are indicative of whether its financial health is improving or deteriorating.

Assets classified as non-current are those that are expected to mature beyond a one year period or represent special accounts such as those established to comply with revenue bond covenants.

Capital assets are presented net of accumulated depreciation.

Net position is divided into three parts:

- Net investment in capital assets: The University's total investment in capital assets, net of accumulated depreciation and reduced by outstanding bond obligations incurred to acquire, construct, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included.
- Restricted:
  - Expendable: A fund externally restricted by creditors, grantors, or donors and includes grant and research funds, student loan programs, funds for plant construction, and debt service on bond obligations.
  - Non-expendable: Permanent endowments.
- Unrestricted: Comprised of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Revenues, Expenses, and Changes in Net Position disclose the revenues and expenses of the University during the year. Revenues and expenses are classified as either operating or non-operating. Revenues realized from operating activities are offset by operating expenses, including depreciation, resulting in an operating income or loss. Most significantly, GASB requires that certain funding sources that are significant to the University, including State appropriations, gifts, certain Federal student aid programs, and investment income, be classified as non-operating revenues. In large public land-grant institutions, this, by definition, will invariably create operating losses on the statement of revenues and expenses and negative cash flows from operations in the statement of cash flows.

(Columnar Amounts in Thousands)

Scholarships and fellowships granted to students are shown as a reduction of tuition and other revenues, while stipends and other cash payments made directly to students are reported as scholarship and fellowship expenses.

Statement of Cash Flows. The Statement of Cash Flows provides information about the cash receipts and cash payments made by the University during the year. When used with related disclosures and information in the other financial statements, this statement should help assess the University's ability to generate future cash flows, its ability to meet its obligations when they come due, its needs for financing, the reasons for differences between operating income and associated cash receipts, and payments and the effects on the University's financial position by investing, capital, and financing transactions during the year.

Condensed Financial Statements and Analysis

Condensed Statements of Net Position

	June 30, 2018	June 30, 2017	June 30, 2016
Assets and Deferred Outflows			
Current assets	$ 1,345,686	$ 1,302,071	$ 1,305,002
Capital assets, net of accumulated depreciation	2,797,199	2,768,094	2,588,806
Other non-current assets	1,167,883	1,063,152	991,742
Total assets	5,310,768	5,133,317	4,885,550
Deferred Outflows of Resources	19,810	16,681	7,630
Liabilities, Deferred Inflows, and Net Position			
Current liabilities	455,635	452,620	424,170
Non-current liabilities	914,505	891,047	884,006
Total liabilities	1,370,140	1,343,667	1,308,176
Deferred Inflows of Resources	19,785	19,486	14,523
Net position:			
Net investment in capital assets	2,240,603	2,165,096	1,953,065
Restricted for:			
Nonexpendable:			
Permanent endowment	233,949	225,490	207,481
Expendable:			
Externally restricted funds	365,561	344,631	227,970
Loan funds	42,063	43,439	43,110
Plant construction	229,272	211,566	243,917
Debt service	155,395	145,500	144,167
Unrestricted	673,810	651,123	750,771
Total net position	$ 3,940,653	$ 3,786,845	$ 3,570,481

(Columnar Amounts in Thousands)

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

	Year Ended June 30,		
	2018	2017	2016
Operating Revenues:			
Tuition and fees	$ 405,808	$ 389,649	$ 376,599
Federal grants and contracts - restricted	268,437	254,173	234,484
Private grants and contracts - restricted	192,482	196,221	174,294
State grants and contracts - restricted	39,539	40,799	36,099
Sales and services of educational activities	112,573	102,299	98,992
Sales and services of health care entities	32,008	27,437	23,557
Sales and services of auxiliary operations	213,933	179,631	175,915
Sales and services of auxiliary segments	122,619	125,642	121,910
Other operating revenues	13,751	12,956	13,238
Total operating revenues	1,401,150	1,328,807	1,255,088
Operating Expenses:			
Compensation and benefits	1,303,485	1,263,594	1,221,257
Supplies and services	573,061	573,995	540,357
Depreciation	139,408	120,111	115,216
Scholarships and fellowships	75,807	68,639	63,600
Total operating expenses	2,091,761	2,026,339	1,940,430
Operating Loss	(690,611)	(697,532)	(685,342)
Non-operating Revenues (Expenses):			
State of Nebraska non-capital appropriations	559,188	576,559	561,079
Federal grants	48,820	43,004	42,343
Gifts	96,071	100,968	95,520
Investment income	45,633	39,037	26,942
Interest on bond obligations	(32,758)	(24,044)	(24,424)
Equity in joint venture	36,111	36,784	47,982
Other non-operating revenues	(2,300)	8,466	(21,642)
Net non-operating revenues	750,765	780,774	727,800
Income before Other Revenues, Expenses, Gains or Losses	60,154	83,242	42,458
Other Revenues, Expenses, Gains or Losses:			
State of Nebraska capital appropriations	36,182	32,497	60,353
Capital grants and gifts	55,213	98,506	112,856
Contribution/(distribution) to/from non-controlling interest	-	-	(1,003)
Additions to permanent endowments	2,259	2,119	1,701
Net other revenues, expenses, and gains or losses	93,654	133,122	173,907
Increase in net position	153,808	216,364	216,365
Net position, beginning of year	3,786,845	3,570,481	3,354,116
Net position, end of year	$ 3,940,653	$ 3,786,845	$ 3,570,481

Analysis of Financial Position. Cash and cash equivalents represent the preponderance of current assets of the University and increased $94 million in 2018, after slight decreases in 2017 and 2016.

Non-current assets of the University are dominated by the investment in capital assets. At June 30, 2018, total investment in capital assets was $3.8 billion, yielding a net investment, after accumulated depreciation, of $2.8 billion. The increase in capital assets was $29 million, consisting of additions of $168 million net of depreciation of $139 million. Changes in capital assets are further detailed in the capital asset section of this discussion.

Capital gifts from the Foundation contributed to funding the UNMC Fred & Pamela Buffett Cancer Center, Howard L. Hawks Hall, the new College of Business building at UNL, the UNO Biomechanics Research building addition, Strauss Performing Arts Center Addition & Renovation, the UNL Gymnastic Facility, and funds for debt service on certain UNFC projects. All other projects were funded or partially funded from MTI and UNFC bond issues of current and prior years, capital appropriations, and certain designated internal funds.

Net bonded indebtedness increased by $14 million in 2018 following increases of $39 million and $38 million in 2017 and 2016, respectively. Indebtedness issued was $153 million in 2018 with $194 million issued in 2017 and $162 million issued in 2016. The individual bond issuances were recounted earlier in this discussion and in the debt activity portion of this communication.

The unrestricted net position of the University increased by 3% or $23 million during the year to $674 million. The increase is primarily due to an increase in athletic revenue sharing, as UNL became a full member of the Big Ten Conference.

Analysis of Operations – Overview. The University generated $1,401 million of operating revenues during 2018, an increase of $72 million over 2017, while operating expenses were $2,092 million, up $65 million over the prior year. These changes resulted in a decrease in the operating loss of $7 million to $690 million in 2018 compared to losses of $697 million and $686 million for 2017 and 2016. As disclosed earlier, because of the mandated financial reporting regarding classification of State appropriations and other funding sources, statements of activities for large public land-grant universities will invariably report an operating loss. If non-capital appropriations were added to the operating loss as displayed in the statements of revenues, expenses, and changes in net position, the University's "operating loss after appropriations" would have been $131 million in 2018 compared to similar "losses" of $121 million in 2017 and $125 million in 2016.

The Nebraska Legislature provided $559 million in non-capital appropriations for 2018, a decrease of $17 million over 2017 following an increase of $16 million in 2017 and an increase of $17 million in 2016. The University, in conjunction with the Foundation, generated non-operating and capital gifts of approximately $151 million that, when combined with all other non-operating revenues and expenses including investment income of $46 million, netted an overall increase in net position of approximately $154 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2018 and 2017 (UNAUDITED)
(Columnar Amounts in Thousands)

Revenues. The following chart depicts the revenues for 2018 and 2017 and the comparative changes that occurred between those years.

	2018		2017		2018-2017 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Tuition and fees	$ 405,808	29%	$ 389,649	29%	$ 16,159	4%
Federal grants and contracts - restricted	268,437	19	254,173	19	14,264	6
Private grants and contracts - restricted	192,482	14	196,221	15	(3,739)	(2)
State grants and contracts - restricted	39,539	3	40,799	3	(1,260)	(3)
Sales and services of educational activities	112,573	8	102,299	8	10,274	10
Sales and services of health care entities	32,008	2	27,437	2	4,571	17
Sales and services of auxiliary operations	213,933	15	179,631	14	34,302	19
Sales and services of auxiliary segments	122,619	9	125,642	9	(3,023)	(2)
Other operating revenues	13,751	1	12,956	1	795	6
Total operating revenues	$ 1,401,150	100%	$ 1,328,807	100%	$ 72,343	5%

The University's operating revenues increased in fiscal year 2018 by 5% or $72 million. A three year comparison of revenues for the years 2018, 2017, and 2016 is presented on page 23.

- The largest increase in revenue was realized in auxiliary operations, which increased by $34 million in 2018 compared to 2017, following an increase of $4 million in 2017 compared to 2016. The primary driver was an increase in athletic revenue sharing, as UNL became a full member of the Big Ten Conference, as well as an increase in athletic sponsorship agreements and game guarantees.

- The second largest increase in revenue was tuition and fees, which increased during the year by 4% on modest enrollment growth and an increase in tuition of 5.4%.

- The third largest increase in revenue was federal grants and contracts, which increased during the year by 6%. Two new grants at UNMC, one from Health and Human Services and one from National Institutes of Health, that totaled approximately $11 million was the primary factor impacting the increase.

(Columnar Amounts in Thousands)

Expenses. The following chart shows the University's expenses for 2018 and 2017 and comparative changes that occurred between those years. A three year comparison of expenses for the years 2018, 2017, and 2016 is presented on page 23.

	2018		2017		2018-2017 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Compensation and benefits	$ 1,303,485	62%	$ 1,263,594	62%	$ 39,891	3%
Supplies and services	573,061	27	573,995	28	(934)	0
Depreciation	139,408	7	120,111	6	19,297	16
Scholarships and fellowships	75,807	4	68,639	4	7,168	10
Total operating expenses	$ 2,091,761	100%	$ 2,026,339	100%	$ 65,422	3%

Operating expenses increased by $65 million for the 2018 fiscal year. Changes in the major expense classifications follow.

- Compensation and benefits increased by 3% in 2018, following a 4% increase in 2017 and a 6% increase in 2016. While the 2018 University salary pool was 1.75%, funding of strategic priorities and a gain in Federal grant activity also contributed to the increase. In addition, an increase in insurance claims contributed to an uptick in benefit costs.

- Depreciation expense increased by 16% and was driven by numerous building additions in 2017 that had their first full year of depreciation in 2018. These include the $328 million Fred & Pamela Buffett Cancer Center at UNMC and the $29 million Willa Cather Dining Complex at UNL.

- Scholarships and fellowships increased $7 million in 2018, a rise of 10% compared to 2017. The primary driver was an increase in Pell grants of $5 million in 2018.

Non-Operating Revenues (Expenses). Net non-operating revenues decreased $30 million during 2018 compared to 2017. Decreases in non-capital state appropriations, non-capital gifts, and other non-operating revenues and expenses account for the majority of the change.

Non-capital state appropriations decreased $17 million, due to a 2% decrease in state funding. Support from the Foundation and the private sector provided the University with non-capital gifts during the year of $96 million, compared to $101 million in 2017. Non-capital gifts support scholarships to students, professorships, and a variety of academic and research pursuits.

Other Revenues, Expenses, Gains, or Losses. Net other revenues, expenses, gains, or losses decreased by $39 million. A $43 million decrease in capital gifts was the primary driver, off-set by an increase of $4 million in State of Nebraska capital appropriations. Capital gifts decreased due to several major construction projects, funded from donations, that were completed in 2017 and 2018. The increase in capital appropriations can be attributed to the continuing iEXCEL project at UNMC and the College of Nursing at UNL. Capital appropriations include a total of $11 million each year for debt service on both the 2017A and 2016 Series of deferred maintenance bonds.

Capital Assets

The University made significant investments in capital assets during the current year. Major construction projects and acquisitions completed were:

- At UNL, three major construction projects were completed in 2018. Massengale Residential Center, a new residence hall on East Campus, was opened at a cost of $34 million. The Nebraska Veterinary Diagnostic Center addition was completed for $31 million. The University Health Center and College of Nursing opened in the summer of 2018. State appropriations, bonds, donor gifts, and University resources funded the $26 million project.
- Maverick Landing, the new welcome and visitor center at UNO was completed at a cost of $3.5 million. This new space on the Scott Campus creates new opportunities to welcome prospective students, their families, and other visitors to UNO, while also providing a new social space for current students. Also at UNO, the new 67^{th} & Pacific Parking Garage, was capitalized at a cost of $26 million.
- UNMC completed upgrades to their energy management monitoring systems for $10 million. At UNK, several utility, infrastructure and fiber projects were completed for a total cost of $6 million.

More information on capital asset activity is disclosed in the Notes to the Financial Statements included in this report on page 50.

Debt Activity

Bond Financings. The University marketed five bond financings during 2018. Two financings were issued through the MTI:

- The Board of Regents issued $15,120 of University of Nebraska at Omaha Revenue and Refunding Bonds, Series 2017A. The net proceeds of the bonds, along with other funds, were used to advance refund $15,405 of Series 2010B Bonds.
- The Board of Regents issued $10,960 of University of Nebraska at Omaha Revenue and Refunding Bonds, Series 2017B. The proceeds, together with other funds, were used to advance refund $12,345 of Series 2010 Bonds.

UNFC sold three bond issues during the year:

- UNFC issued $13,000 of UNMC Eye Institute Project Bonds, Series 2018. The proceeds will be used to refinance $14,700 of UNMC Eye Institute Bonds, Series 2011.
- UNFC issued $77,335 of Deferred Maintenance Bonds, Series 2017A. The proceeds will be used for continued renewal, renovation, and replacement projects on the four campuses of the University of Nebraska.
- UNFC issued $36,535 of UNO/Community Refunding Bonds, Series 2017B. The proceeds will be used to advance refund $35,800 of UNO/Community Facility Bonds, Series 2013A.

The University has been actively refinancing debt as it becomes callable and financially viable. Additional information about the impacts of the refinancings can be found in the Notes to the Financial Statements.

The Board of Regents of the University of Nebraska Members of the Obligated Group under the MTI has bonds outstanding from the construction of student housing, parking, student recreation, and student unions. The financial position of the MTI had operating income that provided a debt service ratio of 1.65 times for the year ended June 30, 2018, compared to 1.72 times for 2017 and 1.68 times in 2016. The debt service ratio required by the MTI covenants is 1.15 times.

UNFC met all debt service requirements during 2018. The State Legislature has reaffirmed the appropriation of funds for their portion of the debt service pertaining to the Deferred Maintenance Projects, the NCTA Education Center and Vet Diagnostic Center. The Deferred Maintenance Project appropriation of $11 million is matched with designated tuition revenues for debt service on the deferred maintenance bond issues. The Foundation continues to receive funds, as scheduled, from donor gifts pledged toward the funding of the gift-funded projects. Funds from internal University sources continue to meet expectations allowing the service of UNFC-related debt obligations in their normal course.

More information on debt financing is disclosed on page 51 in the Notes to Financial Statements included in this report.

Economic Outlook and Subsequent Events That Will Affect the Future

The University of Nebraska, as the State's only public education/intensive research university, is an important component in driving the economic success of Nebraska. Economic development takes many forms in a major university, running the gamut from educating and retaining the best and brightest to research growth, tech transfer, and its by-product of job creation. This university-state partnership in fostering a climate of success also means, like other major land-grant universities, that State funding plays an important part in fueling the success of the University in many areas.

The 2019 session of the Nebraska Legislature will be a "long session" that includes formation and passage of a state budget for the two-year biennium ending June 30, 2021. The University has submitted a request asking for annual state appropriation increases that average 3% per year. This funding would be used to fund wage increases, health benefits, utilities and other operating costs. After several years of stagnant growth due to low agriculture commodity prices, State of Nebraska revenues have rebounded thus far in fiscal year 2018-19, running 3.1% ahead of forecast through October 2018. However, trade conflicts, and their long-term impact on Nebraska's agriculture economy, continue to concern economists.

In a focused effort to chart the future direction of resource deployment at the University of Nebraska, the President and the Board of Regents have set forth a strategic framework and priorities that will guide the path forward. These will help channel resources to carefully considered objectives that will help the University better serve Nebraskans through quality teaching, research, and outreach and engagement.

The Buffett Early Childhood Institute, the Water for Food Initiative, and the Fred and Pamela Buffett Cancer Center are just a few of the strategic pillars that form a framework for the University as it moves decisively forward. The University's National Strategic Research Institute (NSRI) is another example of strategic movement by the Board of Regents and the University. NSRI is the 14th University Affiliated Research Center (UARC) in the United States and only the second such entity in the Big Ten. A UARC is a specially designed entity that provides essential engineering and technology capabilities of particular importance to the U.S. Department of Defense. This enterprise will prove increasingly important in maintaining research pre-eminence in an era of flat/declining traditional Federal grants and contracts sources. It also assists in retaining key faculty assets in the research enterprise. In June of 2018, the University of Nebraska and the United States Strategic Command announced that NSRI has been renewed with a five-year, $92 million contract from the U.S. Air Force.

Other areas of differentiation include cancer research and treatment, with the construction of a cancer center research and hospital tower having been completed at the medical center campus, a new, privately-funded College of Business building at the Lincoln campus, a new dedicated facility for community engagement at the Omaha campus, and a nursing and allied health building seeking to alleviate out-state shortages in health care workers at Kearney.

Fall 2018 enrollments were down slightly mostly due to a drop in international students. Student headcounts still remain at historical highs, which we attribute to tuition being favorable to peers. Attracting and retaining the best and brightest is so important in growing Nebraska, especially in a state with an unemployment rate under 3%.

The University of Nebraska Foundation also continues to provide much needed resources. Funds provided to the University, predominantly restricted to capital, academic support, and student assistance, totaled $181 million in 2018, yielding a five-year total of nearly $1 billion. This is greatly valued as it provides scholarships, professorships, and much needed capital project funding, the very things that will strategically power the University forward.

The future of the State of Nebraska is closely tied to that of its only public university, and the strategic framework and priorities will guide University planning, helping to build and sustain a Nebraska that offers its citizens educational and economic opportunity and a high quality of life.

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017
(Thousands)
(See Independent Auditors' Report on Pages 14, 15, and 16)

	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	$ 603,703	$ 556,553
Cash and cash equivalents - restricted	322,480	275,355
Cash and cash equivalents held by trustee - restricted	68,992	69,574
Investments - restricted	148,374	160,275
Accounts receivable and unbilled charges, net	175,447	206,579
Loans to students, net	5,233	5,263
Other current assets	21,457	28,472
Total current assets	1,345,686	1,302,071
NON-CURRENT ASSETS:		
Cash and cash equivalents	1,508	-
Cash and cash equivalents - restricted	339	939
Cash and cash equivalents held by trustee - restricted	275,091	232,938
Investments - restricted	375,486	345,866
Investments held by trustee - restricted	12,871	14,508
Accounts receivable and unbilled charges, net	30,819	23,745
Investment in joint venture	443,182	415,574
Loans to students, net of current portion	28,045	28,847
Capital assets, net of accumulated depreciation	2,797,199	2,768,094
Other non-current assets	542	735
Total non-current assets	3,965,082	3,831,246
Total assets	5,310,768	5,133,317
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred loss on bond refunding	19,810	16,681
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	104,949	110,714
Accrued salaries and wages	48,035	47,784
Accrued compensated absences	56,438	56,145
Bond obligations payable	79,227	90,374
Capital lease obligations	288	234
Unearned revenues and credits	152,438	136,358
Health and other insurance claims	14,260	11,011
Total current liabilities	455,635	452,620
NON-CURRENT LIABILITIES:		
Accrued salaries and wages, net of current portion	4	19
Accrued compensated absences, net of current portion	18,059	18,436
Bond obligations payable, net of current portion	847,120	821,946
Capital lease obligations, net of current portion	49,121	48,896
Unearned revenues and credits, net of current portion	201	-
Health and other insurance claims, net of current portion	-	1,750
Total non-current liabilities	914,505	891,047
Total liabilities	1,370,140	1,343,667
DEFERRED INFLOWS OF RESOURCES:		
Deferred service concession arrangement receipts	19,143	18,546
Deferred gain on bond refunding	642	940
Total deferred inflows of resources	19,785	19,486
NET POSITION:		
Net investment in capital assets	2,240,603	2,165,096
Restricted for:		
Nonexpendable:		
Permanent endowment	233,949	225,490
Expendable:		
Externally restricted funds for scholarships, student aid, and research	365,561	344,631
Loan funds	42,063	43,439
Plant construction	229,272	211,566
Debt service	155,395	145,500
Unrestricted	673,810	651,123
Total net position	$ 3,940,653	$ 3,786,845

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA

UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017
(Thousands)
(See Independent Auditors' Reports on Pages 14, 15, 16, and 17)

	2018	2017
ASSETS		
Cash and cash equivalents	$ 48,769	$ 40,780
Temporary investments	400,377	373,191
Pledges receivable	187,856	202,003
Other receivables	6,276	5,509
Investments	1,756,282	1,659,647
Property and equipment, net of depreciation	50,456	52,133
Total assets	$ 2,450,016	$ 2,333,263
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	$ 5,952	$ 5,232
University of Nebraska benefits payable	1,069	1,188
Scholarships, research, fellowships and professorships payable	12,345	13,353
Note payable	17,559	16,971
Deferred annuities payable	16,644	19,167
Deposits held in custody for others	334,749	325,803
Deferred revenue	2,725	3,117
Total liabilities	391,043	384,831
NET ASSETS:		
Unrestricted	26,514	13,507
Temporarily restricted	1,021,314	966,858
Permanently restricted	1,011,145	968,067
Total net assets	2,058,973	1,948,432
Total liabilities and net assets	$ 2,450,016	$ 2,333,263

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
(Thousands)
(See Independent Auditors' Report on Pages 14, 15, and 16)

	2018	2017
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of $142,938 and $126,157 in 2018 and 2017, respectively)	$ 405,808	$ 389,649
Federal grants and contracts - restricted	268,437	254,173
Private grants and contracts - restricted	192,482	196,221
State and local grants and contracts - restricted	39,539	40,799
Sales and services of educational activities	112,573	102,299
Sales and services of health care entities	32,008	27,437
Sales and services of auxiliary operations	213,933	179,631
Sales and services of auxiliary segments (net of scholarship allowances of $15,054 and $13,902 in 2018 and 2017, respectively)	122,619	125,642
Other operating revenues	13,751	12,956
Total operating revenues	1,401,150	1,328,807
OPERATING EXPENSES:		
Compensation and benefits	1,303,485	1,263,594
Supplies and services	573,061	573,995
Depreciation	139,408	120,111
Scholarships and fellowships	75,807	68,639
Total operating expenses	2,091,761	2,026,339
OPERATING LOSS	(690,611)	(697,532)
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	559,188	576,559
Federal Grants	48,820	43,004
Gifts	96,071	100,968
Investment income (net of investment management fees of $6,517 and $6,666 in 2018 and 2017, respectively)	45,633	39,037
Interest on bond obligations	(32,758)	(24,044)
Equity in joint venture	36,111	36,784
Other non-operating revenues	(2,300)	8,466
Net non-operating revenues	750,765	780,774
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	60,154	83,242
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
State of Nebraska capital appropriations	36,182	32,497
Capital grants and gifts	55,213	98,506
Additions to permanent endowments	2,259	2,119
Net other revenues, expenses, gains, or losses	93,654	133,122
INCREASE IN NET POSITION	153,808	216,364
NET POSITION:		
Net position, beginning of year	3,786,845	3,570,481
Net position, end of year	$ 3,940,653	$ 3,786,845

See notes to financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska) CONSOLIDATED
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(Thousands)
(See Independent Auditors' Reports on Pages 14, 15, 16, and 17)

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND GAINS:				
Gifts, bequests, and life insurance proceeds	$ 904	$ 142,646	$ 42,324	$ 185,874
Investment income	35,156	(1,346)	-	33,810
Change in value of split-interest agreements	-	1,118	-	1,118
Realized and unrealized gains, net	11,617	91,361	-	102,978
	47,677	233,779	42,324	323,780
Reclassification due to change in donor intent	-	(754)	754	-
NET ASSETS RELEASED FROM RESTRICTIONS	178,569	(178,569)	-	-
Total revenue and gains	226,246	54,456	43,078	323,780
EXPENSES				
Payments to benefit the University:				
Academic support	93,401	-	-	93,401
Student assistance	25,316	-	-	25,316
Faculty assistance	7,592	-	-	7,592
Research	6,244	-	-	6,244
Museum, library, and fine arts	2,894	-	-	2,894
Campus and building improvements	44,535	-	-	44,535
Alumni associations	570	-	-	570
Total payments to benefit the University	180,552	-	-	180,552
Operating expenses:				
Salaries and benefits	20,256	-	-	20,256
General and administrative	5,538	-	-	5,538
Fund-raising, promotion, and development	2,135	-	-	2,135
Contributions to other charities	173	-	-	173
Paid to beneficiaries	2,626	-	-	2,626
Depreciation	1,959	-	-	1,959
Total operating expenses	32.687	-	-	32,687
Total expenses	213,239	-	-	213,239
INCREASE IN NET ASSETS	13,007	54,456	43,078	110,541
NET ASSETS at beginning of year	13,507	966,858	968,067	1,948,432
NET ASSETS at end of year	$ 26,514	$ 1,021,314	$ 1,011,145	$ 2,058,973

See notes to financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska) CONSOLIDATED
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(Thousands)
(See Independent Auditors' Reports on Pages 14, 15, 16, and 17)

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND GAINS:				
Gifts, bequests, and life insurance proceeds	$ 722	$ 137,350	$ 31,096	$ 169,168
Investment income	34,207	5,258	-	39,465
Change in value of split-interest agreements	-	397	-	397
Realized and unrealized gains, net	36,220	83,578	-	119,798
	71,149	226,583	31,096	328,828
Reclassification due to change in donor intent	-	(15,277)	15,277	-
NET ASSETS RELEASED FROM RESTRICTIONS	193,761	(193,761)	-	-
Total revenue and gains	264,910	17,545	46,373	328,828
EXPENSES				
Payments to benefit the University:				
Academic support	54,910	-	-	54,910
Student assistance	22,405	-	-	22,405
Faculty assistance	6,861	-	-	6,861
Research	6,243	-	-	6,243
Museum, library, and fine arts	2,951	-	-	2,951
Campus and building improvements	99,813	-	-	99,813
Alumni associations	724	-	-	724
Total payments to benefit the University	193,907	-	-	193,907
Operating expenses:				
Salaries and benefits	19,225	-	-	19,225
General and administrative	5,054	-	-	5,054
Fund-raising, promotion, and development	2,363	-	-	2,363
Contributions to other charities	119	-	-	119
Paid to beneficiaries	2,730	-	-	2,730
Depreciation	1,706	-	-	1,706
Total operating expenses	31,197	-	-	31,197
Total expenses	225,104	-	-	225,104
INCREASE IN NET ASSETS	39,806	17,545	46,373	103,724
NET ASSETS at beginning of year	(26,299)	949,313	921,694	1,844,708
NET ASSETS at end of year	$ 13,507	$ 966,858	$ 968,067	$ 1,948,432

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
(Thousands)
(See Independent Auditors' Report on Pages 14, 15, and 16)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	$ 522,155	$ 503,398
Tuition and fees	404,701	390,707
Sales and services of health care entities	28,938	26,723
Sales and services of auxiliary operations	232,018	159,354
Sales and services of auxiliary segments	121,009	126,995
Sales and services of educational activities	115,374	101,825
Student loans collected	6,252	6,265
Other Receipts	35,276	-
Payments to employees	(1,302,988)	(1,256,274)
Payments to vendors	(565,217)	(581,973)
Scholarships paid to students	(75,807)	(68,640)
Student loans issued	(5,016)	(4,712)
Other payments	-	(7,927)
Net cash flows from operating activities	(483,305)	(604,259)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	559,189	576,557
Gifts	98,273	103,361
Federal grants	48,820	43,004
Other receipts	1,271	3,282
Direct lending receipts	244,023	242,891
Direct lending payments	(244,023)	(242,891)
Net cash flows from non-capital financing activities	707,553	726,204
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	152,950	194,260
Gifts	62,032	95,824
State of Nebraska capital appropriations	37,306	36,158
Premium on issuance of bonds	17,989	19,642
Proceeds from the sale of capital assets	-	2,797
Purchases of capital assets	(204,973)	(311,868)
Defeasance of bond obligations	(71,021)	(114,067)
Principal paid on bond obligations	(83,465)	(63,285)
Interest paid on bond obligations	(38,101)	(37,522)
Payments made on lease obligations	(345)	(718)
Net cash flows from capital and related financing activities	(127,628)	(178,779)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	230,015	229,119
Interest on investments	44,996	38,495
Distributions received from joint venture	8,634	7,026
Purchases of investments	(243,511)	(216,316)
Net cash flows from investing activities	40,134	58,324
NET INCREASE IN CASH AND CASH EQUIVALENTS	136,754	1,490
CASH AND CASH EQUIVALENTS, beginning of year	1,135,359	1,133,869
CASH AND CASH EQUIVALENTS, end of year	$ 1,272,113	$ 1,135,359

See notes to financial statements.

(Continued)

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
(Thousands)
(See Independent Auditors' Report on Pages 14, 15, and 16)

	2018	2017
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET POSITION:		
Cash and cash equivalents (current)	$ 603,703	$ 556,553
Cash and cash equivalents - restricted (current)	322,480	275,355
Cash and cash equivalents held by trustee - restricted (current)	68,992	69,574
Cash and cash equivalents (non-current)	1,508	-
Cash and cash equivalents - restricted (non-current)	339	939
Cash and cash equivalents held by trustee - restricted (non-current)	275,091	232,938
Cash and cash equivalents, end of year	$ 1,272,113	$ 1,135,359
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	$ (690,611)	$ (697,532)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	139,408	120,111
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	13,090	(27,753)
Loans to students	832	2,059
Other current assets	38,487	(15,400)
Accounts payable	(5,735)	(11,114)
Accrued salaries and wages	144	7,316
Unearned revenues and credits	19,579	19,875
Health and other insurance claims	1,501	(1,821)
Net cash flows used in operating activities	$ (483,305)	$ (604,259)
NON-CASH TRANSACTIONS:		
Capital gifts and grants	$ 128	$ 143
Increase (decrease) in fair value of investments	2,481	17,922
Purchase of capital assets through lease obligations	623	622
Equity in earnings	515	1,211

See notes to financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska) CONSOLIDATED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
(Thousands)
(See Independent Auditors' Report on Pages 14, 15, 16, and 17)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 110,541	$ 103,724
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	1,959	1,706
Net realized and unrealized losses (gains) on investments	(102,978)	(119,798)
Imputed interest expense	588	589
Contribution to permanently restricted endowment funds	(42,324)	(31,096)
Real and personal property contributions received	(1,169)	(119)
(Increase) Decrease in:		
Pledges receivable	13,264	29,180
Other receivables	(534)	(2,053)
(Decrease) Increase in:		
Accounts payable and accrued liabilities	720	3,828
University of Nebraska benefits payable	(119)	(56)
Scholarships, research, fellowships and professorships payable	(1,008)	1,182
Deferred annuities payable	(2,523)	388
Deferred revenue	(392)	(3,439)
Net cash used in operating activities	(23,975)	(15,964)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of temporary investments	(576,386)	(272,253)
Proceeds from sale and maturity of temporary investments	540,392	258,020
Net increase in student loans	(233)	(21)
Purchase of investments	(402,740)	(351,822)
Proceeds from sale and maturity of investments	428,006	362,998
Proceeds from sales of property and equipment	6	14
Purchase of property and equipment	(288)	(818)
Net cash used in investing activities	(11,243)	(3,882)
CASH FLOWS FROM FINANCING ACTIVITY:		
Contribution to permanently restricted endowment funds	43,207	33,526
Net cash provided by financing activities	43,207	33,526
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,989	13,680
CASH AND CASH EQUIVALENTS, beginning of year	40,780	27,100
CASH AND CASH EQUIVALENTS, end of year	$ 48,769	$ 40,780

See notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The University of Nebraska (the University) is a land-grant University founded in 1869 and governed by an elected eight-member University of Nebraska Board of Regents (the Board of Regents). University activities are conducted at four primary campuses, with two located in Omaha and one each in Lincoln and Kearney, Nebraska. While the University is a legally separate entity, it is a component unit of the State of Nebraska (the State) because it is financially accountable to the State. The major accounting principles and practices followed by the University are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

These statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). GASB requires the following components of the basic financial statements:

- Management's Discussion and Analysis

- Basic Financial Statements:
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements

The University follows all applicable GASB pronouncements.

Reporting Entity – Certain affiliated organizations for which the Board of Regents has financial accountability are included in the University's financial statements as component units.

The University's financial reporting entity consists of the University and the following component units. Their balances and transactions are blended into the accompanying financial statements and reported in a manner similar to the balances and transactions of the University itself.

- The University of Nebraska Facilities Corporation (UNFC) was organized to finance the construction, repair, and renovation of buildings and the acquisition of land and equipment and to hold them in trust for the University. UNFC is governed by a Board of Directors comprised of the Board of Regents.

- The University Dental Associates (UDA) is a not-for-profit corporation organized for the purpose of billing, collecting, and distributing dental service fees generated by dentists employed by the UNMC. The distribution of fees is governed by the terms of the University of Nebraska Dental Service Plan applicable to member dentists.

- The UNMC Science Research Fund (SRF) is a not-for-profit corporation organized by the Board of Regents to solely support the research mission of the UNMC and provides services entirely, or almost entirely, to UNMC and advance academic technology transfer globally through fostering strategic collaborations with industry through licensing, research, and new venture agreements.

- UNeHealth, a Nebraska not-for-profit corporation, was organized in 1996 to further the general health care purpose of the University of Nebraska Medical Center (UNMC). UNeHealth will increase the efficiency and effectiveness, boost visibility of commercial clinical research and ensure that contract budgets take in consideration the best interests of UNMC, UNMC Physicians (UNMC-P) and The Nebraska Medical Center (TNMC). UNeHealth seeks to create a more appealing environment for industry collaborations.

- Nebraska Utility Corporation (NUCorp) is a not-for-profit corporation formed under the Nebraska Interlocal Cooperation Act between the Board of Regents and Lincoln Electric System. The purpose of NUCorp is to purchase, lease, construct, and finance activities relating to furnishing energy requirements and utility and infrastructure facilities for the University of Nebraska-Lincoln (UNL). NUCorp provides services entirely, or almost entirely, to the UNL campus. NUCorp is governed by a five-member Board, three of which are University officials.

- The University Technology Development Corporation (UTDC) was organized to solely support the research mission of the University and provides services entirely, or almost entirely, to the University campuses and advance academic technology transfer globally through fostering strategic collaborations with industry through licensing, research, and new venture agreements. The blended entity consists of the UTDC activity and the activities of six non-profit subsidiaries and one for profit subsidiary. UTDC is the sole member/stockholder of each subsidiary.

Separate financial statements for UNFC, UDA, UNMC SRF, UNeHealth, NUCorp, and UTDC may be obtained from the University of Nebraska Central Administration, Varner Hall, 3835 Holdrege, Lincoln, Nebraska 68583-0742.

The University of Nebraska Foundation's (the Foundation) financial statements are discretely presented within the University's financial statements. The Foundation is a non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code whose purpose is to provide financial support for the University system. The Foundation reports under FASB standards, including FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented (see Note R).

Basis of Presentation – The financial statements of the University have been prepared on the accrual basis. The University recognizes revenues, net of discounts and allowances, when it is earned. Expenses are recorded when a liability is incurred. The University first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available. All significant revenues and expenses resulting from intra-University transactions have been eliminated.

Cash and Cash Equivalents – Cash and cash equivalents and cash and cash equivalents – restricted are stated at fair value. Cash and cash equivalents – restricted is cash received from external sources designated for specific purposes. Cash is deposited with the Nebraska State Treasurer on a pooled basis in a State fund. Income earned by the pool is allocated to the University based upon average daily balances. These funds are considered to be cash and cash equivalents, which are available for expenditures as needed. The investments of the pool include Commercial Paper, U.S. Government Securities, Federal Agency Debt Instruments, Corporate Bonds, Money Market Funds, and Bank Deposits. Additional information on the pool can be found in the State of Nebraska's Comprehensive Annual Financial Report.

Cash and cash equivalents held by trustee – restricted is cash held by bond fund trustees and held for the purposes designated by the respective bond covenants.

For purposes of the statements of cash flows, cash includes cash and cash equivalents, both unrestricted and restricted, and cash and cash equivalents held by trustee – restricted, and investments with an original maturity of three months or less when purchased.

Investments – Investments are stated at fair value. Securities that are publicly traded are valued based on quoted market prices. Investments that do not have an established market are reported at estimated fair value. Investments received from donors as gifts are recognized as revenue at fair value at the date of the gift. Income from investments is recognized as earned and includes realized and unrealized gains and losses.

Capital Assets – Land improvements, leasehold improvements, buildings, and equipment are stated at cost at the date of acquisition. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. At UNL and for certain research buildings at UNMC, estimated useful lives for buildings are accounted for on a componentized basis. The estimated useful lives are 25 to 50 years for buildings and their components and 20 to 30 years for land improvements. Equipment is generally depreciated from 2 to 10 years depending on its useful life. Leasehold improvements are depreciated using the straight-line method over the aforementioned estimated useful lives or the term of the related lease, if shorter. Maintenance, repairs, and minor replacements are charged to expense as incurred. The University maintains various collections of inexhaustible assets to which no value can be determined. Such collections include contributed works of art, historical treasures, and literature.

Capital assets are defined by the University as assets with initial, individual costs in excess of $500 for buildings and renovations, $100 for land improvements, and $5 for equipment. It is the University's policy that library books are not capitalized.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed in 2017. The total interest expense capitalized during 2018 and 2017 was $0 and $7,736 respectively.

In 2018 the University adopted GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The implementation of GASB Statement No. 89 discontinues the capitalization of interest costs incurred during construction on a prospective basis.

The University has artwork and other collections that it does not capitalize. These collections adhere to the University's policy to (a) maintain them for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. U.S. generally accepted accounting principles permit collections maintained in this manner to be charged to operations at time of purchase rather than be capitalized.

Accrued Compensated Absences – Staff and certain University faculty earn 12 to 25 days of vacation annually. Vacation is no longer earned once an employee accrues 280 hours of unused vacation. Any unused vacation balance is carried over into the next year. Vacation may be used or received as a cash payment upon retirement or termination. In addition, certain classified staff receive a cash payment of one-fourth of accrued sick leave upon retirement from the University. The University has recognized a liability for sick and annual leave earned but not yet taken by its faculty and staff. Certain University faculty and staff also earn four floating holidays each year, subject to a 32 hour cap, which may be taken at any time during the year.

Unearned Revenues and Credits – These consist of advance payments on athletic tickets, fall semester student residence hall contracts, tuition deposits, unearned income on direct financing leases, and cash received in advance for grants and contracts.

Deferred Outflows and Inflows of Resources – Deferred outflows represent the unamortized losses/gains on bond refundings, which are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt. Deferred inflows represent the present value of remaining accounts receivable due from a vendor resulting from a service concession arrangement. The University enters into service concession arrangements with outside vendors for services, including food service, bookstores, banking, and concession and catering operations. Capital improvements received are recorded as capital assets as the University retains rights to the facilities. Amounts receivable are present valued and realized over the course of the contract. These assets are offset by deferred inflows of resources. Resources are recognized over the respective contract periods.

Classification of Revenues and Expenses – The University has classified its revenues and expenses as either operating or non-operating revenues and expenses according to the following criteria:

Operating Revenues and Expenses – Operating revenues and expenses include activities that have the characteristics of exchange transactions.

Non-Operating Revenues – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, contributions, State appropriations, investment income, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34.

Non-Operating Expenses – Non-operating expenses are activities of non-operating nature and include interest expense on bond obligations and loss on disposal of capital assets.

Unrestricted Gifts – Revenue is recognized when an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received.

Scholarships and Fellowships – The University receives funds that are restricted by donors and grantors for aid to students. When these funds are granted to students or when scholarships and fellowships are provided through student tuition waiver, the University records the expense for student aid and the corresponding revenue. Accordingly, at June 30, 2018 and 2017, Federal grants and contracts includes Pell grant awards amounting to $48,857 and $43,071, respectively, and are also included in Scholarships and Fellowships expense. For employee tuition waivers, the University records a benefit expense and corresponding revenue. Ford direct student loans amounting to $244,121 and $242,891 at June 30, 2018 and 2017, respectively, are treated as agency funds and not included in revenues and expenses.

Health and Other Insurance Claims – The University is partially self-insured for comprehensive general liability, auto liability, property losses, and group health and dental liability. The estimated liability is being funded annually and reflected as an expense.

Environmental – Environmental assessments are performed when environmental issues are identified on property owned by the Board of Regents. The cost of any assessments is expensed as incurred. Any cost of remediation is accrued when the University's obligation is probable and the amount can be reasonably estimated or determined.

Tax Status – The University qualifies as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal or State income taxes is required. However, income from unrelated activities is subject to Federal and State income taxes. No provision is deemed necessary for any income taxes associated with unrelated activities.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – Certain 2017 amounts have been reclassified to conform to the current year presentation.

B. DEPOSITS

Custodial credit risk – In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a formal custodial risk policy. Bank balances of cash and cash equivalents amounted to approximately $1,830 (book balance of approximately $987) at June 30, 2018, with approximately $1,548 covered by Federal depository insurance. Bank balances of cash and cash equivalents amounted to approximately $1,591 (book balance of approximately $1,028) at June 30, 2017, with approximately $1,575 covered by Federal depository insurance. The remaining bank balances at June 30, 2018 and 2017, were collateralized with securities held by the pledging financial institution, but not in the University's name.

C. INVESTMENTS

Funds held for the support of University operations, excluding trust funds, are invested according to State statute by the State Investment Officer. Regulatory oversight is provided by the Nebraska Investment Council. The University's fair value in the Nebraska Investment Council's investment pool is equal to its pool units. University trust funds are invested by the University and its designated investment managers, in conjunction with the State Investment Officer, in accordance with the prudent person rule as established by the University. The prudent person rule places no restrictions on the investment of these funds.

The University utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

(Thousands)

In certain cases, the inputs used to measure fair value may fall in different levels of fair value hierarchy. The three levels are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the University has ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of broadly traded range of equity and debt securities.

- Level 2 inputs are those other than quoted prices included in Level 1 that are observable for the asset or liability, whether directly or indirectly.

- Level 3 inputs are unobservable and significant to the fair value measurement of the asset or liability.

The tables below present by Level the asset balances at estimated fair value on a recurring basis.

	Assets at fair value as of June 30, 2018			
	Total	Level 1	Level 2	Level 3
Investments:				
Money market funds	$ 24,485	$ 24,485	$ -	$ -
U.S. government securities	73,261	-	73,261	-
Municipal bonds	8,747	-	8,747	-
International bonds	9,915	-	9,915	-
Corporate bonds	69,715	-	69,715	-
Common stock	164,944	164,944	-	-
International equity	108,520	108,520	-	-
Mutual funds-equity	27,860	27,860	-	-
Mutual funds-fixed income	27,915	27,915	-	-
Index funds-commodities	3,541	3,541	-	-
Index funds-public equity	6,040	6,040	-	-
Real estate held for investment purposes	932	-	-	932
Real estate mutual funds	10,856	10,856	-	-
Total	$ 536,731	$ 374,161	$ 161,638	$ 932

(Thousands)

	Assets at fair value as of June 30, 2017			
	Total	Level 1	Level 2	Level 3
Investments:				
Money market funds	$ 15,347	$ 15,347	$ -	$ -
U.S. government securities	93,597	-	93,597	-
Municipal bonds	10,888	-	10,888	-
International bonds	9,752	-	9,752	-
Corporate bonds	81,452	-	81,452	-
Common stock	148,327	148,327	-	-
International Equity	94,711	94,711	-	-
Mutual funds-equity	22,919	22,919	-	-
Mutual funds-fixed income	24,324	24,324	-	-
Index funds-commodities	2,729	2,729	-	-
Index funds-public equity	5,334	5,334	-	-
Real estate held for investment purposes	932	-	-	932
Real estate mutual funds	10,337	10,337	-	-
Total	$ 520,649	$ 324,028	$ 195,689	$ 932

(Continued)

(Thousands)

Investment maturities as of June 30, 2018 are as follows:

	Fair Value	Investment Maturities (in years): Less Than 1	1-5	6-10	More Than 10
Investments type:					
Debt securities:					
U.S. treasuries	$ 22,549	$ 860	$ 7,143	$ 13,196	$ 1,350
U.S. agencies	50,713	5,802	12,286	3,876	28,749
Municipal bonds	8,747	1,539	4,235	2,908	65
Corporate debt	69,713	3,197 (1)	50,275 (2)	14,770 (3)	1,471 (4)
International bonds	9,916	4,298	3,315	507	1,796
	161,638	$ 15,696	$ 77,254	$ 35,257	$ 33,431
Other investments:					
Equity securities - domestic	197,380				
Equity securities - international	108,520				
Mutual funds	32,921				
Real estate mutual funds	10,856				
Real estate held for investment purposes	932				
Money market funds	24,484				
Total	$ 536,731				

(1) This amount includes $261 of bonds callable in less than1 year.
(2) This amount includes $700 of bonds callable in less than 3 years, $204 of bonds callable in less than 4 years, $137 of bonds callable in less than 5 years, and $162 of bonds callable in less than 6 years.
(3) This amount includes $139 of bonds callable in less than 7 years, $340 of bonds callable in less than 8 years, and $191 of bonds callable in less than 9 years.
(4) This amount includes $219 of bonds callable in 21-27 years.

(Thousands)

Investments maturities as of June 30, 2017 are as follows:

	Fair Value	Investment Maturities (in years) Less Than 1		1-5		6-10		More Than 10
Investment type:								
Debt securities:								
U.S. treasuries	$ 31,245	$ 9,923		$ 8,915		$ 11,186		$ 1,221
U.S. agencies	62,352	7,348		18,648		4,966		31,390
Municipal bonds	10,888	96		5,880		4,846		66
Corporate debt	81,453	15,413	(1)	47,485	(2)	15,262	(3)	3,293
International bonds	9,752	1,730		4,492		1,525		2,005
	195,690	$ 34,510		$ 85,420		$ 37,785		$ 37,975
Other investments:								
Equity securities - domestic	176,579							
Equity securities - international	94,711							
Mutual funds	27,053							
Real estate mutual funds	10,337							
Real estate held for investment purposes	932							
Money market funds	15,347							
Total	$ 520,649							

(1) This amount includes $1,000 of bonds callable in less than1 year.
(2) This amount includes $201 of bonds callable in less than 1 year, $250 of bonds callable in less than 3 years, $1,295 of bonds callable in less than 4 years, $1,835 of bonds callable in less than 5 years, and $3,583 of bonds callable in less than 6 years.
(3) This amount includes $710 of bonds callable in less than 7 years, $2,147 of bonds callable in less than 8 years, and $6,371 of bonds callable in less than 10 years.

Interest Rate Risk – The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State statutes authorize the University to invest funds in accordance with the prudent person rule: Investments are made, as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The University does not follow a more restrictive policy. Credit ratings for these investments that are rated are as follows:

(Thousands)

	2018					
		Quality Ratings				
	Fair Value	Aaa	AA	A	Baa	Unrated
Investment type:						
Debt securities:						
U.S. treasuries	$ 22,549	$ 22,549	$ -	$ -	$ -	$ -
U.S. agencies	50,712	50,712	-	-	-	-
Municipal bonds	8,747	8,682	-	65	-	-
Corporate debt	69,715	2,554	13,957	50,452	2,752	-
International bonds	9,915	3,381	2,251	3,308	975	-
Other investments:						
Equity securities - domestic	197,380	-	-	-	-	197,380
Equity securities - international	108,520	-	-	-	-	108,520
Mutual funds	32,921	-	-	-	-	32,921
Real estate mutual funds	10,856	-	-	-	-	10,856
Real estate held for investment purposes	932	-	-	-	-	932
Money market funds	24,484	-	-	-	-	24,484
	$ 536,731	$ 87,878	$ 16,208	$ 53,825	$ 3,727	$ 375,093

	2017					
		Quality Ratings				
	Fair Value	Aaa	AA	A	Baa	Unrated
Investment type:						
Debt securities:						
U.S. treasuries	$ 31,245	$ 31,245	$ -	$ -	$ -	$ -
U.S. agencies	62,352	62,352	-	-	-	-
Municipal bonds	10,888	9,438	-	66	1,384	-
Corporate bonds	81,452	5,370	16,642	56,785	2,337	318
International bonds	9,752	2,787	2,414	3,329	1,099	123
Other investments:						
Equity securities - domestic	176,580	-	-	-	-	176,580
Equity securities - international	94,711	-	-	-	-	94,711
Mutual funds	27,053	-	-	-	-	27,053
Real estate mutual funds	10,337	-	-	-	-	10,337
Real estate held for investment purposes	932	-	-	-	-	932
Money market funds	15,347	-	-	-	-	15,347
	$ 520,649	$ 111,192	$ 19,056	$ 60,180	$ 4,820	$ 325,401

(Thousands)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University places no limit on the amount that may be invested in any one issuer. No issuer represents greater than 5% of the portfolio at June 30, 2018.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal custodial credit risk policy. Investments are stated at fair value and are uninsured, unregistered, and held by the trustee or an agent, but not in the name of the University.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University does not have a formal policy to limit foreign currency risk. Primary exposure to foreign currency risk from investment in international bonds is presented in the following table.

	Foreign Currency	
	2018	2017
Mexican Peso	$ 1,352	$ 2,106
EMU Euro	-	158
Australian Dollar	562	744
British Pound	1,340	944
Brazilian Real	368	902
Poland Zloty	646	651
Peruvian Sol	211	-
South African Rand	607	530
Malaysian Ringgit	819	-
Totals	$ 5,905	$ 6,035

D. ACCOUNTS RECEIVABLE, UNBILLED CHARGES, AND LOANS TO STUDENTS

Substantially all amounts included in accounts receivable and unbilled charges represent tuition receivables, grant reimbursements, unbilled charges, patient accounts receivable, and other receivables. Balances are stated net of allowances for doubtful accounts and contractual adjustments of approximately $14,325 and $13,002 at June 30, 2018 and 2017, respectively. In addition, the University established an allowance for doubtful collections of student loans of approximately $3,254 and $3,777 at June 30, 2018 and 2017, respectively.

E. INVESTMENT IN JOINT VENTURE

The University and Bishop Clarkson Memorial Hospital (Clarkson) entered into a Joint Operating Agreement in 1997 forming the Nebraska Health System, a Nebraska non-profit corporation doing business as the Nebraska Medical Center. Effective July 1, 2016, NMC, the University, Clarkson, and UNMC Physicians (UNMCP) entered into a System Integration Agreement (SIA) and a successor Joint Operating Agreement (SJOA) to permanently integrate the businesses of NMC and UNMCP into Nebraska Medicine (NM). Should there be a dissolution of NM, the University and Clarkson will share equally in the remaining net position. As the University has an ongoing financial interest in NM, the University is accounting for the joint venture under the equity method, and accordingly, equity in joint venture in the accompanying statement of net position represents its one-half undivided interest based on the separate financial statements of the venture. The University has recorded 50% equity in earnings of NM for the years ended June 30, 2018 and 2017 totaling $35,728 and $34,945, respectively. In addition, to the extent that sufficient funds are available, as determined by the NM Board of Directors, the University will receive an annual capital distribution. Distributions of $8 million and $6 million, shared equally by the venturers, were declared and paid for both 2018 and 2017, respectively.

Separate financial statements of NM can be obtained from the Nebraska Medicine, 42nd Street and Dewey Avenue, Omaha, Nebraska 68105.

In addition, the University and NM have entered into an Academic Affiliation Agreement for Education and Research. In connection with the agreement, NM has agreed to financially support certain educational, research, operational, and clinical activities of the University College of Medicine that further the mission and objectives of NM. During the fiscal years ended June 30, 2018 and 2017, the University received approximately $64,874 and $60,586, respectively, of support in connection with the agreement.

(Thousands)

F. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2018 and 2017 is as follows:

	2018			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	$ 89,773	$ 1,500	$ -	$ 91,273
Construction work in progress	252,972	134,868	269,000	118,840
Total capital assets not being depreciated	342,745	136,368	269,000	210,113
Capital assets, being depreciated:				
Land improvements	262,532	38,409	816	300,125
Leasehold improvements	42,958	1,487	-	44,445
Buildings	2,745,740	222,603	13,873	2,954,470
Equipment	499,150	43,429	26,157	516,422
Total capital assets, being depreciated	3,550,380	305,928	40,846	3,815,462
Less accumulated depreciation for:				
Land improvements	88,635	10,779	685	98,729
Leasehold improvements	10,394	2,736	-	13,130
Buildings	678,499	84,864	11,608	751,755
Equipment	347,503	41,029	23,770	364,762
Total accumulated depreciation other assets	1,125,031	139,408	36,063	1,228,376
Capital assets, net	$ 2,768,094	$ 302,888	$ 273,783	$ 2,797,199

(Thousands)

	2017			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	$ 91,299	$ 838	$ 2,364	$ 89,773
Construction work in progress	426,895	303,010	476,933	252,972
Total capital assets not being depreciated	518,194	303,848	479,297	342,745
Capital assets, being depreciated:				
Land improvements	251,411	12,930	1,809	262,532
Leasehold improvements	40,626	2,332	-	42,958
Buildings	2,347,924	418,117	20,301	2,745,740
Equipment	470,985	51,354	23,189	499,150
Total capital assets, being depreciated	3,110,946	484,733	45,299	3,550,380
Less accumulated depreciation for:				
Land improvements	79,943	9,931	1,239	88,635
Leasehold improvements	7,901	2,493	-	10,394
Buildings	620,296	70,379	12,176	678,499
Equipment	332,194	37,308	21,999	347,503
Total accumulated depreciation other assets	1,040,334	120,111	35,414	1,125,031
Capital assets, net	$ 2,588,806	$ 668,470	$ 489,182	$ 2,768,094

G. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2018	$ 74,581	$ 54,105	$ 54,189	$ 74,497	$ 56,438
2017	$ 70,558	$ 53,633	$ 49,610	$ 74,581	$ 56,145

H. BOND OBLIGATIONS PAYABLE

Bond obligations payable are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2018	$ 851,640	$ 152,950	$ 147,015	$ 857,575	$ 73,305
2017	$ 826,625	$ 194,260	$ 169,245	$ 851,640	$ 84,530

(Thousands)

Bond obligations payable at June 30, 2018 and 2017 consist of the following:

	Coupon	Annual	Principal Amount Outstanding	
Obligations under the master trust indenture:	Rate	Installment	2018	2017
University of Nebraska-Lincoln:				
Student Fees and Facilities:				
Series 2009B, revenue bonds	3.00 - 5.70%	$495 - 1,840	$ 8,400	$ 8,880
Series 2011, revenue bonds	2.00 - 5.00%	1,460 - 4,095	62,040	63,475
Series 2012, refunding bonds	3.99 - 5.00%	1,220 - 4,560	59,565	63,020
Series 2012B, revenue bonds	1.50 - 5.00%	350 - 1,640	16,070	17,100
Series 2015A, revenue bonds	2.00 - 5.00%	1,260 - 4,100	66,615	66,615
Series 2016A, revenue bonds	3.00 - 5.00%	1,995 - 4,365	64,175	66,760
Lincoln Parking Project:				
Series 2009A&B, revenue bonds	3.50 - 6.00%	745 - 1,110	10,145	10,865
Series 2013, revenue and refunding	2.00 - 4.00%	270 - 440	5,175	5,440
Series 2015, revenue and refunding	2.00 - 5.00%	505 - 1,965	6,625	8,425
University of Nebraska at Omaha:				
Student Facilities:				
Series 2015B, revenue bonds	2.00 - 5.00%	370 - 640	8,165	8,540
Series 2016B, revenue bonds	3.75 - 5.00%	915 - 2,295	35,200	36,365
Student Housing and Parking:				
Series 2010A, revenue bonds	2.75 - 5.00%	735 - 1,175	-	12,345
Series 2010B, revenue bonds	3.00 - 5.00%	405 - 1,060	-	15,405
Series 2014, revenue bonds	1.50 - 5.00%	500 - 790	9,595	10,105
Series 2015, revenue bonds	1.20 - 5.00%	890 - 2,580	41,545	43,080
Series 2017A, revenue bonds	1.30 - 5.00%	125 - 955	14,995	-
Series 2017B, revenue bonds	1.30 - 5.00%	265 - 1,075	10,695	-
University of Nebraska at Kearney:				
Student Facilities:				
Series 2015, revenue bonds	2.00 - 3.15%	830 - 1,270	17,440	18,255
Series 2017, revenue bonds	2.00 - 4.00%	275 - 675	12,690	12,690
Total obligations under the master trust indenture			449,135	467,365
Obligations of blended entities:				
University of Nebraska Facilities Corporation:				
Series 2018 (UNMC Eye Institute Project)	2.40%	$13,000	$ 13,000	$ -
Series 2017A (Deferred Maintenance Bonds)	4.00 - 5.00%	6,270 - 9,410	77,335	-
Series 2017B (UNO/Community Facility Refunding)	2.00 - 5.00%	535 - 2,940	36,535	-
Series 2017 (UNMC Global Experiential Learning Center)	2.00 - 5.00%	1,015 - 13,795	59,010	59,010
Series 2016 (UNL Health Center and College of Nursing)	2.00 - 5.00%	740 - 2,245	18,375	18,520
Series 2016 (Deferred Maintenance Refunding)	3.00 - 5.00%	9,885 - 10,690	30,955	40,400
Series 2016 (UNMC Cancer Center)	1.00 - 5.00%	2,070 - 2,900	31,350	35,280
Series 2016 (UNMC Utility Improvement Project)	1.75 - 5.00%	1,260 - 1,590	11,180	12,400
Series 2015 (Veterinary Diagnostic Project)	4.00%	2,680 - 4,895	12,275	16,815
Series 2015 (UNO Arena and UNL College of Business)	2.00%	180 - 6,220	18,285	25,110
Series 2015 (UNMC Qualified Energy Conservation Bonds)	4.25%	175 - 200	1,875	1,875
Series 2014A (UNMC Cancer Center)	4.00 - 5.00%	3,415 - 17,410	60,550	65,965
Series 2014B (Qualified Energy Conservation Bonds)	2.50 - 4.25%	370 - 510	4,325	4,325
Series 2013 (UNMC Cancer Center)	4.00%	6,980	6,980	13,690
Series 2011 (NCTA Education Center/Student Housing Project)	3.75% - 5.50%	85 - 1,645	6,910	7,525
Series 2003 (UNL Alexander Building Project)	4.65% - 5.00%	160 - 205	1,090	1,245
Series 2013A & B (UNO/Community Facility Project)			-	40,945
Series 2011 (Eye Institute)			-	14,740
Series 2009 (LB605)			-	6,670
Total University of Nebraska Facilities Corporation			390,030	364,515

(Thousands)

Obligations of blended entities (Continued):				
Nebraska Utility Corporation (NUCorp):				
Series 2010 revenue bonds	1.00 - 5.00%	$1,350 - 2,035	$ 6,410	$ 7,760
Series 2014A revenue bonds	3.40%	6,500	6,500	6,500
Series 2014B revenue bonds	5.00%	5,500	5,500	5,500
Total NUCorp			18,410	19,760
Subtotal bonds payable			857,575	851,640
Add unamortized bond premium			69,048	61,038
Less unamortized bond discount			276	358
Total bond obligations payable			$ 926,347	$ 912,320

Annual maturities subject to mandatory redemption at June 30, 2018, are as follows:

	MTI		UNFC		NUCorp		Total University	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 19,520	$ 18,275	$ 52,365	$ 15,584	$ 1,420	$ 809	$ 73,305	$ 34,668
2020	20,150	17,599	40,305	13,609	1,440	738	61,895	31,946
2021	19,355	16,814	59,355	12,055	1,515	666	80,225	29,535
2022	20,040	16,095	29,925	9,642	2,035	590	52,000	26,327
2023	22,070	15,270	35,455	8,285	-	496	57,525	24,051
2024-2028	103,255	62,132	104,820	24,149	-	2,480	208,075	88,761
2029-2033	96,610	40,793	48,355	7,089	12,000	2,480	156,965	50,362
2034-2038	84,900	22,915	9,755	2,588	-	-	94,655	25,503
2039-2043	48,835	7,767	9,695	943	-	-	58,530	8,710
2044-2048	14,400	951	-	-	-	-	14,400	951
Total	$ 449,135	$ 218,611	$ 390,030	$ 93,944	$ 18,410	$ 8,259	$ 857,575	$ 320,814

At June 30, 2018 and 2017, the University and trustees for these bond funds held cash and investments in the amount of approximately $378,948 and $350,426, respectively, which is reflected as cash and cash equivalents, cash and cash equivalents held by trustee – restricted, and investments held by trustee – restricted on the statements of net position.

Master Trust Indenture

The Board of Regents entered into a Master Trust Indenture dated as of June 1, 1995, (as amended and supplemented from time to time, hereinafter the Indenture) with a fiduciary with respect to the facilities (including student housing, student unions, student health and recreational facilities, and parking facilities) from which the Board of Regents derives revenues, fees, and earnings. The Master Trust Indenture was created for the purpose of achieving lower borrowing costs through sharing accumulated excess revenues and earnings derived from such facilities. As of June 30, 2018, the members of the Obligated Group are (a) the student housing, student unions, student recreation, and student health facilities on the University of Nebraska - Lincoln campus (UNL Student Fees and Facilities), (b) the parking facilities on the University of Nebraska - Lincoln campus (UNL Parking); (c) the student center and HPER facility at the University of Nebraska at Omaha (UNO Facilities); (d) certain student housing and parking facilities at the University of Nebraska at Omaha (UNO Student Housing and Parking); and (e) the student housing facilities on the University of Nebraska at Kearney campus (UNK Student

Facilities). The accumulated surplus revenues, fees, and other payments of the members have been jointly pledged to the payment of revenue bonds issued with respect to such facilities. Other facilities will be added to the Obligated Group and the revenues, fees, and other payments derived from such facilities will be pledged under the Indenture in the future as circumstances permit.

The University of Nebraska Medical Center Student Housing Project was removed from the Obligated Group effective June 1, 2018 as no related bonds are outstanding under the provisions of the related bond resolution.

Pledged revenues are defined in the Obligated Group as all of the revenues of each member that remain after payment of the expenses of such member. Pledged revenues do not include any balances in any debt service fund or debt service reserve fund, but shall include any balances in any other reserve, replacement, or contingency fund and any surplus fund held for and on behalf of such member under a Related Bond Resolution (as defined in the Obligated Group).

The bonds are not obligations of the State, nor do they constitute debt of the Board of Regents, but shall be payable solely from the aforementioned pledged revenues and fees.

MTI Bond Issuances

On December 20, 2017, the Board of Regents issued $15,120 of University of Nebraska at Omaha Revenue and Refunding Bonds, Series 2017A. The net proceeds of the bonds, together with other funds available, were used to defease $15,405 of Series 2010B Bonds dated May 26, 2010. The refunding reduced total debt service payments by approximately $2,589 and resulted in an economic gain of approximately $1,646. The accounting loss of $673 is deferred and amortized over the remaining life of the refunded issues or the life of the 2017A Bonds, whichever is shorter.

On December 20, 2017, the Board of Regents issued $10,960 of University of Nebraska at Omaha Revenue and Refunding Bonds, Series 2017B. The net proceeds of the bonds, together with other funds available, were used to advance refund $12,345 of Series 2010 Bonds dated February 24, 2010. The refunding reduced total debt service payments by approximately $1,501 and resulted in an economic gain of approximately $866. The accounting loss of $416 is deferred and amortized over the remaining life of the refunded issues or the life of the 2017B Bonds, whichever is shorter.

On May 4, 2017, the Board of Regents issued $12,690 of University of Nebraska at Kearney Revenue Bonds, Series 2017. The net proceeds of the bonds, together with other funds available, will be used to pay the costs of acquiring, constructing, equipping, and furnishing the University Village student housing facilities on the campus of the University of Nebraska at Kearney.

On July 28, 2016, the Board of Regents issued $66,760 of University of Nebraska-Lincoln Revenue and Refunding Bonds, Series 2016A. The net proceeds of the bonds, together with other funds available, were used to advance refund $22,430 of Series 2008A Bonds dated June 5, 2008 and $46,075 of Series 2009A Bonds dated January 9, 2009. The refunding reduced total debt service payments by approximately $13,555 and resulted in an economic gain of approximately $10,487. The accounting loss of $6,268 is deferred and amortized over the remaining life of the refunded issues or the life of the 2016A Bonds, whichever is shorter.

On July 28, 2016, the Board of Regents issued $37,280 of University of Nebraska at Omaha Revenue and Refunding Bonds, Series 2016B. The net proceeds of the bonds, together with other funds available, were used to advance refund $37,445 of Series 2008 Bonds dated March 15, 2008. The refunding reduced total debt service payments by approximately $8,627 and resulted in an economic gain of approximately $6,577. The accounting loss of $3,678 is deferred and amortized over the remaining life of the refunded issue or the life of the 2016B Bonds, whichever is shorter.

University of Nebraska Facilities Corporation

The UNFC bonds are not obligations of the State of Nebraska and no tax shall ever be levied to raise the funds for the principal payment thereof or the interest or premium thereon, and the UNFC bonds do not constitute debt of the Board of Regents of the University of Nebraska but shall be payable solely out of moneys derived from designated tuition revenues, legislative appropriations, donor gifts, and UNL lease payments. The Board has pledged certain cash balances toward debt service on the bonds should sufficient revenues not be available. Pledged cash balances were $569,525 and $528,053 at June 30, 2018 and 2017 respectively.

UNMC Eye Institute Project, Series 2018 – In 2018, UNFC authorized the issuance of $13,000 of UNMC Eye Institute Project Bonds, Series 2018 dated March 1, 2018.

The proceeds of the Series 2018 bonds are being used to refinance $14,740 of UNMC Eye Institute Bonds Series 2011.

Principal and interest payments will come from moneys derived by UNFC under a financing agreement with the Board of Regents of the University of Nebraska.

Deferred Maintenance Bonds, Series 2017A – In 2017, UNFC authorized the issuance of $77,335 of Deferred Maintenance Bonds, Series 2017A dated October 4, 2017.

The proceeds of the Series 2017A bonds will be used for continued renewal, renovation and replacement projects on the four campuses of the University of Nebraska.

Principal and interest payments will be paid from appropriations by the State of Nebraska and matched by specific tuition revenue under a financing agreement with the Regents.

UNO/Community Facility Refunding, Series 2017B – In 2017, UNFC authorized the issuance of $36,535 of UNO/Community Facility Refunding Bonds, Series 2017B dated October 4, 2017.

The proceeds of the Series 2017B bonds are being used to advance refund $35,800 of UNO/Community Facility Bonds, Series 2013A. The refunding reduced total debt service payments by approximately $1,015 and resulted in an economic gain of approximately $866. The accounting loss of $3,202 is deferred and amortized over the remaining life of the refunded issue or the life of the 2017B bonds, whichever is shorter.

Principal and interest payments will come from moneys derived by UNFC under a financing agreement with the Regents.

UNMC Global Experiential Learning Center, Series 2017 – In 2017, UNFC authorized the issuance of $59,010 UNMC Experiential Learning Center Bonds, Series 2017 dated February 15, 2017.

(Continued)

The proceeds of the Series 2017 bonds, along with a Nebraska capital appropriation and other funds, are being used to construct, equip, and furnish an interprofessional Experiential Center for Enduring Learning facility (iEXCEL) at UNMC.

Principal and interest payments will come from moneys derived by UNFC under a financing agreement with the Regents. The Series 2017 Bonds are not redeemable prior to their stated maturities.

UNL Health Center and College of Nursing Projects, Series 2016 – In 2016, the UNFC authorized the issuance of $18,520 of Building and Refunding Bonds (Health Center and College of Nursing Projects), Series 2016 dated December 1, 2016.

The proceeds of the 2016 bonds are being used to construct, equip, and furnish a new facility for the UNMC College of Nursing-Lincoln Division combined with a new University of Nebraska-Lincoln student health center (the Project), and refund the UNFC lease rental revenue bonds (UNL Library Storage Project), Series 2004, in the principal amount of $1,880. The refunding reduced total debt service payments by approximately $341 and resulted in an economic gain of approximately $271.

Principal and interest payments will come from moneys derived by UNFC under a financing agreement with the Regents, including a capital appropriation for the College of Nursing, student fees for the health center, and other available funds. Bonds maturing on or after July 15, 2026 are redeemable at par plus accrued interest.

Deferred Maintenance Refunding, Series 2016 – In 2016, the UNFC authorized the issuance of $40,400 of Deferred Maintenance Refunding Bonds, Series 2016 dated June 9, 2016.

The net proceeds of the Series 2016 Bonds, along with other funds, were used to defease $43,000 UNFC Deferred Maintenance Bonds, Series 2006 dated August 15, 2006 maturing on or after July 15, 2017. The refunding reduced total debt service payments by approximately $4,038 and resulted in an economic gain of approximately $3,909. The accounting gain of $178 is a deferred inflow and amortized over the life of the 2016 Bonds.

Principal and interest payments will be paid from appropriations by the State of Nebraska and matched by specific tuition revenues under a financing agreement with the Regents. The Series 2016 Bonds are not redeemable prior to their stated maturities.

UNMC Utility Improvements Project, Series 2016 – In 2016, the UNFC authorized the issuance of $13,635 of UNMC Utility Improvement Projects Bonds, Series 2016 dated March 17, 2016.

The proceeds of the Series 2016 bonds, along with other funds, were used to construct improvements to utility facilities and related equipment at or near UNMC.

Principal and interest payments will come from moneys derived by the UNFC under a financing agreement with the Regents. The Series 2016 Bonds are not redeemable prior to their stated maturities.

UNMC Cancer Center, 2016 – In 2016, the UNFC authorized the issuance of $35,280 of UNMC Cancer Center Bonds, Series 2016 dated January 28, 2016.

The proceeds of the Series 2016 bonds were used to construct, equip, and furnish a comprehensive cancer center that is a portion of a larger comprehensive cancer center project with an overall budget of $370,000 at UNMC.

Principal and interest payments will come from lease payments received from UNMC. The Series 2016 Bonds maturing on or after February 15, 2026 are redeemable at par plus accrued interest.

UNL Veterinary Diagnostic Center, Series 2015 – In 2015, UNFC authorized the issuance of $16,815 of UNL Veterinary Diagnostic Center Bonds, Series 2015 dated November 5, 2015.

The proceeds of the Series 2015 bonds provide financing for a portion of the cost to construct a Veterinary Diagnostic Center at the University of Nebraska Institute of Agriculture and Natural Resources.

Principal and interest payments will come from certain appropriations made by the Nebraska Legislature. The Series 2015 Bonds are not redeemable prior to their stated maturities.

UNO Arena and UNL College of Business, Series 2015 – In 2015, UNFC authorized the issuance of $27,900 of UNO Arena and UNL College of Business Bonds, Series 2015 dated June 17, 2015.

The proceeds of the Series 2015 Bonds provide financing of $7,615 for the completion of the UNO/Community Facility at the University of Nebraska at Omaha and $20,285 for paying a portion of the costs of acquiring, constructing, equipping, and partially furnishing the College of Business building at UNL.

Principal and interest payments will come from moneys derived by UNFC under a financing agreement with the Regents. The Series 2015 Bonds are not redeemable prior to their stated maturities.

UNMC Qualified Energy Conservation Bond, Series 2015 – In 2015, UNFC authorized the issuance of $1,875 of UNMC Qualified Energy Conservation Bonds (Direct Pay), Taxable Series 2015, dated January 15, 2015.

The proceeds of the Series 2015 Bonds provided financing for the Energy Management and Monitoring Systems and Central Utility Plan Upgrades at UNMC.

Principal and interest payments will come from moneys derived by UNFC under a financing agreement with the Regents. The Series 2015 Bonds are not redeemable prior to their stated maturities.

UNMC Cancer Center, Series 2014A and UNMC Qualified Energy Conservation Bond, Series 2014B – In 2014, UNFC authorized the issuance of $65,965 of UNMC Cancer Center Bonds, Series 2014A, and $4,325 of UNMC Qualified Energy Conservation Bonds (Direct Pay), Series 2014B, both dated April 15, 2014.

The proceeds of the Series 2014A Bonds will be used for the Series 2014A Project that consists of the construction, equipping, and furnishing of a comprehensive cancer center that is a portion of a larger comprehensive cancer center project with an overall budget of $370,000. The Series 2014B Project consists of financing upgrades to energy management monitoring systems in and for UNMC buildings. The total cost of the Series 2014B project is approximately $6,000.

Principal and interest payments will come from moneys derived by UNFC under a financing agreement with the Regents. The Series 2014A Bonds are not redeemable prior to their stated maturities. The Series 2014B Bonds maturing on or after February 15, 2024 are redeemable at par plus accrued interest.

UNMC Cancer Research Center, Series 2013 – In 2013, UNFC authorized the issuance of $31,205 of Series 2013 Bonds, dated June 11, 2013.

The Cancer Center consists of the construction of a Cancer Research Center tower at UNMC at a total estimated cost of $110,000 (the Series 2013 Bonds financed a portion of the larger $370,000 Comprehensive Cancer Center noted above for the Cancer Research Center 2014 Bonds). The bond proceeds will provide interim financing for approximately $31,205 of donor pledge payments. The remainder of the construction costs will be funded by a State of Nebraska capital appropriation of $50,000 and donations received to date.

UNMC obtained pledges through the University of Nebraska Foundation, that, when augmented by other funds UNMC has available, will be sufficient to pay principal and interest on the bonds.

The Bonds are not redeemable prior to maturity. The Cancer Center Project provides that if, at any time, the assigned pledge receipts are insufficient to pay principal and interest of the Series 2013 Bonds as they become due, the deficiency will be paid from the University Cash Fund or other funds of the Board of Regents available for such purpose.

NCTA Education Center/Student Housing Project, Series 2011 – In 2011, the UNFC authorized the issuance of $11,570 of Series 2011 Bonds, dated February 2, 2011.

The Education Center Project comprises the construction of a new Education Center classroom facility, the renovation of an existing Vet Tech Center, and the renovation of a dairy barn into a simulated veterinary clinic. The Housing Facilities Project is for the construction of a new student residence hall.

Principal and interest payments will come from lease payments received from the Nebraska College of Technical Agriculture (NCTA) and certain appropriations made by the Nebraska State Legislature. Bonds maturing on or after June 15, 2021, are redeemable at par plus accrued interest.

UNL Alexander Building Project, Series 2003 – In 2003, the UNFC authorized the issuance of $2,935 of Series 2003 Bonds, dated March 6, 2003.

The 2003 Project involved the purchase and refurbishing of the Alexander Building, including a heating, ventilation, and air conditioning project on the city campus of UNL.

Principal and interest payments will come from lease payments received from UNL. Bonds are redeemable at par plus accrued interest. The 2003 Project states that if, at any time, the assigned revenues are insufficient to pay principal and interest of the Series 2003 Bonds as they become due, the deficiency will be paid from the University Cash Fund or other funds of the Board of Regents available for such purpose.

Nebraska Utility Corporation

In 2011, the NUCorp issued Series 2010 Bonds in the amount of $15,120 to refund $17,065 of outstanding Series 2001 Bonds. The net proceeds of $16,932 plus $2,181 of sinking fund moneys were used to prepay the outstanding debt service requirements on the 2001 bonds. The proceeds were used to purchase securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2001 bonds.

(Continued)

(Thousands)

The Series 2014A and 2014B bonds were issued as Qualified Energy Conservation Bonds (QECB) under provisions of the Internal Revenue Code. NUCorp expects to receive a cash subsidy payment from the United States Treasury equal to 70% of the interest payable on the Series 2014A and 2014B bonds. The subsidy payment is contingent on Federal regulations and is subject to change. NUCorp received a subsidy payment for $192,087 and accrued a second subsidy payment of $192,086, for a total of $384,173, for the year ended June 30, 2018. NuCorp received a subsidy payment of $382,939 during the year ended June 30, 2017.

Bond Resolutions

The bond resolutions specify the funds that need to be established, the required transfers between funds, and the maximum maturity limits for each funds' investments. The bond resolutions also require that specified amounts be deposited with the trustee for certain funds. At June 30, 2018 and 2017, the University, UNFC, and NUCorp are in compliance with these requirements.

I. CAPITAL LEASE OBLIGATIONS

The University is presently leasing real property, buildings, and equipment with either the option to purchase or transfer of title at the expiration of the lease term.

Capital lease obligation activity for the year ended June 30 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2018	$ 49,130	$ 624	$ 345	$ 49,409	$ 288
2017	$ 48,523	$ 1,326	$ 719	$ 49,130	$ 234

(Thousands)

Minimum lease payments under capital leases together with the present value of the net minimum lease payments for the year ending June 30 are:

	Buildings and Properties	Equipment	Total
2019	$ 4,202	$ 321	$ 4,523
2020	4,223	249	4,472
2021	4,239	245	4,484
2022	4,249	52	4,301
2023	4,253	12	4,265
2024-2028	21,048	-	21,048
2029-2033	24,605	-	24,605
2034-2038	27,506	-	27,506
2039-2043	30,369	-	30,369
2044-2048	13,163	-	13,163
	137,857	879	138,736
Less interest and executory costs	89,263	64	89,327
	$ 48,594	$ 815	$ 49,409

Capital assets held under capital lease obligations at June 30, 2018, are as follows:

	Cost	Accumulated Depreciation	Net
Buildings	$ 48,572	$ 4,820	$ 43,752
Equipment	1,451	405	1,046
	$ 50,023	$ 5,225	$ 44,798

(Thousands)

J. HEALTH AND OTHER INSURANCE CLAIMS

Activity in the health and other insurance claims programs is as follows:

	Self-Insurance	General Liability	Health and Dental	Total
Claim reserve, July 1, 2016	$ 3,110	$ 2,489	$ 8,982	$ 14,581
Incurred claims	-	1,792	148,530	150,322
Payments on claims	(1,360)	(1,455)	(149,327)	(152,142)
Claim reserve, June 30, 2017	1,750	2,826	8,185	12,761
Incurred claims	-	903	171,435	172,338
Payments on claims	(597)	(945)	(169,297)	(170,839)
Claim reserve, June 30, 2018	$ 1,153	$ 2,784	$ 10,323	$ 14,260

The Board of Regents provides for protection against comprehensive general liability and property losses through a partially self-insured general liability program. The self-insured program also covers the retained deductible for directors and officers liability and miscellaneous claims not covered by insurance. The Board of Regents has purchased all-risk "blanket" policies for risks not covered by the partially self-insured general liability program. These policies provide for $1,250,000 in property coverage with a $500 per occurrence deductible and $1,000 aggregate deductible, $5,000 in educators legal liability coverage with a $1,000 per claim deductible, and $20,000 in umbrella excess liability coverage with a $1,000 per occurrence deductible and $3,000 aggregate deductible. A bank administers the general liability and self-insured trusts including the investments and payment of approved claims. The University estimates a range of loss for general liability and property claims using actuarial studies conducted by outside actuarial firms. The discount rate used by the actuaries for estimation of the claim reserve was 1.5% for general liability. This estimate is accrued in the accompanying financial statements and includes a reserve for known claims as well as incurred but unreported incidents.

The University participates in the State Excess Liability Fund that provides coverage from $500 up to $2,250 for each medical malpractice claim. Settled claims have not exceeded insurance coverage in any of the past three years.

The Board of Regents provides for faculty and staff group health and dental benefits through a self-insurance program. The University accrued an estimate for known as well as incurred but not reported claims based on claim history adjusted for current trends. A trust agreement with a bank provides for the collection, investment, and administration of premiums and for payment to the third-party administrators for claims paid.

At June 30, 2018 and 2017, the trustees for the health and other insurance claims programs held cash and cash equivalents and investments totaling approximately $99,809 and $103,944, respectively, whose use is limited to the payment of claims under the programs. These amounts are included in cash and cash equivalents and investments – restricted on the statements of net position.

(Thousands)

K. RETIREMENT PLANS

The University sponsors a defined contribution retirement plan that the Board of Regents established and has the authority to amend. The plan covers all academic faculty, administrative, and classified staff and provides investment options administered by Teachers Insurance and Annuity Association/College Retirement Equity Fund and Fidelity Investments. Under the plan, faculty and staff are required to contribute 3.5% or 5.5% if they participate in either Tier 1 or Tier 2 of the plan, respectively. The University matches faculty and staff participation by contributing 6.5% and 8.0% for Tier 1 and Tier 2, respectively. The University's policy is to fund costs accrued on an annual basis.

The University's total payroll for fiscal years 2018 and 2017 was approximately $1,055,813 and $1,025,102, respectively, of which approximately $785,784 and $764,859 was covered by the plan. The University's contribution during 2018 and 2017 was approximately $61,378, or 7.81%, and $59,653, or 7.80%, of covered payroll, respectively, and the faculty and staff's contribution was approximately $41,253, or 5.25%, and $40,054, or 5.24%, of covered payroll, respectively.

Faculty and staff (at least 0.5 FTE) who attain age 26 and have completed 24 months of continuous service are eligible to participate in the retirement plan. Faculty and staff (at least 0.5 FTE) attaining age 30 following 24 months of continuous service are required to participate. The plan benefits are fully vested at the date of contribution.

L. COMMITMENTS AND CONTINGENCIES

The University has budgeted for the construction of facilities that are estimated to cost approximately $613,284. As of June 30, 2018, the approximate remaining costs to complete these facilities were $315,363, which will be financed as follows:

Bond funds	$ 186,835
Federal Funds	12,771
University funds	38,388
State capital appropriations	3,796
Private gifts, grants, and contracts	73,573
	$ 315,363

During the normal course of business, the University receives funds from the U.S. Government, State and local governments, and private donors for student loans, special projects, research grants, and research contracts. Substantially all of these funds are subject to audit by various Federal and State agencies; however, it is the University's opinion that resulting adjustments, if any, would not have a material effect upon the accompanying financial statements.

The University established its Agricultural Research and Development Center (ARDC) on approximately 9,000 acres acquired from the Nebraska Ordnance Plant (NOP) from 1962 to 1971. The Federal government produced munitions at NOP during World War II and the Korean Conflict, exposing the area to contaminants. The University legally disposed of certain materials at the site in the 1970s.

(Continued)

In 1990, the NOP became a Federal Superfund site. An administrative order has been entered into between the Board of Regents and the Environmental Protection Agency (EPA) requiring a remedial investigation/feasibility study to determine the extent of contamination and removal actions necessary. This study was completed and the consulting firm made recommendations to the University for the removal and disposal of the contaminants at the site.

The Board of Regents and the EPA subsequently agreed to an action for the remediation and restoration of the area, which was completed pending acceptance of the final remedial investigation feasibility study report by the EPA. In 2011, the University received a proposed plan from the EPA for additional remedial activities, such as installation of a landfill cap, an establishment of a monitoring well network, and treatment for a groundwater contaminant. In 2013, the EPA submitted a record of decision of an approved remedy and, in 2014, the University and the EPA signed a consent decree and statement of work to complete the remediation work, which decree was approved by the United States District Court in June 2015. The University and its consultant are currently coordinating with the EPA to finalize work plans which will define the scope of remediation activities required by the EPA at the site.

Remediation efforts will encompass a thirty-year timeframe, with preliminary cost estimates approximately $202 per year for seven years, and $73 thereafter. A final determination is expected to be made by the EPA in calendar year 2019, at which point more exact costs will be known.

The University has other claims and litigation pending, none of which is expected to result in any material loss to the University.

M. RELATED-PARTY TRANSACTIONS

The University routinely has transactions with Nebraska Medicine (NM). The members of the faculty at the University are also members of the medical staff of NM, and in many other areas, the operations of the University and NM are integrated and overlap. The University provides certain operational and support services, as well as certain direct financial support to NM. For the fiscal years ended June 30, 2018 and 2017, NM purchased approximately $29,763 and $26,015 of goods and services from UNMC. In addition, during 2018 and 2017, UNMC paid NM $14,056 and $15,137, respectively, for support services provided by NM.

(Thousands)

N. FUNCTIONAL CLASSIFICATIONS OF EXPENSES

For the year ended June 30, 2018:

	Compensation	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 500,009	$ 57,368	$ 9,206	$ -	$ 566,583
Research	236,696	139,725	2,294	-	378,715
Public service	71,782	39,095	557	-	111,434
Academic support	118,089	35,516	109	-	153,714
Student services	28,142	7,325	391	-	35,858
Institutional support	96,922	23,354	57	-	120,333
Operation and maintenance of plant	41,049	85,823	-	-	126,872
Healthcare entities	59,085	22,244	1,758	-	83,087
Scholarships and fellowships	1,469	1,469	61,091	-	64,029
Auxiliary operations	150,242	161,142	344	-	311,728
Depreciation	-	-	-	139,408	139,408
Total expenses	$ 1,303,485	$ 573,061	$ 75,807	$ 139,408	$ 2,091,761

For the year ended June 30, 2017:

	Compensation	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 495,527	$ 58,711	$ 6,102	$ -	$ 560,340
Research	223,446	126,948	1,832	-	352,226
Public service	67,179	38,297	584	-	106,060
Academic support	120,013	38,297	176	-	158,486
Student services	26,874	9,173	389	-	36,436
Institutional support	95,386	34,333	93	-	129,812
Operation and maintenance of plant	44,083	92,548	-	-	136,631
Healthcare entities	58,165	21,842	1,785	-	81,792
Scholarships and fellowships	7,532	471	52,464	-	60,467
Auxiliary operations	125,389	153,375	5,214	-	283,978
Depreciation	-	-	-	120,111	120,111
Total expenses	$ 1,263,594	$ 573,995	$ 68,639	$ 120,111	$ 2,026,339

(Continued)

O. AUXILIARY SEGMENT

The University issues revenue bonds to finance certain auxiliary activities under its Master Trust Indenture. Investors in these bonds rely on the revenue generated by the individual activities and other sources specified for repayment. Descriptive segment information for the Master Trust Indenture Obligated Group includes the following:

UNL Student Fees and Facilities Bonds, Series 2009B, Series 2011, Series 2012, Series 2012B, Series 2015A, and Series 2016A – These bonds are used to provide student housing and related facilities as allowed by the bond covenants for the UNL campus. Operating revenues consist primarily of room and board charges.

University of Nebraska – Lincoln Parking Revenue Bonds, Series 2009A, Series 2009B, Series 2013 and Series 2015 – These bonds are used to provide parking-related facilities as allowed by the bond covenants for the UNL campus. Operating revenues consist of parking fee revenues.

UNO Student Facilities Bonds, Series 2015B and 2016B – These bonds are used to provide a variety of services for the benefit of the University and its students in the Student Center and to provide health, physical education, and recreation services in the HPER building.

UNO Student Housing/Parking Bonds, Series 2014, Series 2015, Series 2017A, and Series 2017B – The bonds are used to provide student housing, parking, and related facilities as allowed by the covenants for the University. Operating revenues consist primarily of rentals, student fees, and parking fees.

UNK Student Fees and Facilities Revenue Bonds, Series 2015 and Series 2017 – The bonds are used to provide student housing and related facilities as allowed by the bond covenants for the UNK campus. Operating revenues consist primarily of rentals, food service income, and student fees.

Pledges pertaining to these issues are disclosed in Note H.

Condensed financial information for the University's segment follows (in thousands):

	June 30, 2018	June 30, 2017
Condensed Statements of Net Position		
Assets and Deferred Outflows of Resources		
Assets:		
Current assets	$ 68,750	$ 78,612
Non-current assets:		
Capital assets	549,327	553,121
Other non-current assets	129,241	135,700
Total assets	747,318	767,433
Deferred Outflows of Resources:		
Deferred loss on bond refunding	16,423	16,228
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities:		
Current liabilities	45,492	48,768
Non-current liabilities	463,396	483,882
Total liabilities	508,888	532,650
Deferred Inflows of Resources:		
Deferred service concession arrangement receipts	4,576	5,503
Net Position:		
Net investment in capital assets	79,431	77,800
Restricted:		
Expendable:		
Plant construction	25,913	26,258
Debt service	128,585	113,284
Unrestricted	16,348	28,166
Total net position	$ 250,277	$ 245,508

(Thousands)

	Years Ended June 30, 2018	Years Ended June 30, 2017
Condensed Statements of Revenues, Expenses, and Changes in Net Position		
Operating revenues	$ 137,564	$ 140,275
Operating expenses:		
Depreciation	(20,157)	(18,014)
Other operating expenses	(91,434)	(91,719)
Operating income	25,973	30,542
Non-operating expense	(21,204)	(7,508)
Change in net position	4,769	23,034
Net position, beginning of year	245,508	222,474
Net position, end of year	$ 250,277	$ 245,508

	Years Ended June 30, 2018	Years Ended June 30, 2017
Condensed Statements of Cash Flows		
Net cash flows from operating activities	$ 47,921	$ 47,357
Net cash flows from capital and related financing activities	(64,722)	(86,913)
Net cash flows from investing activities	1,336	12,831
Net change in cash and cash equivalents	(15,465)	(26,725)
Cash and cash equivalents, beginning of year	191,789	218,514
Cash and cash equivalents, end of year	$ 176,324	$ 191,789

P. CONDENSED COMPONENT UNIT FINANCIAL INFORMATION

Condensed financial information, before the elimination of certain intra-University transactions, for each of the University's Component Units follows (in thousands):

For the year ended June 30, 2018

	UTDC	UNFC	UNeHealth	UDA	SRF	NUCorp
Condensed Statement of Net Position						
Assets and Deferred Outflows of Resources						
Assets:						
Current assets	$ 10,891	$ 32,574	$ 4,981	$ 917	$ 17,020	$ 10,838
Non-current assets						
Capital assets	1,190	-	-	36	-	60,432
Other non-current assets	-	165,219	-	-	119,429	4,790
Total assets	12,081	197,793	4,981	953	136,449	76,060
Deferred Outflows of Resources						
Deferred loss on bond refunding	-	3,016	-	-	-	371
Liabilities, Deferred Inflows of Resources, and Net Position						
Liabilities:						
Current liabilities	9,837	73,302	1,781	414	3,892	5,054
Non-current liabilities	-	367,148	-	-	-	17,272
Total liabilities	9,837	440,450	1,781	414	3,892	22,326
Deferred Inflows of Resources						
Deferred service concession arrangement receipts	-	642	-	-	-	-
Net Position:						
Net investment in capital assets	1,190	-	-	-	-	42,932
Restricted:						
Expendable	-	-	-	-	43,768	-
Plant construction	-	114,155	-	-	-	-
Debt service	-	46,842	-	-	-	3,569
Unrestricted	1,054	(401,280)	3,200	539	88,789	7,604
Total net position	$ 2,244	$ (240,283)	$ 3,200	$ 539	$ 132,557	$ 54,105

(Thousands)

	UTDC	UNFC	UNeHealth	UDA	SRF	NUCorp
Condensed Statement of Revenues, Expenses and Changes in Net Position						
Operating revenues	$ 20,019	$ -	$ 7,138	$ 2,537	$ 7,528	$ 30,406
Operating expenses:						
Depreciation	322	-	-	40	-	2,146
Other operating expenses	29,930	1,013	6,303	2,410	(389)	20,297
Operating income	(10,233)	(1,013)	835	87	7,917	7,963
Non-operating income (expense)	10,659	9,150	-	-	2,874	(372)
Increase (decrease) in net position	426	8,137	835	87	10,791	7,591
Net position - beginning of year	1,818	(248,420)	2,365	452	121,766	46,514
Net position - end of year	$ 2,244	$ (240,283)	$ 3,200	$ 539	$ 132,557	$ 54,105
Condensed Statement of Cash Flows						
Net cash flows from operating activities	$ (8,654)	$ -	$ 757	$ 28	$ 1,220	$ 10,659
Net cash flows from noncapital financing activities	-	-	-	-	(392)	-
Net cash flows from capital and related financing activities	10,420	42,259	-	-	-	(9,059)
Net cash flows from investing activities	(129)	3,366	-	(10)	782	(615)
Net change in cash and cash equivalents	1,637	45,625	757	18	1,610	985
Cash and cash equivalents - beginning of year	3,983	144,129	2,239	536	31	7,645
Cash and cash equivalents - end of year	$ 5,620	$ 189,754	$ 2,996	$ 554	$ 1,641	$ 8,630

(Continued)

(Thousands)

For the year ended June 30, 2017

	UTDC	UNFC	UNeHealth	UDA	SRF	NUCorp
Condensed Statement of Net Position						
Assets and Deferred Outflows of Resources						
Assets:						
Current assets	$ 8,316	$ 34,377	$ 3,442	$ 870	$ 25,184	$ 9,088
Non-current assets						
Capital assets	-	-	-	66	-	58,430
Other non-current assets	1,173	120,182	-	-	98,931	4,505
Total assets	9,489	154,559	3,442	936	124,115	72,023
Deferred outflows of Resources						
Deferred loss on bond refunding	-	-	-	-	-	453
Liabilities, Deferred Inflows of Resources, and Net Position						
Liabilities:						
Current liabilities	7,671	82,063	1,077	484	599	7,141
Non-current liabilities	-	319,976	-	-	1,750	18,821
Total liabilities	7,671	402,039	1,077	484	2,349	25,962
Deferred Inflows of Resources						
Deferred service concession arrangement receipts	-	940	-	-	-	-
Net Position:						
Net investment in capital assets	1,145	-	-	-	-	36,656
Restricted:						
Expendable	-	-	-	-	40,766	-
Plant construction	-	84,055	-	-	-	-
Debt service	-	47,310	-	-	-	2,867
Unrestricted	673	(379,785)	2,365	452	81,000	6,991
Total net position	$ 1,818	$ (248,420)	$ 2,365	$ 452	$ 121,766	$ 46,514

(Continued)

(Thousands)

	UTDC	UNFC	UNeHealth	UDA	SRF	NUCorp
Condensed Statement of Revenues, Expenses and Changes in Net Position						
Operating revenues	$ 13,377	$ -	$ 5,192	$ 2,343	$ 6,550	$ 30,268
Operating expenses:						
Depreciation	99	-	-	39	-	2,070
Other operating expenses	21,759	776	4,575	2,359	(831)	20,441
Operating income	(8,481)	(776)	617	(55)	7,381	7,757
Non-operating income (expense)	9,505	(420)	-	-	5,655	(425)
Increase (decrease) in net position	1,024	(1,196)	617	(55)	13,036	7,332
Net position - beginning of year	794	(247,224)	1,748	507	108,730	39,182
Net position - end of year	$ 1,818	$ (248,420)	$ 2,365	$ 452	$ 121,766	$ 46,514
Condensed Statement of Cash Flows						
Net cash flows from operating activities	$ (10,083)	$ -	$ 576	$ (98)	$ 3,341	$ 9,810
Net cash flows from noncapital financing activities	8,688	-	-	-	2,120	-
Net cash flows from capital and related financing activities	(93)	31,549	-	-	-	(16,787)
Net cash flows from investing activities	-	2,631	-	-	(8,631)	9,460
Net change in cash and cash equivalents	(1,488)	34,180	576	(98)	(3,170)	2,483
Cash and cash equivalents - beginning of year	5,471	109,949	1,663	634	3,201	5,162
Cash and cash equivalents - end of year	$ 3,983	$ 144,129	$ 2,239	$ 536	$ 31	$ 7,645

(Continued)

Q. SUBSEQUENT EVENTS

On August 11, 2017, UNFC authorized the issuance of deferred maintenance bonds in one or more series not to exceed in the aggregate a total of $200,000 dated the date or dates to be determined by UNFC. On July 25, 2018, $94,275 of bonds were issued under this authority. This new issuance authorized by the Nebraska One Hundred Fourth Legislature (LB957) extends the University's deferred maintenance initiative. Funding to repay of the bonds include a capital appropriation and designated tuition revenue. A previous bond issuance under this authority was made for $77,335 on October 4, 2017.

The University of Nebraska has evaluated subsequent events from the balance sheet date through December 17, 2018, the date at which the financial statements were available to be issued.

R. UNIVERSITY OF NEBRASKA FOUNDATION

The Foundation is a separate, nonprofit organization incorporated in the State of Nebraska and has as its purpose to encourage private financial support of the University from individuals, corporations, and other foundations. Oversight of the Foundation is the responsibility of a separate and independent Board of Trustees, not otherwise affiliated with the University. In carrying out its responsibilities, the Board of Trustees of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation.

Although the University does not control the timing or amount of receipts from the Foundation, the resources that the Foundation holds and invests, or the income thereon, are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation are primarily used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is therefore discretely presented with the University's financial statements. Based on the Foundation's audited financial statements as of June 30, 2018 and 2017, the Foundation's net assets (including unrealized gains) totaled $2,058,973 and $1,948,432, respectively.

During the years ended June 30, 2018 and 2017, the Foundation contributed $135 million and $93 million, respectively, to the University for academic support, student assistance, faculty assistance, research, museums, and libraries. In addition, the Foundation provided capital gifts of $45 million and $100 million during 2018 and 2017, respectively, to the University. These contributions provided support for several projects, including the construction of the UNMC Cancer Center Projects and several UNL Athletics Capital Projects.

Complete financial statements for the Foundation can be obtained from the University of Nebraska Foundation, 1010 Lincoln Mall, Suite 300, Lincoln, Nebraska 68508-2886.

S. COMPONENT UNIT DISCLOSURES

(1) Summary of Significant Accounting Policies

(a) Nature of the Entity and Principles of Consolidation

The University of Nebraska Foundation (the Foundation) is a nonprofit corporation whose purpose is to provide financial support to the University of Nebraska system. The accompanying consolidated financial statements include the Foundation's wholly owned subsidiaries, UNF Investments, LLC, and UNF Charitable Gift Fund (UNFCGF). All significant intercompany accounts and transactions have been eliminated upon consolidation.

(b) Basis of Accounting and Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles.

Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets that have similar characteristics have been combined into similar categories as follows:

- The unrestricted net assets account for resources over which the governing board has discretionary control to use in carrying on the operations of the Foundation.
- The temporarily restricted net assets account for those resources whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.
- The permanently restricted net assets account for resources whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and any other assets or liabilities are reported as increases (decreases) in unrestricted net assets unless their use is limited by donor stipulation or by laws. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. At times, the Foundation receives requests by donors or their designees to change the use for which the gifts were originally intended. The requests are reviewed by the Foundation for approval. Approved changes, depending on the donor's request, may result in the reclassification due to change in donor intent in the consolidated statements of activities.

(c) Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid instruments with original maturity of three months or less when purchased, excluding those amounts held as part of the investment portfolio.

(Continued)

The Foundation maintains cash balances and certificates of deposit at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. At various times during the fiscal year, the Foundation's cash in bank balances exceeded the federally insured limits. The Foundation has maintained its cash balances and certificates of deposit at financial institutions in accordance with all Foundation policies and procedures.

(d) Gifts, Bequests, and Life Insurance Proceeds

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

(e) Investments and Temporary Investments

Investments and temporary investments in equity securities with readily determinable fair values and debt securities are reported at fair value. Investments in securities traded on a national securities exchange are valued at the latest quoted market prices. Corporate bonds are valued at market quotations for securities that have quoted prices in active markets, or valued at estimated fair values obtained from a pricing service using a variety of inputs including, but not limited to, benchmark yields, reported trades, broker-dealer quotes, issuer spreads, bids, offers, reference data, prepayment spreads, and measures of volatility. For other fixed income securities, the fair value is determined using models such as matrix pricing, which use quoted market prices of debt securities with similar characteristics, or discounted cash flows to estimate fair value. The Foundation obtained one price for each instrument and did not adjust any of these prices.

For alternative investments in funds that do not have readily determinable fair values, including hedge funds and limited partnerships, the Foundation records these investments using net asset value per share or its equivalent as a practical expedient to fair value. These investments in limited partnerships are generally valued based upon the most recent net asset value or capital account information available from the general partner of the limited partnership, taking into consideration, where applicable, other information determined to be a reliable indicator of fair value.

Investments in closely held stock are recorded at fair value which is estimated based on net asset value of the respective company.

Real estate, mortgage contracts, and the cash value of insurance policies are recorded at amortized cost. They are reviewed for impairment on an annual basis.

Temporary investments comprise short-term investments used to maintain liquidity and are comprised mainly of a mix of U.S., state, and local government fixed income securities and corporate bonds. Investments comprise a mix of equities, fixed income, other investments, and alternative investments, which have a longer term focus (generally investing endowment funds).

Donated investments are reported at estimated fair value at the date of receipt. Realized gains and losses on sales of investments are recognized in the consolidated statements of activities as specific investments are sold. Interest income is recognized as earned. Dividend income is recognized on the ex-dividend date. All realized and unrealized gains and losses and income arising from investments are recognized in the consolidated statements of activities as increases or decreases to unrestricted net assets, unless their use is restricted by donor stipulation or by law.

Included in investment income is a management fee charged to accounts within each net asset class for which the Foundation manages investments. This management fee is charged based on the market value and type of investments managed. These fees are used for the administration of the Foundation's management and fund-raising operations. During the years ended June 30, 2018 and 2017, $20,214 and $20,465, respectively, was charged to temporarily restricted investment income and credited to unrestricted investment income in the consolidated statements of activities related to the management fee for endowment funds. Also, included in unrestricted investment income in the consolidated statements of activities for the years ended June 30, 2018 and 2017 is $4,967 and $5,173, respectively, of a management fee charged to agency funds.

(f) Property and Equipment

Property and equipment, consisting of real estate, furniture, equipment, and computer software, are stated at cost or, if contributed, at fair value at date of contribution. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which ranges from 3 to 32 years.

Gifts of long-lived assets, such as land, buildings, or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

(g) Deposits Held for Others

Deposits held for others represent funds held in a fiduciary capacity. The transactions of these funds are not reflected in the consolidated statements of activities as the Foundation is acting as an agent for these funds. Such funds approximated $335 million and $326 million at June 30, 2018 and 2017 and were held on behalf of the University of Nebraska and other related entities.

(h) Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Foundation's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Foundation's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Cash and cash equivalents, other receivables, accounts payable and accrued liabilities, University of Nebraska benefits payable, scholarships, research, fellowships and professorships payable, and deferred revenue approximate fair value due to their short-term nature. The carrying value of deferred annuities payable and pledges receivable approximates fair value since the inherent interest rates closely reflect current market rates. The note payable was discounted at market rates and approximates fair value.

(i) Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Such tax positions, which are more than 50% likely of being realized, are measured at their highest value. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Foundation believes it is no longer subject to incomes tax examinations for years prior to 2014. During 2018 and 2017, management determined that there are no income tax positions requiring recognition in the consolidated financial statements.

H.R. 1, originally known as the Tax Cuts and Jobs Act (the Act), was signed into law on December 22, 2017. The Act contains various provisions affecting both for-profit and not-for-profit entities. Tax-exempt entities are impacted in part by the inclusion of a new excise tax on excess compensation for covered employees, changes to unrelated business income, as well as their ability to advance refund income bonds. In addition, tax-exempt entities may be impacted through certain for-profit subsidiaries and/or joint ventures based on the Act's provision for tax rates, measurement of deferred taxes as well as other limitations on deductions. The Act's provisions may also impact donor incentives for charitable giving. Management is currently assessing the overall impact of the Act and its impact on the consolidated financial statements.

(j) Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(k) New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 provides a single model for recognizing revenue arising from contracts with customers and supersedes current revenue recognition guidance. This ASU requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of

(Continued)

goods or services and will replace existing revenue recognition guidance in U.S. GAAP when it becomes effective. This ASU will become effective for the Foundation beginning in fiscal year 2020. The guidance permits entities to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. The Foundation is currently evaluating the impact the adoption will have on its consolidated financial statements and related disclosures. The Foundation has not yet selected a transition method nor has it determined the effect ASU No. 2014-09 will have on its ongoing financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires the lessee to recognize assets and liabilities for leases with lease terms of more than twelve months. For leases with a term of twelve months or less, the Foundation is permitted to make an accounting policy election by class of underlying asset to recognize lease assets and lease liabilities. Further ASU 2016-02 requires a finance lease to recognize both an interest expense and an amortization of the associated expense. Operating leases generally recognize the associated expense on a straight line basis. ASU 2016-02 requires the Foundation to adopt the standard using a modified retrospective approach and adoption beginning in fiscal year 2020. The Foundation is currently evaluating the impact that ASU 2016-02 will have on its consolidated financial position, statement of activities, and cash flows.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities.* The guidance changes how not-for-profit entities report net asset classes, expenses, investment return, and liquidity in their financial statements. This ASU will become effective for the Foundation beginning in fiscal year 2019. Retrospective application is required in the year of adoption. The Foundation is currently evaluating the impact on the consolidated financial statements and related disclosures and has not yet determined the impact of the new standard.

(2) Fair Value Investments

The Foundation utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. Fair value measurements are categorized as Level 3 when a significant amount of price or other inputs that are considered to be unobservable are used in their valuations. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of a broadly traded range of equity and debt securities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

(Thousands)

The Foundation maximized the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Fair value is based on actively quoted market prices, if available. In the absence of actively quoted market prices, price information for external sources, including broker quotes and industry publications, is used. If pricing information from external sources is not available, or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value using discounted cash flows and other income valuation approaches.

The tables below present the balances of assets measured at June 30, 2018 and 2017 at estimated fair value on a recurring basis.

	2018			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Certificates of deposit, savings, and money market funds	$ 9,750	$ 9,714	$ 36	$ –
U.S. government securities and sovereign debt	38,311	–	38,311	–
International bonds	19,479	–	19,479	–
Corporate bonds	65,997	–	65,997	–
Common stock	515,833	485,252	–	30,581
Mutual funds – equity	86,528	86,528	–	–
Mutual funds – fixed income	126,854	126,854	–	–
Preferred stock	655	–	655	–
Commingled funds – public equity	335,843	–	335,843	–
Commingled funds – diversified real assets	38,929	–	38,929	–
Index funds – commodities	16,584	16,584	–	–
Index funds – public equity	209,493	209,493	–	–
Investments measured at net asset value [1]:				
Hedge funds	169,380	–	–	–
Limited partnerships	89,870	–	–	–
Temporary Investments:				
U.S. treasuries	102,463	–	102,463	–
Certificates of deposit and money funds	546	46	500	–
State government securities	26,212	–	26,212	–
Local government securities	30,687	–	30,687	–
Corporate bonds	138,861	–	138,861	–
Exchange traded funds – income	101,584	101,584	–	–
Total	$ 2,123,859	$ 1,036,055	$ 797,973	$ 30,581
Liabilities:				
Annuities payable	$ 16,644	$ –	$ 16,644	$ –

(Thousands)

	2017			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Certificates of deposit, savings, and money market funds	$ 15,228	$ 15,148	$ 80	$ –
U.S. government securities and sovereign debt	35,348	–	35,348	–
State government securities	156	–	156	–
Local government securities	124	–	124	–
International bonds	20,055	–	20,055	–
Corporate bonds	65,938	–	65,938	–
Common stock	504,238	477,074	–	27,164
Mutual funds – equity	83,356	83,356	–	–
Mutual funds – fixed income	133,266	133,266	–	–
Preferred stock	688	–	688	–
Commingled funds – public equity	282,828	–	282,828	–
Commingled funds – diversified real assets	35,098	–	35,098	–
Index funds – commodities	12,782	12,782	–	–
Index funds – public equity	219,694	219,694	–	–
Investments measured at net asset value (1):				
Hedge funds	154,095	–	–	–
Limited partnerships	62,878	–	–	–
Temporary Investments:				
U.S. treasuries	110,880	–	110,880	–
Certificates of deposit and money funds	66,950	66,950	–	–
State government securities	37,241	–	37,241	–
Local government securities	48,143	–	48,143	–
Corporate bonds	85,027	–	85,027	–
Exchange traded funds – equity	24,926	24,926	–	–
Total	$ 1,998,939	$ 1,033,196	$ 721,606	$ 27,164
Liabilities:				
Annuities payable	$ 19,167	$ –	$ 19,167	$ –

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

The policy is to reflect transfers between levels at the beginning of the year in which a change in circumstances resulted in the transfer. There were no transfers between levels during the years ended June 30, 2018 and 2017.

(Thousands)

The changes in the financial assets for which the Foundation has used Level 3 inputs to determine fair value are as follows:

Balance, June 30, 2016	$ 23,757
Net unrealized gains	3,407
Balance, June 30, 2017	27,164
Net unrealized gains	3,417
Balance, June 30, 2018	$ 30,581

(3) Investments

Investments consist of the following at June 30, 2018 and 2017:

	2018	2017
Investments stated at fair value:		
Certificates of deposit, savings, and money market funds	$ 9,750	$ 15,228
U.S. government securities and sovereign debt	38,311	35,348
State government securities	-	156
Local government securities	-	124
International bonds	19,479	20,055
Corporate bonds	65,997	65,938
Common stock	515,833	504,238
Mutual funds – equity	86,528	83,356
Mutual funds – fixed income	126,854	133,266
Preferred stock	655	688
Limited partnerships	89,870	62,878
Commingled funds – public equity	335,843	282,828
Commingled funds – diversified real assets	38,929	35,098
Index funds – commodities	16,584	12,782
Index funds – public equity	209,493	219,694
Hedge funds	169,380	154,095
Investments stated at other than fair value:		
Real estate	27,627	26,009
Real estate mortgage and contracts	793	2,218
Other	1,904	2,660
Cash value of life insurance	2,294	2,830
Annuity contracts	158	158
	$ 1,756,282	$ 1,659,647

(Thousands)

	2018	2017
Temporary investments stated at fair value:		
U.S. treasuries	$ 102,463	$ 110,880
Certificates of deposit and money market funds	546	66,950
State government securities	26,212	37,241
Local government securities	30,687	48,143
Corporate bonds	138,861	85,027
Exchange traded funds – income	–	24,926
Exchange traded funds – equity	101,584	–
Temporary investments stated at other than fair value:		
Real estate	24	24
	$ 400,377	$ 373,191

The estimated value of hedge funds and limited partnerships was provided by the respective companies. For these alternative investments, the Foundation uses the net asset value (or its equivalent) reported by the underlying fund to estimate the fair value of the investment. Below is a summary of investments accounted for at net asset value at June 30, 2018 and 2017:

	2018			
	Net asset value	Unfunded commitments	*Redemption frequency (if currently eligible)	Redemption notice period
Private equity/venture capital	$ 68,285	$ 100,814	N/A	N/A
Natural resources	9,012	19,435	N/A	N/A
Real asset funds	12,573	17,064	N/A	N/A
Hedge funds:				
Domestic long/short	38,472	–	q/sa/a	90-360 days
Global long/short	9,412	–	q/sa/a	90-360 days
Multiple strategies	87,306	–	q/sa/a	90-360 days
Credit strategies	34,190	–	q/sa/a	90-360 days
	$ 259,250	$ 137,313		

* m – monthly, q – quarterly, sa – semiannual, a – annual

Included in hedge funds above, is one fund with a rolling redemption period, which as of June 30, 2018, approximately $8 million cannot be redeemed without fees for a period of at least 18 months. For private equity/venture capital and real asset funds, these investments cannot be redeemed with the investees, but instead the Foundation will receive distributions through the liquidation of the underlying assets of the investees. At June 30, 2018, the Foundation expects these funds to liquidate over the next 3-10 years.

(Thousands)

	2017			
	Net asset value	Unfunded commitments	*Redemption frequency (if currently eligible)	Redemption notice period
Private equity/venture capital	$ 46,915	$ 37,068	N/A	N/A
Natural resources	5,075	7,978	N/A	N/A
Real asset funds	10,888	12,183	N/A	N/A
Hedge funds:				
Domestic long/short	19,627	–	q/sa/a	90-360 days
Global long/short	26,802	–	q/sa/a	90-360 days
Multiple strategies	64,575	–	q/sa/a	90-360 days
Credit strategies	43,091	–	q/sa/a	90-360 days
	$ 216,973	$ 57,229		

* m – monthly, q – quarterly, sa – semiannual, a – annual

Included in hedge funds above, are two funds with rolling redemption periods, which as of June 30, 2017, approximately $17 million cannot be redeemed without fees for a period of at least 18 months. For private equity/venture capital and real asset funds, these investments cannot be redeemed with the investees, but instead the Foundation will receive distributions through the liquidation of the underlying assets of the investees. At June 30, 2017, the Foundation expects these funds to liquidate over the next 3-10 years.

Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the Foundation's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is, therefore, reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

(Thousands)

(4) Pledges Receivable

Pledges receivable are recorded on the consolidated statements of financial position as assets, net of an allowance for uncollectible accounts and discounted to their present value. Promises to give, net of discount to present value at 6% and allowance for doubtful accounts are due to be collected as follows as of June 30, 2018 and 2017:

	2018	2017
Gross amount due in:		
One year or less	$ 65,891	$ 84,634
One to five years	139,425	131,195
More than five years	7,397	12,385
	212,713	228,214
Less discount to present value	19,047	19,964
	193,666	208,250
Less allowance for doubtful accounts	5,810	6,247
	$ 187,856	$ 202,003

The discount will be recognized as contribution income in years 2019 through 2044.

In addition, the Foundation has been informed of intentions to give in the form of possible future bequests, currently of indeterminable value, that have not been reflected in the accompanying consolidated financial statements because they are not unconditional promises.

(5) Property and Equipment

Property and equipment at June 30, 2018 and 2017 are as follows:

	2018	2017
Land	$ 8,314	$ 8,314
Buildings	40,660	40,650
Leasehold improvements	3,578	3,578
Automobiles	168	153
Furniture, equipment, and software	10,362	10,170
	63,082	62,865
Less accumulated depreciation	12,626	10,732
Net property and equipment	$ 50,456	$ 52,133

(Thousands)

(6) Split-Interest Agreements

The Foundation is the beneficiary of split-interest agreements in the form of charitable gift annuities, charitable remainder trusts, and pooled income funds. The liability is established at the time of the contribution using actuarial tables and an assumed interest rate. The interest rate used for the establishment of the liability was 2.8% for the years 2018 and 2017. In connection with certain agreements, the Foundation has committed to the payment of an annual annuity to the donor. Liabilities associated with these agreements as of June 30, 2018 and 2017 are $16,644 and $19,167, respectively, and have been reflected as deferred annuities payable on the consolidated statements of financial position. Annuity obligations are adjusted annual for actuarial changes in life expectancy. The increases and decreases to the liability are reflected as temporarily restricted or unrestricted change in the value of split-interest agreements, which is consistent with the method used to initially record the contribution.

(7) Net Assets

Net assets are restricted by donors for various purposes in support of activities at the University of Nebraska, including the campuses at Lincoln, Kearney, Omaha, the Medical Center in Omaha, and Nebraska Medicine. The purposes include scholarships, fellowships, research, academic support, and campus building and improvements. Included in temporarily and permanently restricted assets are the net assets of UNFCGF. The net assets of UNFCGF are restricted for distribution to qualified 501(c)(3) organizations, including the Foundation, at the request of the donor and approval by the Grants Committee of UNFCGF. Temporarily restricted net assets consist of gifts contributed for a specified period or until the occurrence of some future event or unspent earnings on endowed funds.

The amounts of the temporarily and permanently restricted net assets as of June 30, 2018 and 2017 are as follows:

	2018	2017
Temporarily restricted – charitable trusts and annuities	$ 24,714	$ 25,740
Temporarily restricted – available for specific purposes	996,600	941,118
Permanently restricted – endowment	1,011,145	968,067
	$ 2,032,459	$ 1,934,925

The Foundation had unrestricted net assets of $26,514 and $13,507 at the end of 2018 and 2017, respectively. Net assets of $178,569 and $193,761 were released from donor restrictions during 2018 and 2017 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

(8) Endowments

The Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) sets out guidelines to be considered when managing and investing donor-restricted endowment funds.

The Foundation's endowment consists of approximately 5,300 individual funds established for a variety of purposes. The Foundation holds endowment funds for support of its programs and operations. As required by U.S. GAAP, net assets and the changes therein associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(Thousands)

The Board of Directors of the Foundation has interpreted NUPMIFA as allowing the Foundation to appropriate the expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Interest, dividends, and net appreciation of the donor-restricted endowment funds are classified according to donor stipulations, if any. Absent any donor-imposed restrictions, interest, dividends, and net appreciation of donor-restricted endowment funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NUPMIFA. In accordance with NUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) the duration and preservation of the endowment fund

(2) the purposes of the Foundation and the donor-restricted endowment fund

(3) general economic conditions

(4) the possible effect of inflation or deflation

(5) the expected total return from income and the appreciation of investments

(6) other resources of the Foundation

(7) the investment policy of the Foundation

Endowment net asset composition by type of fund as of June 30, 2018 and 2017 is as follows:

	2018			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total net endowment assets**
Donor-restricted endowment funds	$ (21,151)	$ 381,466	$ 1,011,145	$ 1,371,460
Board-designated endowment funds	27,047	–	–	27,047
Endowment totals	$ 5,896	$ 381,466	$ 1,011,145	$ 1,398,507

(Thousands)

	2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total net endowment assets
Donor-restricted endowment funds	$ (31,875)	$ 346,451	$ 968,067	$ 1,282,643
Board-designated endowment funds	26,573	–	–	26,573
Endowment totals	$ (5,302)	$ 346,451	$ 968,067	$ 1,309,216

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	2018			
	Unrestricted	Temporarily restricted	Permanently restricted	Total net endowment assets
Endowment net assets, beginning of year	$ (5,302)	$ 346,451	$ 968,067	$ 1,309,216
Contributions	904	5,514	42,324	48,742
Investment income, net of expenses	–	4,869	–	4,869
Realized and unrealized gains, net	11,482	79,800	–	91,282
Amounts appropriated for expenditure	(1,188)	(54,414)	–	(55,602)
Reclassification due to change in donor intent	–	(754)	754	–
Endowment net assets, end of year	$ 5,896	$ 381,466	$ 1,011,145	$ 1,398,507

(Thousands)

	2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total net endowment assets
Endowment net assets, beginning of year	$ (34,601)	$ 304,084	$ 921,694	$ 1,191,177
Contributions	323	137,572	31,096	168,991
Investment income, net of expenses	–	7,774	–	7,774
Realized and unrealized gains (losses), net	27,797	(34,037)	–	(6,240)
Amounts appropriated for expenditure	1,179	(53,665)	–	(52,486)
Reclassification due to change in donor intent	–	(15,277)	15,277	–
Endowment net assets, end of year	$ (5,302)	$ 346,451	$ 968,067	$ 1,309,216

(a) *Investment Return Objectives, Risk Parameters, and Strategies*

The Foundation has adopted investment and spending policies, approved by the Board of Directors of the Foundation, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity, debt securities, and illiquid alternative investments that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4.25%, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to earn a real (inflation-adjusted) rate of return of at least 6.0% per year net of investment management fees and investment operations expenses, when measured over rolling five-year period. Actual return in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the Act requires the Foundation to retain as a fund of perpetual duration. The Foundation considers funds for which the fair value of the assets is less than the value of all original contributions to the fund to be "under water" funds. Deficiencies of this nature reported in unrestricted net assets were $(21,151) and $(31,875) as of June 30, 2018 and 2017, respectively. Funds of this nature result from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs as deemed prudent. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

(Continued)

(Thousands)

(b) Spending Policy and How the Investment Objectives Relate to the Appropriate Policy

The Foundation has a policy of appropriating for distribution each year 4.25% of the average fair market value of the prior 20 quarters of the unitized endowment shares. In establishing this policy and in the annual review of the policy, the Foundation considers the long term expected return on its investment assets, the nature, and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation.

(9) Lease Commitments

The minimum rentals for operating leases for office space with guaranteed terms for the five fiscal years after June 30, 2018 are as follows:

2019	$ 1,107
2020	1,101
2021	1,101
2022	1,101
2023	667
Thereafter	150

(10) Notes Payable

During the year ended June 30, 2016, the Foundation entered into an agreement resulting in the acquisition of certain properties. The transaction included the purchase of certain properties valued at $47.5 million in exchange for an interest free note of $18 million. The note was recorded at its present value and the imputed interest expense is being recognized over the life of the loan. The $18 million is due in full in 2019. In addition, the Foundation agreed to lease certain space back over 36 months at a nominal amount. In connection with these transactions, in the year ended June 30, 2016, the Foundation recognized a net noncash contribution of $19.1 million. During the years ended June 30, 2018 and 2017, the Foundation recognized imputed interest of $588 and $589 related to the interest free loan.

(11) Retirement Plan

The Foundation sponsors a retirement plan that covers employees of the Foundation with one year of service who work in excess of 1,000 hours annually and have attained the age of 21 years or previous participation in the TIAA CREF or Fidelity annuity plan. Participation in the plan is mandatory upon attainment of age 30. The plan is an annuity arrangement under Section 403b(1) of the Internal Revenue Code using annuities under TIAA CREF and Fidelity Investments. Under the plan, the employee chooses to contribute either 5.5% or 3.5% of his/her salary to the plan and the Foundation matches the amount with either 8.0% or 5.5% of salary, respectively, unless grandfathered in under previous terms, which allowed for a 6.5% match instead of the 5.5%. The Foundation contributions to the plan for the years ended June 30, 2018 and 2017 were $1,048 and $954, respectively.

(Continued)

(12) Contingencies and Commitments

The Foundation is involved in several legal actions in the ordinary course of business. The Foundation believes it has defenses for all such claims, believes the claims are substantially without merit, and is vigorously defending the actions. In the opinion of management, the final dispositions of these matters will not have a material effect on the Foundation's financial position.

(13) Subsequent Events

In preparing the consolidated financial statements, the Foundation has evaluated subsequent events for potential recognition or disclosure through September 28, 2018, the date the consolidated financial statements were available to be issued.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

Board of Regents of the University of Nebraska
Lincoln, Nebraska:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the discretely presented component unit of the University of Nebraska (University) (a component unit of the State of Nebraska) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 17, 2018. Our report includes a reference to other auditors who audited the financial statements of the University of Nebraska Foundation (Foundation), a discretely presented component unit of the University; the University of Nebraska Facilities Corporation, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, and the Nebraska Utility Corporation, blended component units of the University (collectively identified as the Blended Component Units); and the activity relating to the Members of the Obligated Group under the Master Trust Indenture, as described in our report on the University's financial statements. The financial statements of the Foundation, the University of Nebraska Facilities Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, and the Nebraska Utility Corporation were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

University's Findings

We did note certain other matters that we reported to management of the University in a separate letter dated December 17, 2018.

Purpose of this Report

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

Mark Avery

Lincoln, Nebraska
December 17, 2018

Mark Avery, CPA
Assistant Deputy Auditor

STATISTICAL

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THE UNIVERSITY OF NEBRASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017
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STATISTICAL SECTION (Unaudited)

This part of the University of Nebraska's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the University's overall financial health.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year and provided by the Office of the Interim Vice President | CFO

THE UNIVERSITY OF NEBRASKA

FINANCIAL TRENDS
SCHEDULE OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION (THOUSANDS) (UNAUDITED)
YEARS ENDED JUNE 30

	(Dollars)					(Percent of Total)				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
Revenues:										
Tuition and fees	$ 405,808	$ 389,649	$ 376,599	$ 362,210	$ 347,428	18 %	17 %	17 %	17 %	16 %
Grants and contracts - restricted	500,458	491,193	444,877	444,104	356,423	22	22	20	21	16
Sales and services of educational activities	112,573	102,299	98,992	97,332	96,858	5	5	4	5	4
Sales and services of health care entities	32,008	27,437	23,557	24,828	239,521	1	1	1	1	11
Sales and services of auxiliary operations	336,552	305,273	297,825	275,466	281,363	15	13	14	13	13
Other operating revenues	13,751	12,956	13,238	12,235	11,999	1	1	1	1	1
Total operating revenues	1,401,150	1,328,807	1,255,088	1,216,175	1,333,592	62	59	57	58	61
State of Nebraska noncapital appropriations	559,188	576,559	561,079	544,201	527,656	25	25	25	26	24
Other non-operating revenues, net	320,289	361,381	387,697	366,561	352,391	13	16	18	16	15
Total revenues	2,280,627	2,266,747	2,203,864	2,126,937	2,213,639	100	100 %	100 %	100 %	100 %
Expenses:										
Compensation and benefits	1,303,485	1,263,594	1,221,257	1,156,166	1,232,351	61 %	62 %	61 %	61 %	62 %
Supplies and services	573,061	573,995	540,357	527,388	537,445	27	28	27	28	27
Depreciation	139,408	120,111	115,216	106,270	117,361	7	6	6	6	6
Scholarships and fellowships	75,807	68,639	63,600	70,440	70,195	3	3	4	3	3
Total operating expenses	2,091,761	2,026,339	1,940,430	1,860,264	1,957,352	98	99	98	98	98
Other non-operating expenses, net	35,058	24,044	47,069	43,836	33,647	2	1	2	2	2
Total expenses	2,126,819	2,050,383	1,987,499	1,904,100	1,990,999	100 %	100 %	100 %	100 %	100 %
Increase in net position	$ 153,808	$ 216,364	$ 216,365	$ 222,837	$ 222,640					

(Continued)

THE UNIVERSITY OF NEBRASKA

FINANCIAL TRENDS
SCHEDULE OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION (THOUSANDS) (UNAUDITED)
YEARS ENDED JUNE 30

	(Dollars)					(Percent of Total)				
	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
Revenues:										
Tuition and fees	$ 336,112	$ 321,279	$ 291,855	$ 258,559	$ 245,630	16 %	16 %	14 %	14 %	15 %
Grants and contracts - restricted	371,709	366,212	378,881	358,364	301,770	17	19	19	19	18
Sales and services of educational activities	93,759	88,046	103,977	73,609	71,040	4	4	5	4	4
Sales and services of health care entities	227,924	217,799	218,546	204,221	192,899	11	11	11	11	12
Sales and services of auxiliary operations	270,906	245,366	237,599	216,564	210,657	13	12	12	11	13
Other operating revenues	13,132	12,777	11,488	9,782	12,706	1	1	1	1	1
Total operating revenues	1,313,542	1,251,479	1,242,346	1,121,099	1,034,702	62	63	62	60	63
State of Nebraska noncapital appropriations	498,509	486,155	489,774	496,963	501,794	23	25	24	26	30
Other non-operating revenues, net	330,105	227,816	314,215	286,779	122,000	15	12	14	14	7
Total revenues	2,142,156	1,965,450	2,046,335	1,904,841	1,658,496	100 %	100 %	100 %	100 %	100 %
Expenses:										
Compensation and benefits	1,174,580	1,126,038	1,104,876	1,043,839	1,023,285	62 %	62 %	61 %	62 %	64 %
Supplies and services	510,068	494,789	521,995	471,859	445,317	27	27	29	28	28
Depreciation	106,788	104,088	90,846	81,724	68,525	6	6	5	5	4
Scholarships and fellowships	70,155	67,820	69,835	58,702	50,442	4	4	4	4	3
Total operating expenses	1,861,591	1,792,735	1,787,552	1,656,124	1,587,569	99	99	99	99	99
Other non-operating expenses, net	25,598	28,701	37,548	21,847	22,853	1	1	1	1	1
Total expenses	1,887,189	1,821,436	1,825,100	1,677,971	1,610,422	100 %	100 %	100 %	100 %	100 %
Increase in net position	$ 254,967	$ 144,014	$ 221,235	$ 226,870	$ 48,074					

THE UNIVERSITY OF NEBRASKA

FINANCIAL TRENDS
SCHEDULE OF NET POSITION COMPONENTS (THOUSANDS) (UNAUDITED)
YEARS ENDED JUNE 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net investment in capital assets	$ 2,240,603	$ 2,165,096	$ 1,953,065	$ 1,683,616	$ 1,559,636	1,408,851	$ 1,277,228	$ 1,044,719	$ 955,142	$ 863,298
Restricted for:										
Nonexpendable:										
Permanent endowment	233,949	225,490	207,481	221,048	234,690	204,529	190,492	205,105	169,722	156,480
Expendable:										
Externally restricted funds	365,561	344,631	227,970	197,616	162,118	160,479	148,726	140,250	127,938	120,448
Loan fund	42,063	43,439	43,110	44,916	44,562	44,869	44,507	44,223	43,935	43,946
Plant construction	229,272	211,566	243,917	312,047	284,336	185,744	159,447	107,087	125,575	103,398
Debt service	155,395	145,500	144,167	132,662	136,229	157,353	161,384	168,315	175,655	179,215
Unrestricted	673,810	651,123	750,771	762,211	722,932	760,038	690,977	819,048	709,545	613,857
Total net position	$ 3,940,653	$ 3,786,845	$ 3,570,481	$ 3,354,116	$ 3,144,503	$ 2,921,863	$ 2,672,761	$ 2,528,747	$ 2,307,512	$ 2,080,642
Reconciliation of Adjusted Unrestricted Assets:										
Unrestricted net position per statements	$ 673,810	$ 651,123	$ 750,771	$ 762,211	$ 722,932	$ 760,038	$ 690,977	$ 819,048	$ 709,545	$ 613,857
Less: Investment in joint venture	443,182	415,573	385,080	343,098	316,599	296,747	282,013	275,175	253,410	230,369
Adjusted unrestricted net position	$ 230,628	$ 235,550	$ 365,691	$ 419,113	$ 406,333	$ 463,291	$ 408,964	$ 543,873	$ 456,135	$ 383,488
Reconciliation of outstanding indebtedness:										
Bond obligations payable	$ 857,575	$ 851,640	$ 826,625	$ 792,995	$ 757,965	$ 684,265	$ 671,305	$ 684,785	$ 700,705	$ 642,970
Lease obligations payable	49,409	49,130	48,523	12,398	1,163	1,325	3,442	5,063	6,586	9,359
Total outstanding indebtedness	$ 906,984	$ 900,770	$ 875,148	$ 805,393	$ 759,128	$ 685,590	$ 674,747	$ 689,848	$ 707,291	$ 652,329
Ratio of adjusted unrestricted net position to total outstanding indebtedness (times)	0.25	0.26	0.42	0.52	0.54	0.68	0.61	0.79	0.64	0.59

THE UNIVERSITY OF NEBRASKA

MARKET, DEMOGRAPHIC, AND ECONOMIC INFORMATION
NON-CAPITAL APPROPRIATIONS (THOUSANDS) (UNAUDITED)

	Appropriations		
Year	State General Fund	University Non-capital	University as Percent of State
2009	3,481,661	492,106	14
2010	3,319,795	492,481	14
2011	3,405,101	494,720	14
2012	3,486,350	491,278	14
2013	3,632,424	497,999	14
2014	3,841,240	519,614	14
2015	4,105,826	542,817	13
2016	4,265,178	563,886	13
2017	4,411,691	583,069	13
2018	4,390,295	559,189	13

Source: Legislative Fiscal Office

THE UNIVERSITY OF NEBRASKA

MARKET, DEMOGRAPHIC, AND ECONOMIC INFORMATION
STATE OF NEBRASKA POPULATION, AND PERSONAL INCOME PER PERSON
CALENDAR YEARS 2008 - 2017 (UNAUDITED)

	Calendar Years 2008 - 2017		
Year	Population	Personal Income (In Millions)	Personal Income Per Person
2008	1,796,378	72,567	40,396
2009	1,812,683	69,675	38,438
2010	1,830,141	72,190	39,445
2011	1,842,641	78,220	42,450
2012	1,855,525	83,521	45,012
2013	1,868,516	86,013	46,033
2014	1,881,503	88,569	47,073
2015	1,896,190	92,048	48,544
2016	1,907,116	95,411	50,029
2017	1,920,076	97,557	50,809

Source: U.S. Department of Commerce, Bureau of Economic Analysis

MARKET, DEMOGRAPHIC, AND ECONOMIC INFORMATION
TEN LARGEST EMPLOYERS IN STATE OF NEBRASKA (UNAUDITED)

	December 2017			December 2006		
	Total Employment		977,444	Total Employment		945,270
Name of Company	Rank	Number of Employees	% of Total Employment	Rank	Number of Employees	% of Total Employment
University of Nebraska*	1	25,144	2.572	3	14,164	1.498
State of Nebraska (excluding University)	2	18,441	1.887	1	16,721	1.769
US Government (excluding Department of Defense) **	3	16,945	1.734	2	15,403	1.629
Werner Enterprises	4	12,828	1.312			
Alegent Health/CHI	5	11,512	1.178	6	6,000	0.635
Tyson Foods, INC	6	10,760	1.101	4	11,000	1.164
WalMart	7	9,605	0.983	5	9,755	1.032
Omaha Public Schools	8	7,284	0.745	7	5,832	0.617
Hy-Vee Food Stores	9	6,210	0.635	10	4,843	0.512
Crete Carrier	10	6,000	0.614	16	3,040	0.322
Lincoln Public Schools		-	-	8	5,501	0.582
First National Bank		-	-	11	4,651	0.492
First Data Corp				9	5,470	0.579

SOURCE: The Nebraska Department of Economic Development,
Hoovers, a Dun and Bradstreet data base, and Employers

NOTES:
* Univeristy of Nebraska - Medical Center, University of Nebraska - Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney
** Sources did not track US Government employment in Nebraska

THE UNIVERSITY OF NEBRASKA

DEBT INFORMATION
BOND DEBT SERVICE COVERAGE BY CAMPUS AND ISSUE
FOR THE PAST TEN YEARS AS OF JUNE 30 (THOUSANDS) (UNAUDITED)

			Revenues Available for Debt Service					
Year	Description	Bonds Outstanding	Dedicated Revenues	Related Expenses	Net	Debt Service	Coverage	Required Coverage
2018	University of Nebraska Master Trust Indenture	$ 449,135	$ 139,317	$ 80,827	$ 58,490	$ 35,372	1.65	1.15
	University of Nebraska Facilities Corporation	390,030						
	Nebraska Utility Corporation	18,410						
		$ 857,575						
2017	University of Nebraska Master Trust Indenture	$ 467,365	$ 140,589	$ 80,171	$ 60,418	$ 35,192	1.72	1.15
	University of Nebraska Facilities Corporation	364,515						
	Nebraska Utility Corporation	19,760						
		$ 851,640						
2016	University of Nebraska Master Trust Indenture	$ 476,715	$ 136,702	$ 77,680	$ 59,022	$ 35,193	1.68	1.15
	University of Nebraska Facilities Corporation	328,860						
	Nebraska Utility Corporation	21,050						
		$ 826,625						
2015	University of Nebraska Master Trust Indenture	$ 475,345	$ 133,920	$ 76,228	$ 57,692	$ 32,991	1.75	1.15
	University of Nebraska Facilities Corporation	295,375						
	Nebraska Utility Corporation	22,275						
		$ 792,995						
2014	University of Nebraska Master Trust Indenture	$ 416,530	$ 126,189	$ 73,261	$ 52,928	$ 33,160	1.60	1.15
	University of Nebraska-Lincoln Memorial Stadium Bonds	28,335						
	University of Nebraska Facilities Corporation	289,575						
	Nebraska Utility Corporation	23,525						
		$ 757,965						

	2018	2017	2016	2015	2014
Bonded Debt per student FTE: (in dollars)					
Master Trust Indenture	$ 10,135	$ 10,462	$ 10,697	$ 10,871	$ 9,669
All bonded indebtedness	19,352	19,065	18,549	18,136	17,596

(Continued)

THE UNIVERSITY OF NEBRASKA

DEBT INFORMATION
BOND DEBT SERVICE COVERAGE BY CAMPUS AND ISSUE
FOR THE PAST TEN YEARS AS OF JUNE 30 (THOUSANDS) (UNAUDITED) (CONTINUED)

Year	Description	Bonds Outstanding	Revenues Available for Debt Service: Dedicated Revenues	Related Expenses	Net	Debt Service	Coverage	Required Coverage
2013	University of Nebraska Master Trust Indenture	$ 425,280	$ 116,969	$ 69,084	$ 47,885	$ 27,723	1.73	1.15
	University of Nebraska-Lincoln Memorial Stadium Bonds	30,245						
	University of Nebraska Facilities Corporation	214,765						
	Nebraska Utility Corporation	13,975						
		$ 684,265						
2012	University of Nebraska Master Trust Indenture	$ 413,720	$ 113,818	$ 68,624	$ 45,194	$ 28,982	1.56	1.15
	University of Nebraska-Lincoln Memorial Stadium Bonds	32,080						
	University of Nebraska Facilities Corporation	210,385						
	Nebraska Utility Corporation	15,120						
		$ 671,305						
2011	University of Nebraska Master Trust Indenture	$ 373,585	$ 107,412	$ 65,942	$ 41,470	$ 26,535	1.56	1.15
	University of Nebraska-Lincoln Memorial Stadium Bonds	33,840						
	University of Nebraska Facilities Corporation	261,350						
	Nebraska Utility Corporation	16,010						
		$ 684,785						
2010	University of Nebraska Master Trust Indenture	$ 383,490	$ 96,756	$ 60,672	$ 36,084	$ 23,999	1.50	1.15
	University of Nebraska-Lincoln Memorial Stadium Bonds	35,535						
	University of Nebraska Facilities Corporation	262,870						
	Nebraska Utility Corporation	18,810						
		$ 700,705						
2009	University of Nebraska Master Trust Indenture	$ 334,540	$ 90,687	$ 60,895	$ 29,792	$ 18,350	1.62	1.15
	University of Nebraska-Lincoln Memorial Stadium Bonds	44,000						
	University of Nebraska Facilities Corporation	244,805						
	Nebraska Utility Corporation	19,625						
		$ 642,970						

	2013	2012	2011	2010	2009
Bonded Debt per student FTE: (in dollars)					
Master Trust Indenture	$ 10,007	$ 9,667	$ 8,790	$ 9,216	$ 8,248
All bonded indebtedness	16,102	15,685	16,112	16,839	15,852

THE UNIVERSITY OF NEBRASKA

DEBT INFORMATION
LEASE OBLIGATIONS PAYABLE
FOR THE PAST TEN YEARS AS OF JUNE 30 (THOUSANDS) (UNAUDITED)

At June 30,	
Year	Outstanding Lease Obligations
2018	$ 49,409
2017	49,130
2016	48,523
2015	12,398
2014	1,163
2013	1,325
2012	3,442
2011	5,063
2010	6,586
2009	9,359

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
SCHEDULE OF CAPITAL ASSET INFORMATION (THOUSANDS) (UNAUDITED)

	Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Land	$ 91,273	$ 89,773	$ 91,299	$ 88,020	$ 84,660	$ 84,625	$ 73,170	$ 72,407	$ 71,117	$ 60,812
Land improvements	300,125	262,532	251,411	210,805	197,686	183,577	159,630	143,813	135,018	131,121
Leasehold improvements	44,445	42,958	40,626	33,435	31,937	31,223	13,209	13,209	13,209	13,209
Buildings	2,954,470	2,745,740	2,347,924	2,169,553	2,088,516	1,928,844	1,929,341	1,833,585	1,644,313	1,460,965
Equipment	516,422	499,150	470,985	462,487	431,543	413,843	388,388	340,535	326,434	309,739
Construction work in progress	118,840	252,972	426,895	345,823	202,643	227,881	118,823	155,979	250,162	202,163
Total capital assets	4,025,575	3,893,125	3,629,140	3,310,123	3,036,985	2,869,993	2,682,561	2,559,528	2,440,253	2,178,009
Less accumulated depreciation for:										
Land improvements	98,729	88,635	79,943	72,688	66,213	59,849	54,167	51,592	46,081	41,999
Leasehold improvements	13,130	10,394	7,901	11,412	9,780	8,187	3,847	3,406	2,965	2,524
Buildings	751,755	678,499	620,296	588,202	562,535	533,744	516,924	475,899	443,136	409,847
Equipment	364,762	347,503	332,194	329,110	306,977	283,009	251,750	227,863	211,955	196,440
Total capital assets	1,228,376	1,125,031	1,040,334	1,001,412	945,505	884,789	826,688	758,760	704,137	650,810
Capital assets, net	$ 2,797,199	$ 2,768,094	$ 2,588,806	$ 2,308,711	$ 2,091,480	$ 1,985,204	$ 1,855,873	$ 1,800,768	$ 1,736,116	$ 1,527,199
Age of plant (in years) (1):	9	9	9	9	8	8	8	8	9	9

(1) Computed as accumulated depreciation divided by depreciation expense.

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
FRESHMAN SELECTIVITY AND MATRICULATION DATA (UNAUDITED)

		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
UNL	Applications	14,956	12,321	11,193	9,724	11,865	10,929	10,350	10,022	9,768	9,455
	Accepted	11,906	7,524	8,425	7,425	8,293	6,999	6,662	5,943	6,056	5,943
	Selectivity	*79.6%*	*61.1%*	*75.3%*	*76.4%*	*69.9%*	*64.0%*	*64.4%*	*59.3%*	*62.0%*	*62.9%*
	Enrolled	4,816	4,905	4,860	4,628	4,652	4,420	3,937	4,093	4,058	3,986
	Matriculation	*40.5%*	*65.2%*	*57.7%*	*62.3%*	*56.1%*	*63.2%*	*59.1%*	*68.9%*	*67.0%*	*67.1%*
	Composite ACT Scores	25.4	25.3	25.2	25.2	25.4	25.3	25.4	25.3	25.3	25.4
UNO	Applications	8,170	5,036	5,551	5,581	5,750	4,955	4,536	4,625	4,562	4,717
	Accepted	6,673	4,628	4,799	4,238	4,514	3,507	3,630	3,503	3,467	3,810
	Selectivity	*81.7%*	*91.9%*	*86.5%*	*75.9%*	*78.5%*	*70.8%*	*80.0%*	*75.7%*	*76.0%*	*80.8%*
	Enrolled	2,151	2,105	2,069	2,007	1,848	1,890	1,761	1,785	1,803	1,816
	Matriculation	*32.2%*	*45.5%*	*43.1%*	*47.4%*	*40.9%*	*53.9%*	*48.5%*	*51.0%*	*52.0%*	*47.7%*
	Composite ACT Scores	22.6	22.0	22.0	22.5	22.6	22.7	22.9	22.6	23.0	22.9
UNK	Applications	5,518	2,594	2,815	2,511	2,706	2,589	2,815	2,615	2,622	2,895
	Accepted	4,809	2,181	2,395	2,144	2,276	2,197	2,402	2,258	2,239	2,215
	Selectivity	*87.2%*	*84.1%*	*85.1%*	*85.4%*	*84.1%*	*84.9%*	*85.3%*	*86.3%*	*85.4%*	*76.5%*
	Enrolled	944	904	1,008	938	990	1,022	1,136	1,074	1,132	983
	Matriculation	*19.6%*	*41.4%*	*42.1%*	*43.8%*	*43.5%*	*46.5%*	*47.3%*	*47.6%*	*50.6%*	*44.4%*
	Composite ACT Scores	22.7	21.1	23.0	22.6	22.8	22.6	22.9	22.7	22.7	22.6
Total	Applications	28,644	19,951	19,559	17,816	20,321	18,473	17,701	17,262	16,952	17,067
	Accepted	23,388	14,333	15,619	13,807	15,083	12,703	12,694	11,704	11,762	11,968
	Selectivity	*81.7%*	*71.8%*	*79.9%*	*77.5%*	*74.2%*	*68.8%*	*71.7%*	*67.8%*	*69.4%*	*70.1%*
	Enrolled	7,911	7,914	7,937	7,573	7,490	7,332	6,834	6,952	6,993	6,785
	Matriculation	*33.8%*	*55.2%*	*50.8%*	*54.8%*	*49.7%*	*57.7%*	*53.8%*	*59.4%*	*59.5%*	*56.7%*

Selectivity computed as accepted freshman as a percent of applications.
Matriculation computed as enrolled freshman as a percent of acceptances.

Beginning in 2018, the University moved to one application for resident first-time freshman for UNL, UNO, and UNK for a single application fee. This significantly increased the duplicate applications across campuses, bringing downward pressure on the matriculation rate.

UNMC's curriculum is comprised mainly of professional programs and, therefore, freshman data is not included.
Source: University of Nebraska Central Administration Office of Institutional Research and Planning

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
STUDENT FTE'S, TUITION, AND DISCOUNTS (UNAUDITED)

	Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Level										
Undergraduate	35,524	35,850	35,913	35,260	34,753	34,303	34,604	34,373	33,480	32,812
Graduate	5,839	5,943	5,868	5,797	5,758	5,532	5,970	5,962	5,881	5,540
Professional	2,951	2,878	2,784	2,669	2,566	2,661	2,224	2,166	2,249	2,209
Total	44,314	44,671	44,565	43,726	43,077	42,496	42,798	42,501	41,610	40,561
Percent										
Undergraduate	80 %	80 %	81 %	81 %	81 %	81 %	81 %	81 %	81 %	81 %
Graduate	13	13	13	13	13	13	14	14	14	14
Professional	7	7	6	6	6	6	5	5	5	5
Total	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Gross tuition and fees (thousands)	$ 548,746	$ 515,806	$ 493,776	$ 474,057	$ 452,929	$ 433,498	$ 411,567	$ 377,084	$ 340,844	$ 317,648
Tuition discounts and allowances (thousands)	(142,938)	(126,157)	(117,177)	(111,847)	(105,501)	(97,386)	(90,288)	(85,229)	(82,285)	(72,018)
Net tuition revenue and fees (thousands)	$ 405,808	$ 389,649	$ 376,599	$ 362,210	$ 347,428	$ 336,112	$ 321,279	$ 291,855	$ 258,559	$ 245,630
Net tuition revenue and fees per FTE	$ 9,158	$ 8,723	$ 8,451	$ 8,284	$ 8,065	$ 7,909	$ 7,507	$ 6,867	$ 6,214	$ 6,056
Percent of tuition discounts and allowances (1)	26 %	24 %	24 %	24 %	23 %	22 %	22 %	23 %	24 %	23 %

(1) Tuition discounts and allowances as a percent of gross tuition and fees.

Source: University of Nebraska Central Administration Office of Institutional Research and Planning

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
FACULTY AND STAFF FTE (UNAUDITED)

	Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Faculty	4,365	4,468	4,429	4,159	4,122	3,953	3,871	3,837	3,746	3,771
Staff *	12,270	11,961	12,166	12,404	12,087	12,099	11,997	11,494	11,492	11,509
Total Employees	16,635	16,429	16,595	16,563	16,209	16,052	15,868	15,331	15,238	15,280
Student FTE per Faculty FTE	10	10	10	11	11	11	11	11	11	11

* Staff includes all non-faculty employees (administrative, managerial-professional, graduate assistants and students.)

Source: University of Nebraska Central Administration Office of Institutional Research and Planning

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
TENURE DENSITY DATA
FOR THE YEARS ENDED JUNE 30 (UNAUDITED)

		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
UNL	Tenured Faculty	855	873	877	847	883	882	886	864	921	917
	Tenure-Track	323	327	326	295	287	280	266	259	270	264
	Percent of tenured and tenure track	72.6%	72.8%	72.9%	74.2%	75.5%	75.8%	76.9%	76.9%	77.3%	77.6%
UNMC	Tenured Faculty	245	264	263	268	276	271	271	268	273	267
	Health Professionals	639	578	564	519	484	487	490	488	474	461
	Percent of tenured	27.7%	31.4%	31.8%	34.1%	36.3%	35.8%	35.6%	35.4%	36.5%	36.7%
UNO	Tenured Faculty	333	332	327	323	338	338	347	327	338	336
	Tenure-Track	131	126	127	114	115	97	94	91	99	108
	Percent of tenured and tenure track	71.8%	72.5%	72.0%	73.9%	74.6%	77.7%	78.7%	78.2%	77.3%	75.7%
UNK	Tenured Faculty	164	169	162	164	166	169	177	175	181	178
	Tenure-Track	93	93	74	81	89	86	74	65	66	72
	Percent of tenured and tenure track	63.8%	64.5%	68.6%	66.9%	65.1%	66.4%	70.5%	72.9%	73.3%	71.2%

Source: University of Nebraska Central Administration Office of Institutional Research and Planning

UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
RETENTION RATES OF FRESHMAN AND BACCALAUREATE GRADUATION RATES
FOR THE YEARS ENDED JUNE 30 (UNAUDITED)

Retention Rates of First-Time Full-Time Freshmen After One Year

Fall Cohort	UNL	UNO	UNK
2008	84 %	72 %	80 %
2009	84	72	83
2010	84	73	82
2011	84	73	77
2012	84	72	79
2013	84	77	75
2014	83	77	80
2015	82	78	84
2016	83	76	79
2017	83	75	80

Baccalaureate Graduation Rate After Six Years

Fall Cohort	UNL	UNO	UNK
2003	63 %	45 %	59 %
2004	64	45	58
2005	67	43	61
2006	64	45	56
2007	67	42	58
2008	67	45	56
2009	67	46	57
2010	67	45	57
2011	70	47	61
2012	69	49	58

Source: University of Nebraska Central Administration Office of Institutional Research and Planning

UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
DEGREES EARNED
FOR THE YEARS ENDED JUNE 30 (UNAUDITED)

BACHELOR'S

Year	UNL	UNO	UNMC	UNK
2009	3,219	1,836	354	851
2010	3,312	1,769	379	850
2011	3,621	1,937	359	750
2012	3,719	2,172	607	788
2013	3,716	2,205	452	889
2014	3,864	2,410	466	927
2015	3,716	2,280	434	876
2016	3,657	2,405	420	995
2017	3,964	2,233	639	890
2018	4,102	2,301	660	964

MASTER'S

Year	UNL	UNO	UNMC	UNK
2009	842	681	185	293
2010	853	720	159	311
2011	874	696	162	340
2012	1,017	793	157	373
2013	859	717	306	399
2014	852	698	262	327
2015	859	834	257	397
2016	852	907	248	397
2017	953	880	405	435
2018	943	891	406	435

DOCTOR'S

Year	UNL	UNO	UNMC
2009	399	19	321
2010	417	22	311
2011	426	23	293
2012	391	32	309
2013	463	21	336
2014	445	29	319
2015	464	27	368
2016	442	29	368
2017	412	40	361
2018	403	50	356

Source: University of Nebraska Central Administration Office of Institutional Research and Planning

ACCREDITATION

Accreditation in colleges and universities indicates the dedication of the faculty and administration of the University to meet rigorous standards of academic quality. These standards include such factors as professional attainments of faculty, quality of research, library holdings, physical facilities and general support for programs by funding authorities.

The University of Nebraska has been accredited by the North Central Association of Colleges and Secondary Schools since the Association first began accrediting colleges and universities in 1913. In addition, various colleges, schools, and departments are accredited by their respective professional agencies.

APPENDIX C

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL DOCUMENTS

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DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL DOCUMENTS

The following is a summary of certain provisions and defined terms of the Indenture and the Financing Agreement. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Indenture and the Financing Agreement, to each of which reference is hereby made.

Definitions

The terms defined below are among those used in the summaries of the Indenture and the Financing Agreement. Except where otherwise indicated or provided, words in the singular include the plural and vice versa.

"Act" means Section 85-401, R.R.S. Neb. 2014, as amended, and LB297, One Hundred Sixth Legislature, First Session, passed by the Legislature on May 21, 2019 and approved by the Governor on May 27, 2019.

"Additional Bonds" means any additional Bonds issued pursuant to the Indenture.

"Authorized Board Representative" means the President of the University, the Vice President for Business and Finance of the Board, the Assistant Vice President and Controller of the University, the Assistant Controller of the University, or such other officer designated to act on behalf of the Board as set forth in a resolution or policy of the Board.

"Authorized Corporation Representative" means the President or Secretary of the Corporation, or such other officer designated to act on behalf of the Corporation as set forth in a resolution or policy of the Corporation.

"Beneficial Owner" means any Person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including Persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

"Board" means The Board of Regents of the University of Nebraska, a public body corporate of the State of Nebraska and the governing body of the University of Nebraska, and its successors and assigns.

"Bond Counsel" means an attorney or firm of attorneys with a nationally recognized reputation on the subject of municipal bonds.

"Bond Fund" means the fund by that name created by the Indenture.

"Bond Register" means the registration books of the Corporation kept by the Trustee to evidence the registration, transfer and exchange of Bonds.

"Bondowner" shall have the same meaning as the term "Owner."

"Bonds" means the Series 2019 Bonds and any Additional Bonds, authenticated and delivered under and pursuant to the Indenture.

"Business Day" means any day other than (A) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city or cities in which the designated corporate trust office of the Trustee is located are authorized by law or executive order to close or (B) a day on which the New York Stock Exchange is closed.

"Cede & Co." means Cede & Co., as nominee name of The Depository Trust Company, New York, New York.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations of the United States Treasury Department proposed or promulgated thereunder.

"**Construction Account"** means the applicable account by that name created in the Construction Fund for a particular series of Bonds, including the Series 2019A Construction Account and the Series 2019B Construction Account created by the Indenture.

"Construction Fund" means the fund by that name created by the Indenture.

"Corporation" means the University of Nebraska Facilities Corporation, a nonprofit corporation organized and existing under the Nonprofit Act, and the Corporation's successors and assigns.

"Counsel" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the Board or the Corporation.

"Debt Service Account" means the applicable account by that name created in the Bond Fund for a particular series of Bonds, including the Series 2019A Debt Service Account and the Series 2019B Debt Service Account created by the Indenture.

"Disclosure Undertaking" means the Continuing Disclosure Undertaking of the Board, dated as of the date of the issuance of the Series 2019 Bonds, as the same may be amended from time to time in accordance with its terms.

"Event of Default" means (a) with respect to the Indenture, any Event of Default as described in the Indenture, and (b) with respect to the Financing Agreement, any Event of Default as described in the Financing Agreement.

"Facilities" means collectively, the 2019 Project, and any additional Project, any of which are from time to time identified and designated by the Board to be financed with proceeds of Bonds and secured by the Board's obligations under the Financing Agreement or any supplement or amendment thereto.

"Financing Agreement" means the Financing Agreement dated as of the date of the Indenture, between the Corporation and the Board, as from time to time amended and supplemented in accordance with the provisions thereof of the Indenture.

"Fitch" means Fitch Ratings, a division of Fitch Group, and its successors and assigns.

"Government Obligations" means:

(a) direct obligations of, or obligations and the principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America;

(b) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of and interest on which is fully and unconditionally guaranteed as a full faith and credit obligation of the United

States of America (including any securities described in clause (a) above issued or held in book-entry form in the name of the Trustee only on the books of the Department of Treasury of the United States of America);

(c) any certificates or any other evidence of an ownership interest in obligations or specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in clause (a) or (b) above, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian;

(d) stripped obligations of interest issued by the Resolution Funding Corporation pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (**"FIRREA"**), the interest on which, to the extent not paid from other specified sources, is payable when due by the Secretary of the Treasury pursuant to FIRREA; and

(e) obligations of any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision, provided that cash, obligations described in clauses (a), (b), (c) or (d) above, or a combination thereof have been irrevocably pledged to and deposited into a segregated escrow account for the payment when due of the principal or redemption price, such obligations are rated AAA by Fitch, Aaa by Moody's or AAA by S&P.

"Indenture" means the Trust Indenture, dated as of October 1, 2019, by and between the Corporation and the Trustee, as amended and supplemented from time to time in accordance with its terms.

"Moody's" means Moody's Investors Service, Inc. and its successors and assigns.

"Nonprofit Act" means Chapter 21, Article 19, R.R.S. Neb. 2012, as amended.

"Outstanding" means, when used with reference to Bonds, as of any particular date of determination, all Bonds theretofore authenticated and delivered under the Indenture, except:

(a) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Bonds deemed to be paid in accordance with the provisions of the Indenture;

(c) Bonds alleged to have been mutilated, destroyed, lost or stolen which have been paid as provided in the Indenture; and

(d) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture.

"Owner" means the Person in whose name a Bond is registered on the Bond Register.

"Participants" means those financial institutions for whom the Securities Depository effects book entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

"Paying Agent" means the Trustee and any other bank or trust company designated pursuant to the Indenture as paying agent for any series of Bonds and at which the principal of, redemption premium, if any, and interest on any such Bonds shall be payable.

“Payment Date” means, with respect to Bonds, the date on which an interest payment or principal payment falls due, and with respect to the Series 2019 Bonds, each April 1 and October 1.

“Payments” means the payments from the Board to the Corporation described in the Financing Agreement, and all other payments required to be deposited by the Board with the Corporation or the Trustee under the Financing Agreement or the Indenture, but excluding amounts to be credited to the Rebate Fund.

“Permitted Investments” means

(a) Government Obligations;

(b) obligations issued or guaranteed as to full and timely payment of principal and interest by any agency or Person controlled or supervised by and acting as an instrumentality of the United States of America, pursuant to authority granted by the United States Congress;

(c) obligations of the Governmental National Mortgage Association, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration, Maritime Administration and Public Housing Authorities, provided that the full and timely payment of the principal and interest on such obligations shall be unconditionally guaranteed by the United States of America;

(d) obligations of the Federal Intermediate Credit Corporation and of the Federal National Mortgage Association;

(e) obligations of the Federal Banks for Cooperation;

(f) obligations of Federal Land Banks;

(g) obligations of Federal Home Loan Banks; provided that the obligations described in clauses (c) through (e) above shall constitute Permitted Investments only to the extent that the rating agency has assigned a rating to such obligations which is not lower than the highest rating assigned by such rating agency to any series of comparable Bonds then Outstanding;

(h) certificates of deposit of any bank, savings and loan or trust company organized under the laws of the United States or any state thereof, including the Trustee or any Holder of the Bonds, provided that such certificates of deposit shall be fully collateralized (with a prior perfected security interest), to the extent they are not insured by the Federal Deposit Insurance Corporation, by Permitted Investments described in clauses (a), (b), (c), (d), (e), (f) or (g) above having a market value at all times equal to the uninsured amount of such deposit;

(i) money market funds registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, including funds for which the Trustee, its parent, its affiliates or its subsidiaries provide investment advisory or other management services, and which are rated at least AA- by Fitch, or Aa3 by Moody’s, or AA- by S&P;

(j) investment agreements (which term, for purposes of this clause, shall not include repurchase agreements) with a Qualified Financial Institution;

(k) repurchase agreements which Qualified Financial Institutions including but not limited to the Trustee and any of its affiliates, provided that each such repurchase agreement results in transfer to the

Trustee of legal and equitable title to, or the granting to the Trustee of a prior perfected security interest in, identified Permitted Investments described in clauses (a), (b), (c), (d), (e), (f) or (g) above which are free and clear of any claims by third parties and are segregated in a custodial or trust account held either by the Trustee or by a third party (other than the repurchaser) as the agent solely of, or in trust solely for the benefit of, the Trustee, provided that Government Obligations acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value of such Government Obligations or the repurchase price thereof set forth in the applicable repurchase agreement;

(l) bonds or notes issued by any state or municipality which are rated at least AA- by Fitch, or Aa3 by Moody's, or AA- by S&P;

(m) commercial paper rated at least P1 by Moody's or A1 by S&P having original maturities of not more than 270 days; or

(n) corporate bonds and medium term notes rated at least AA- by Fitch, or Aa3 by Moody's, or AA- by S&P.

"Person" means any individual, corporation, partnership, joint venture, association, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Project" means any project financed or refinanced with the proceeds of Bonds under the Indenture, including the 2019 Project.

"2019 Project" means the facilities constructed, acquired or equipped with the proceeds of the Series 2019 Bonds and the projects financed with the proceeds of the Refunded Bonds.

"Project Costs" means all costs of acquisition, construction, improvement, extension, repair, remodeling, renovation, furnishing and equipping of a Project, including the following:

(a) Obligations incurred for labor and material and to contractors, builders and materialmen in connection with the Project or any part thereof;

(b) The cost of acquiring rights, rights-of-way, easements or other interests in land as may be deemed necessary or convenient for the construction and operation of the Project;

(c) Taxes or other municipal or governmental charges lawfully levied or assessed against the Project or against any property acquired therefor, or payments required in lieu thereof, in each case during the period of construction, and premiums on insurance;

(d) Costs of installation of utility services or connections thereto or relocation thereof;

(e) Costs of fidelity and indemnity bonds;

(f) Costs of fixed and moveable equipment;

(g) Costs of site preparation and landscaping;

(h) Fees and expenses of architects, engineers and inspectors and costs of issuance of the Bonds;

(i) Any other capital costs directly incurred in the construction and completion of the Project; and

(j) Any sums required to reimburse the Board for advances made by the Board for any of the above items or for any other costs incurred and for work done by the Board which are properly chargeable to the Project.

"Qualified Financial Institution" means (a) any domestic branch or a foreign bank, U.S. domestic institution which is a bank, trust company, national banking association or a corporation, including the Trustee and any of its affiliates, subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, or a member of the National Association of Securities Dealers, Inc. whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating of at least A- by Fitch, A3 by Moody's or A- by S&P, or which has issued a letter of credit, contract, agreement or surety bond in support of debt obligations which have been so rated; (b) an insurance company with a claims-paying ability or a corporation whose obligations are guaranteed by an insurance company (in the form of an insurance policy) or by an insurance holding company rated at least AA- by Fitch, Aa3 by Moody's or AA- by S&P or whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating of at least AA- by Fitch, Aa3 by Moody's or AA- by S&P or (c) other financial institutions whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating of at least A- by Fitch, A3 by Moody's or A- by S&P.

"**Rebate Account"** means the applicable account of that name created in the Rebate Fund for a particular series of Bonds, including the Series 2019B Account in the Rebate Fund created by the Indenture.

"Rebate Fund" means the fund by that name created by the Indenture.

"Record Date" for the interest payable on any interest Payment Date means the 15th day (whether or not a Business Day) next preceding such interest Payment Date.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

"Securities Depository" means, initially, The Depository Trust Company, New York, New York, and its successors and assigns.

"Series 2019 Bonds" means, collectively, the Series 2019A Bonds and the Series 2019B Bonds.

"Series 2019A Bonds" means the series of University System Facilities Bonds, Series 2019A (Taxable), in the aggregate principal amount of $[Principal Amount], issued pursuant to the Indenture.

"Series 2019B Bonds" means the series of University System Facilities Bonds, Series 2019B, in the aggregate principal amount of $[Principal Amount], issued pursuant to the Indenture.

"Supplemental Indenture" means any indenture supplemental or amendatory to the Indenture entered into by the Corporation and the Trustee pursuant to the Indenture.

"Tax Compliance Agreement" means an agreement among the Board, the Corporation and the Trustee that sets forth certain expectations and covenants of the Board and the Corporation necessary for any series of Bonds to be issued as Tax-Exempt Bonds.

"Tax-Exempt Bonds" means any series of Bonds the interest on which is, in the opinion of Bond Counsel, excluded from gross income for federal income tax purposes.

"Trust Estate" means the Trust Estate described in the Granting Clauses of the Indenture.

"Trustee" means Union Bank and Trust Company, Lincoln, Nebraska, and its permitted successors and assigns.

"Underwriter" means Morgan Stanley & Co. LLC, as representative of the underwriters of the Series 2019 Bonds.

"University" means the University of Nebraska.

THE TRUST INDENTURE

Method and Place of Payment of Bonds. The principal of and redemption premium, if any, and interest on the Bonds shall be payable in any coin or currency which, on the respective dates of payment thereof, is legal tender for payment of debts due the United States of America.

The principal of and redemption premium, if any, on all Bonds shall be payable at maturity or upon earlier redemption to the persons in whose names such Bonds are registered at the maturity or redemption date thereof, upon the presentation and surrender of such Bonds at the principal corporate trust office of the Trustee or of any Paying Agent named in the Bonds.

The interest payable on each Bond on any Payment Date shall be paid by check or draft mailed by the Trustee to the person in whose name such Bond is registered at the close of business on the Record Date for such interest, or in the case of any interest payment to any Owner of $1,000,000 or more principal amount of any series of Bonds, by electronic transmission to such owner upon written notice given to the Trustee by such Owner not fewer than five Business Days prior to the Record Date for such interest payment, containing the electronic transfer instructions including the bank (which shall be in the continental United States), ABA routing number and account number to which such Owner wishes to have such transfer directed.

Authorization of Additional Bonds.

(a) Additional Bonds may be issued under and be secured by the Indenture at any time and from time to time, upon compliance with the conditions hereinafter provided in this section, for any of the following purposes:

(1) To provide funds to pay the costs of acquiring, completing, replacing, repairing or refinancing a Project.

(2) To provide funds to refund any Bonds of any series then Outstanding, including the payment of any premium thereon and interest to accrue to the designated redemption date and any expenses in connection with such refunding.

(3) Any legally permitted purpose.

(b) Before any Additional Bonds shall be issued under the provisions of this section, the Corporation shall adopt a resolution (i) authorizing the issuance of such Bonds and authorizing the Corporation to enter into a Supplemental Indenture for the purpose of issuing such Additional Bonds, and (ii) authorizing the Corporation to enter into an amendment or supplement to the Financing Agreement with the Board to provide for Payments at least sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds then to be Outstanding (including the Additional Bonds to be issued) as the same become due. Additional Bonds issued to refund Outstanding Bonds may be authorized by standing Corporation policy, including its Bylaws and in such case, no resolution need be adopted by the Corporation.

(c) Such Additional Bonds shall be executed substantially in the form and manner set forth in the Indenture and shall be deposited with the Trustee for authentication, but prior to or simultaneously with the authentication and delivery of such Bonds by the Trustee, there shall be filed with the Trustee such certificates, statements, receipts, orders, opinions, and documents as the Trustee shall reasonably require for the delivery of such Additional Bonds.

(d) When such Additional Bonds shall have been executed and authenticated as required by the Indenture, the Trustee shall deliver such Additional Bonds to or upon the order of the purchasers thereof, but only upon payment of the purchase price of such Additional Bonds. The proceeds of the sale of such Additional Bonds, except Additional Bonds issued to refund Outstanding Bonds or other obligations of the Board, including accrued interest and redemption premium thereon, if any, shall be immediately paid over to the Trustee and shall be deposited by the Trustee in accordance with the Indenture as follows:

> (1) The amount representing accrued interest on the Additional Bonds shall be deposited in the Debt Service Account in the Bond Fund established for such series of Additional Bonds; and
>
> (2) The remainder of the proceeds of the Additional Bonds shall be deposited in a Construction Account established by, and disbursed pursuant to, the Supplemental Indenture authorizing the issuance of such Additional Bonds.
>
> The proceeds, excluding accrued interest and redemption premium, if any, which shall be deposited in the Bond Fund, of all Additional Bonds issued to refund Outstanding Bonds shall be deposited by the Trustee, after payment or making provision for payment of all expenses incident to such financing, to the credit of a special trust fund, appropriately designated, to be held in trust for the sole and exclusive purpose of paying the principal of, redemption premium, if any, and interest on the bonds to be refunded, as provided in the Indenture and in the Supplemental Indenture authorizing the issuance of such refunding Bonds. The proceeds of Additional Bonds issued to refund obligations of the Board or the Corporation which were not originally issued under and pursuant to the Indenture shall be applied as set forth in the resolution or other instrument governing such obligations.

(e) Any other provisions of the Indenture to the contrary notwithstanding, separate Debt Service Accounts, Construction Accounts and Rebate Accounts (if such Additional Bonds are issued as Tax-Exempt Bonds) shall be established in connection with any Additional Bonds issued under the Indenture, and moneys and investments on deposit in the several funds and accounts established under the Indenture in connection with the Series 2019 Bonds shall not be commingled with moneys and investments on deposit in the funds and accounts established in connection with any Additional Bonds.

Mutilated, Destroyed, Lost or Stolen Bonds. If (a) any mutilated Bond is surrendered to the Trustee, or the Corporation and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Corporation and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Corporation or the Trustee that such Bond has been acquired by a bona fide purchaser, the Corporation shall execute and upon its request the Trustee shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of the same stated maturity and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Corporation in its discretion may, instead of issuing a new Bond, pay such Bond.

Upon the issuance of any new Bond under this section, the Corporation may require the payment by the Owner of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Bond issued pursuant to this section in lieu of any mutilated, destroyed, lost or stolen Bond shall constitute a replacement of the prior obligation of the Corporation, whether or not the mutilated, destroyed, lost or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of the Indenture equally and ratably with all other Outstanding Bonds of the same series.

In the event any Bond is mutilated, lost, stolen or destroyed, the Corporation shall execute and the Trustee shall authenticate and deliver a new Bond of like series, date and tenor as the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Corporation and the Trustee evidence of such loss, theft or destruction satisfactory to the Corporation and the Trustee, together with indemnity satisfactory to them. In the event any such Bond shall have matured, the Corporation may, instead of issuing a substitute Bond, pay or authorize the payment of the same without surrender thereof. Upon the issuance of any substitute Bond, the Corporation and the Trustee may require the payment of an amount sufficient to reimburse the Corporation and the Trustee for any tax or other governmental charge that may be imposed in relation thereto and any other reasonable fees and expenses incurred in connection therewith.

Cancellation and Destruction of Bonds upon Payment. All Bonds which have been paid or redeemed or which the Trustee has purchased or which have otherwise been surrendered to the Trustee under the Indenture, either at or before maturity, shall be cancelled by the Trustee immediately upon the payment, redemption or purchase of such Bonds and the surrender thereof to the Trustee; and any such Bonds shall, if not reissued in an exchange pursuant to the Indenture, be cancelled by the Trustee immediately after maturity. All Bonds cancelled under any of the provisions of the Indenture shall be destroyed by the Trustee.

Creation of Funds. In the Indenture, there are established in the custody of the Trustee the following special trust funds in the name of the Corporation to be designated as follows:

(a) "The University of Nebraska Facilities Corporation, Construction Fund" (herein called the **"Construction Fund"**) which shall consist of separate Construction Accounts for each series of Bonds, and the Series 2019A Construction Account and the Series 2019B Construction Account have been created in the Construction Fund.

(b) "The University of Nebraska Facilities Corporation, Bond Fund" (herein called the **"Bond Fund"**) which shall consist of separate Debt Service Accounts for each series of Bonds, and the Series 2019A Debt Service Account and the Series 2019B Debt Service Account have been created in the Bond Fund.

(c) "The University of Nebraska Facilities Corporation, Rebate Fund" (herein called the **"Rebate Fund"**) which shall consist of separate Rebate Accounts for each series of Bonds issued as Tax-Exempt Bonds, and the Series 2019B Rebate Account has been created in the Rebate Fund. The Rebate Fund is not pledged for payment of any Bonds.

The Indenture also establishes the **"System Facilities Fund"** into which the Board may make certain deposits or withdrawals from, in its sole discretion. The System Facilities Fund does not constitute part of the Trust Estate, and other funds may be similarly established under the Indenture from time to time and will not constitute part of the Trust Estate.

Deposits into the Construction Fund. The following moneys shall be paid over to and deposited by the Trustee into the applicable Construction Account in the Construction Fund, as and when received:

(a) The proceeds from the sale of the Series 2019 Bonds, to the extent required by the Indenture, excluding such amounts thereof required to be paid into the Bond Fund pursuant to the Indenture.

(b) The proceeds from the sale of Additional Bonds (except Additional Bonds issued to refund Outstanding Bonds), excluding such amounts thereof required to be paid into the Bond Fund pursuant to the Indenture.

(c) The earnings accrued on the investment of moneys in the Construction Fund and required to be deposited into the Construction Fund pursuant to the Indenture.

(d) Except as otherwise provided in the Indenture or in the Financing Agreement, any other moneys received by or to be paid to the Trustee from any other source for the purchase and construction of a Project, when accompanied by directions from the Board that such moneys are to be deposited into the Construction Fund.

Disbursements from the Construction Fund.

(a) The moneys in the Construction Fund shall be disbursed by the Trustee for the payment of Project Costs upon receipt of a requisition certificate, substantially in the form set forth in the Indenture, signed by an Authorized Board Representative, and the Trustee covenants and agrees in the Indenture to disburse such moneys in accordance with the provisions of such requisitions. In making disbursements for Project Costs, the Trustee may conclusively rely as to the completeness and accuracy of all statements in such requisition certificate without inquiry or investigation if such requisition certificate is signed by an Authorized Board Representative. The approval of each disbursement request by the above parties shall constitute an irrevocable determination by those parties that all conditions precedent to the payment of the specified amounts from the Construction Fund have been completed.

(b) All earnings accruing on the investment of moneys in the Construction Fund shall be credited to and deposited in the applicable Construction Account in the Construction Fund until notice is received by the Trustee pursuant to the Indenture.

(c) The Trustee shall keep and maintain adequate records pertaining to the Construction Fund, earnings thereon and all disbursements therefrom, and after the Project has been completed, the Trustee shall file with the Corporation and the Board a statement of receipts and disbursements with respect thereto.

Disposition upon Completion of the Project. The payment of all costs and expenses incidental to the applicable Project payable from a Construction Account in the Construction Fund shall be evidenced by the filing with the Trustee by the Authorized Board Representative a written notice to such effect and shall result in the termination of such Construction Account. As soon thereafter as practicable, any balance remaining in such Construction Account in the Construction Fund (other than amounts retained by the Trustee as specified in said written notice and any amounts required to be transferred to the Rebate Fund pursuant to the Indenture) shall without further authorization be deposited in the related Debt Service Account in the Bond Fund and applied by the Trustee as directed by the Board solely to: (a) the payment of principal and redemption premium, if any, of the related series of Bonds through the payment or redemption thereof at the earliest date permissible under the terms of the Indenture, or (b) at the option of the Board, to the purchase of Bonds of the related series at such earlier date or dates as the Board may elect, which Bonds shall thereafter be cancelled by the Trustee. Any Bonds purchased by the Trustee pursuant to this provision with moneys from the Bond Fund will be deemed cancelled.

Disposition upon Acceleration. If the principal of the Bonds shall have become due and payable pursuant to the Indenture, upon the date of payment by the Trustee of any moneys due as thereinafter provided in the Indenture, any balance remaining in the Construction Fund (other than amounts required to be transferred to the Rebate Fund pursuant to the Indenture) shall without further authorization be deposited in the Bond Fund for the applicable Bonds by the Trustee with advice to the Corporation and to the Board of such action.

Deposits into the Bond Fund. The Trustee shall deposit into each Debt Service Account in the Bond Fund for any series of Bonds, as and when received, the following:

(a) All accrued interest on the Bonds.

(b) All Payments payable by the Board to the Corporation specified in the Financing Agreement.

(c) Any amount remaining in a Construction Account in the Construction Fund to be transferred to the Bond Fund pursuant to the Indenture and any amount remaining in the Construction Fund to be transferred to the Bond Fund pursuant to the Indenture upon acceleration of the maturity of the Bonds.

(d) All interest and other income derived from investments of moneys in the Construction Fund required to be transferred to the Bond Fund as provided in the Indenture.

(e) All other moneys received by the Trustee under and pursuant to any of the provisions of the Financing Agreement when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Bond Fund.

Application of Moneys in the Bond Fund.

(a) Except as provided in this section and in the Indenture, moneys in the Bond Fund shall be expended solely for (1) the payment of the principal of, redemption premium, if any, and interest on the Bonds as the same mature and become due or upon the redemption thereof, or (2) to purchase Bonds for cancellation prior to maturity.

(b) The Trustee, upon written direction of the Corporation and the Board, shall use any moneys in the Bond Fund (1) to redeem all or part of the Bonds Outstanding and interest to accrue thereon prior to such redemption, in accordance with and to the extent permitted by the Indenture so long as the Board is not in default with respect to any payments under the Financing Agreement and to the extent said moneys are in excess of the amount required for payment of Bonds theretofore matured or called for redemption and (2) to pay past due interest in all cases when such Bonds have not been presented for payment. The Board may cause such excess moneys in the Bond Fund or such part thereof or other moneys of the Board, as the Board may direct, to be applied by the Trustee for the purchase of Bonds in the open market for the purpose of cancellation, at prices not exceeding the principal amount thereof plus accrued interest thereon to the date of delivery for cancellation.

(c) After payment in full of the principal of, redemption premium, if any, and interest on the Bonds (or provision has been made for the payment thereof as specified in the Indenture), and the fees, charges and expenses of the Trustee and any Paying Agents and any other amounts required to be paid under the Indenture and the Financing Agreement, all amounts remaining in the Bond Fund shall be paid to the Board.

Payments Due on Saturdays, Sundays and Holidays. In any case where the date of maturity of principal of, redemption premium, if any, or interest on the Bonds or the date fixed for redemption of any Bonds shall be a day other than a Business Day, then payment of principal of, redemption premium, if any, or interest on the Bonds need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Nonpresentment of Bonds. In the event that any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Corporation to the Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the Owner of such Bond, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Bond. If any Bond shall not be presented for payment within one years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall repay to the Corporation the funds theretofore held by the Trustee for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Corporation, and the Owner thereof shall be entitled to look only to the Corporation for payment, and then only to the extent of the amount so repaid, and the Corporation shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Deposits into and Application of Moneys in the Rebate Fund.

(a) The Trustee shall deposit in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Compliance Agreement. Subject to the payment provisions provided in subsection (b) below, all amounts on deposit at any time in the Rebate Fund shall be held by the Trustee in trust, to the extent required to pay rebatable arbitrage to the United States of America, and neither the Corporation, the Board, or the Owner of any Bond shall have any rights in or claim to such money. All amounts held in the Rebate Fund shall be governed by this section and by the Tax Compliance Agreement.

(b) Pursuant to the Tax Compliance Agreement, the Trustee shall remit all rebate installments and a final rebate payment to the United States. The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this section and the Tax Compliance Agreement, other than from moneys provided to it by the Board for such purpose. Any moneys remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any rebatable arbitrage amount shall be withdrawn and remitted to the Board.

(c) Notwithstanding any other provision of the Indenture, including in particular under the heading "Satisfaction and Discharge of the Indenture", the obligation to pay rebatable arbitrage to the United States and to comply with all other requirements of this section and the Tax Compliance Agreement shall survive the defeasance or payment in full of the Bonds.

Moneys to Be Held in Trust. All moneys deposited with or paid to the Trustee for the account of any Fund under any provision of the Indenture, and all moneys deposited with or paid to any Paying Agent under any provision of the Indenture, shall be held by the Trustee or Paying Agent in trust and shall be applied only in accordance with the provisions of the Indenture and the Financing Agreement and, until used or applied as so provided, shall constitute part of the Trust Estate and be subject to the lien thereof; *provided*, *however*, that money held in the Rebate Fund and moneys held from time to time in the System Facilities Fund shall not constitute part of the Trust Estate. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any moneys received under the Indenture except interest earned on investments made pursuant to paragraph (a) under "Investment of Moneys in Funds" below.

Investment of Moneys in Funds. Moneys held in the Construction Fund, the Bond Fund and the Rebate Fund shall, pursuant to the written direction of the Board given by the Authorized Board Representative, be separately invested and reinvested by the Trustee in Permitted Investments which mature or are subject to redemption by the holder prior to the date when such moneys will be needed. Any such

Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times to be a part of the Fund in which such moneys are originally held. The interest earnings and any profit realized from Permitted Investments in any Fund under the Indenture shall be credited to such Fund, and any loss realized on such Permitted Investments shall be charged to such Fund. Any loss resulting from Permitted Investments shall be charged to the applicable Fund. After the Trustee has notice pursuant to the Indenture of the existence of an Event of Default, the Trustee shall direct the investment of moneys in the Bond Fund and the Construction Fund. The Trustee shall sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in any Fund is insufficient for the purposes of such Fund. In determining the balance in any Fund, investments in such Fund shall be valued at the lower of their original cost or their fair market value as of the most recent Payment Date. The Trustee may make any and all investments permitted by the provisions of this section through its own bond department or any affiliate or short-term investment department.

Enforcement of Rights under the Financing Agreement. The Financing Agreement, a copy of which has been provided to the Trustee, sets forth the covenants and obligations of the Corporation and the Board. The Corporation agrees that the Trustee, as assignee of the Financing Agreement, in the Trustee's name or in the name of the Corporation, may enforce all rights of the Corporation and all obligations of the Board under and pursuant to the Financing Agreement for and on behalf of the Bondowners, if the Corporation is in default under the Indenture.

Corporate Existence of the Corporation; Compliance with Laws. The Corporation will at all times maintain its corporate existence or assure the assumption of its obligations under the Indenture by any organization succeeding to its powers, and it will use its best efforts to maintain, preserve and renew all its rights and powers; and it will comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the Indenture or the Financing Agreement.

Events of Default. If any of the following events occur, it is defined as and declared to be and to constitute an Event of Default under the Indenture:

(a) Default by the Corporation in the due and punctual payment of any interest on any Bond;

(b) Default by the Corporation in the due and punctual payment of the principal of or redemption premium, if any, on any Bond, whether at the stated maturity or accelerated maturity thereof, or at the redemption date thereof (provided, however, no Event of Default shall be deemed to have occurred if a conditional optional call pursuant to the Indenture has been made but no funds have been deposited with the Trustee on the date of optional redemption);

(c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Corporation in the Indenture or in the Bonds (other than a default described in (a) or (b) above), and the continuance thereof for a period of 30 days after written notice thereof shall have been given to the Corporation and the Board by the Trustee, or to the Trustee (which notice of default the Trustee shall be required to accept), the Corporation and the Board by the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding; provided, however, if any default shall be such that it cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the Corporation or the Board within such period and diligently pursued until the default is corrected;

(d) An Event of Default as specified in the Financing Agreement shall have occurred.

With regard to any alleged default specified in paragraph (c) of this section concerning which notice is given to the Board under the provisions of this section, the Corporation grants in the Indenture the Board full authority for the account of the Corporation to perform any covenant or obligation, the nonperformance of which is alleged in said notice to constitute a default, in the name and stead of the Corporation, with full power to perform any and all acts to the same extent that the Corporation could perform any such acts in order to remedy such default.

Acceleration of Maturity in Event of Default.

(a) If an Event of Default shall have occurred and be continuing, the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of all Bonds then Outstanding, shall, by notice in writing delivered to the Corporation and the Board, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal of and interest on shall thereupon become and be immediately due and payable.

(b) If, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of principal of and interest on the Bonds, together with the reasonable and proper expenses of the Trustee, and all other sums then payable by the Corporation under the Indenture shall either be paid or provision satisfactory to the Trustee shall be made for such payment, then and in every such case the Trustee shall, but only with the approval of the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding, rescind such declaration and annul such default in its entirety. In such event, the Trustee shall rescind any declaration of acceleration of installments of payments as provided in the Financing Agreement.

(c) In case of any rescission, then and in every such case the Corporation, the Trustee and the Bondowners shall be restored to their former position and rights under the Indenture respectively, but no such rescission shall extend to any subsequent or other default or Event of Default.

Appointment of Receivers in Event of Default. If an Event of Default shall have occurred and be continuing, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights and remedies of the Trustee and of the Bondowners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, or any part thereof, pending such proceedings, with such powers as the court making such appointment shall confer. For the avoidance of doubt, the Trustee shall not be entitled to appoint a receiver or receivers for the System Facilities Fund or any other fund established under the Indenture from time to time which does not constitute part of the Trust Estate.

Exercise of Remedies by the Trustee.

(a) If an Event of Default shall have occurred and be continuing, the Trustee may, and if requested to do so by the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding and indemnified as provided in the Indenture, the Trustee shall, pursue and exercise any available remedy at law or in equity by suit, action, mandamus or other proceeding or exercise such one or more of the rights and remedies conferred by the Indenture as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Bondowners, to enforce the payment of the principal of, redemption premium, if any, and interest on the Bonds then

Outstanding, and to enforce and compel the performance of the duties and obligations of the Corporation as set forth in the Indenture.

(b) All rights of action under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without necessity of joining as plaintiffs or defendants any Owners of the Bonds, and any recovery of judgment shall, subject to the provisions of the Indenture, be for the equal benefit of all the Owners of the Outstanding Bonds.

Limitation on Exercise of Remedies by Bondowners. No Bondowner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or any other remedy under the Indenture, unless (a) a default has occurred of which the Trustee has been notified or is deemed to have notice as provided in the Indenture, (b) such default shall have become an Event of Default, (c) the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee, shall have offered the Trustee reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and shall have provided to the Trustee indemnity as provided in the Indenture, and (d) the Trustee shall thereafter fail or refuse to exercise the powers and remedies granted in the Indenture or to institute such action, suit or proceeding in its own name. No one or more Bondowners shall have any right in any manner whatsoever to affect, disturb or prejudice the Indenture by its, his or their action or to enforce any right under the Indenture except in the manner therein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of the Owners of all Bonds then Outstanding. Nothing in the Indenture contained shall, however, affect or impair the right of any Bondowner to payment of the principal of and interest on any Bond at and after the maturity thereof or the obligation of the Corporation to pay the principal of, redemption premium, if any, and interest on each of the Bonds issued under the Indenture to the respective Owners thereof at the time, place, from the source and in the manner in the Indenture and in the Bonds expressed.

Right of Bondowners to Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of law and (to the extent not inconsistent with this section) of the Indenture.

Application of Moneys in Event of Default.

(a) All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund. All moneys so deposited in the Bond Fund shall be applied as follows:

(1) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First -- To the payment to the persons entitled thereto of all installments of interest then due and payable on Bonds, in the order in which such installments of interest became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second -- To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due and payable (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment, ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege.

(2) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid on all of the Bonds, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or privilege.

(3) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Indenture, then, subject to the provisions of subsection (a)(2) above of this section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of subsection (a)(1) of this section.

(b) Whenever moneys are to be applied pursuant to the provisions of this section, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available and which may become available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be a Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Owner of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

(c) Whenever all of the Bonds and interest thereon have been paid under the provisions of this section, and all expenses and charges of the Trustee and the Paying Agents have been paid, any balance remaining in the Bond Fund shall be transferred to the Board.

Remedies Cumulative. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Bondowners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or the Bondowners under the Indenture or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right, power or remedy accruing upon any Event of Default shall impair any such right, power or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein; and every such right, power or remedy may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default under the Indenture, whether by the Trustee or the Bondowners, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

Waivers of Events of Default. Subject to the provisions of the Indenture, the Trustee may in its discretion waive any Event of Default under the Indenture and its consequences and rescind any declaration of maturity of principal of and interest on Bonds, and shall do so upon the written request of the Owners of at least a majority in aggregate principal amount of all Bonds then Outstanding. In case of any such waiver or rescission, or in case any proceedings taken by the Trustee under the Indenture on account of any such default shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then, and in every such case, the Corporation, the Board, the Trustee and the Bondowners shall be restored to their former positions, rights and obligations under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been undertaken.

Acceptance of the Trusts. The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts as a corporate trustee ordinarily would perform said trusts under a corporate indenture, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. If any Event of Default shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and shall use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) The Trustee may execute any of the trusts or powers under the Indenture or perform any duties under the Indenture either directly or through agents, attorneys or receivers and shall not be responsible for any gross negligence on the part of any agent, attorney or receiver appointed or chosen by it with due care. The Trustee shall be entitled to act upon the opinion or advice of counsel, who may be counsel to the Corporation or to the Board, concerning all matters of trust and the duties under the Indenture, and may in all cases pay such reasonable compensation to all such agents, attorneys and receivers as may reasonably be employed in connection with the trusts of the Indenture. The Trustee shall not be responsible for any loss or damage resulting from any action by it taken or omitted to be taken in good faith in reliance upon such opinion or advice of counsel.

(c) The Trustee shall not be accountable for the use of any Bonds authenticated and delivered under the Indenture.

(d) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, affidavit, letter, telegram or other paper or document specified by the Indenture and believed by the Trustee to be genuine and correct and to have been signed, presented or sent by the proper person or persons. Any action taken by the Trustee pursuant to the Indenture upon the request or authority or consent of any person who, at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or upon transfer or in substitution thereof.

(e) The Trustee shall be entitled to rely upon a certificate signed by the Authorized Corporation Representative as sufficient evidence of the facts therein contained.

(f) The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any default under the Indenture except failure by the Corporation to cause to be made any of the payments to the Trustee required to be made in the Indenture, unless the Trustee shall be specifically notified in writing of such default by the Corporation or by the Owners of at least 25% in aggregate principal amount of all Bonds then Outstanding, which notice of default the Trustee shall be required to accept.

(h) Before taking any action under the Indenture, other than the making of payments to Bondowners of principal of and interest on the Bonds or accelerating the maturity of Bonds pursuant to the Indenture, the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all costs and expenses to which it may be put and to protect it against all liability which it may incur in or by reason of such action, except liability which is adjudicated to have resulted from its negligence or willful misconduct by reason of any action so taken.

Fees, Charges and Expenses of the Trustee. The Trustee shall be entitled to payment of or reimbursement for reasonable fees for its ordinary services rendered under the Indenture and all advances, agent and counsel fees and other ordinary expenses reasonably and necessarily made or incurred by the Trustee in connection with such ordinary services and, in the event that it should become necessary for the Trustee to perform extraordinary services, the Trustee shall be entitled to reasonable extra compensation therefor and to reimbursement for reasonable and necessary extraordinary expenses in connection therewith; provided that if such extraordinary services or extraordinary expenses are occasioned by the neglect or misconduct of the Trustee it shall not be entitled to compensation or reimbursement therefor. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as Paying Agent for the Bonds. Pursuant to the provisions of the Financing Agreement, the Board has agreed to pay to the Trustee all reasonable fees, charges and expenses of the Trustee under the Indenture. The Trustee agrees that the Corporation shall have no liability for any fees, charges and expenses of the Trustee, and the Trustee agrees to look only to the Board for the payment of all fees, charges and expenses of the Trustee and any Paying Agents as provided in the Financing Agreement. Upon the occurrence of an Event of Default and during its continuance, the Trustee shall have a lien with right of payment prior to payment on account of principal of, redemption premium, if any, or interest on any Bond, upon all moneys in its possession under any provisions in the Indenture (excluding moneys in the Rebate Fund and the System Facilities Fund) for the foregoing advances, fees, costs and expenses incurred.

Notice to Bondowners if Default Occurs. If a default occurs of which the Trustee is by the Indenture required to take notice or if notice of default is given as provided in the Indenture, then the Trustee shall give written notice thereof to the Owners of all Bonds then Outstanding, as shown by the Bond Register kept at the principal corporate trust office of the Trustee.

Intervention by the Trustee. In any judicial proceeding to which the Corporation is a party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of the Bondowners, the Trustee may intervene on behalf of Bondowners and shall do so if requested in writing by the Owners of at least a majority of the aggregate principal amount of Bonds then Outstanding, if provided with indemnity pursuant to the Indenture.

Successor Trustee upon Merger, Consolidation or Sale. Any corporation or association into which the Trustee may be merged or converted or with or into which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any merger, conversion, sale, consolidation or transfer to which it is a party, shall be and become successor Trustee under the Indenture and shall be vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges under the Indenture as was its predecessor, without the execution or filing of any instrument or any further act on the part of any of the parties to the Indenture.

Resignation of the Trustee. The Trustee and any successor Trustee may at any time resign from the trusts created by the Indenture by giving 30 days' written notice to the Corporation, the Board and the Bondowners whose names and addresses are on file with the Trustee, and such resignation shall take effect upon the appointment of a successor Trustee by the Board and agreed to by the Corporation (so long as no Event of Default has occurred and is continuing under the Indenture) or by the Owners of at least a majority in aggregate principal amount of Bonds then Outstanding in accordance with the Indenture and the successor Trustee has accepted such appointment; provided, however, that in no event shall the resignation of a Trustee or successor Trustee become effective until such time as a successor Trustee has been appointed and has accepted such appointment.

Removal of the Trustee. The Trustee may be removed at any time (a) by written direction delivered to the Trustee, the Corporation and the Board and signed by the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding, or (b) upon the direction of the Board and agreed to by the Corporation, so long as no Event of Default has occurred and is continuing under the Indenture. In no event shall the removal of a Trustee or successor Trustee become effective until such time as a successor Trustee has been appointed and has accepted such appointment. In the event that the Board or the Owners of at least a majority in aggregate principal amount of Bonds then Outstanding, as applicable, fail to appoint a successor Trustee within 30 days after said instrument or concurrent instruments removing the Trustee are delivered to the Trustee, the Trustee shall have the right to petition a court to appoint a successor Trustee.

Appointment of Successor Trustee. In case the Trustee under the Indenture shall resign or be removed, or shall otherwise become incapable of acting under the Indenture, a successor Trustee may be appointed by the Owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing; provided, nevertheless, that in case of such vacancy, the Corporation may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Bondowners in the manner above provided; and any such temporary Trustee so appointed by the Corporation shall immediately and without further act be superseded by the successor Trustee so appointed by such Bondowners. If the Trustee is removed at the direction of the Board and agreed to by the Corporation, so long as no Event of Default has occurred and is continuing under the Indenture, the Board, with the consent of the Corporation, shall appoint a successor Trustee. Every such Trustee appointed pursuant to the provisions of this section shall be a trust company or bank in good standing and be qualified to accept such trust.

Vesting of Trusts in Successor Trustee. Every successor Trustee appointed under the Indenture shall execute, acknowledge and deliver to its predecessor and also to the Corporation and the Board an instrument in writing accepting such appointment under the Indenture, and thereupon such successor shall, without any further act, deed or conveyance, become fully vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of its predecessor; but such predecessor shall, nevertheless, on the written request of the Corporation, execute and deliver an instrument transferring to such successor Trustee all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of such predecessor under the Indenture; and every predecessor Trustee shall deliver to its successor all securities and moneys held by such predecessor as Trustee under the Indenture.

Trust Estate May Be Vested in Co-Trustee.

(a) It may be necessary or desirable for an additional individual or institution to be appointed as a co-trustee or separate trustee, and the Corporation, with the consent of the Board, has been authorized by the Indenture to appoint such co-trustee or separate trustee, with the consent of the Trustee, which shall not be unreasonably withheld.

(b) In the event that a co-trustee or separate trustee is appointed, each and every remedy, power, right, claim, demand, cause of action, immunity, title, interest and lien expressed or intended by the Indenture to be exercised by the Trustee with respect thereto shall be exercisable by such co-trustee or separate trustee but only to the extent necessary to enable such co-trustee or separate trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such co-trustee or separate trustee shall run to and be enforceable by either of them.

(c) Should any conveyance or instrument in writing from the Corporation be required by the co-trustee or separate trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to the co-trustee or separate trustee such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Corporation.

(d) In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, all the properties, rights, powers, trusts, duties and obligations of such co-trustee or separate trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a successor to such co-trustee or separate trustee.

Annual Accounting. The Trustee shall render at least annually an accounting to the Corporation and the Board showing in reasonable detail all financial transactions relating to the Trust Estate during the accounting period.

Performance of Duties under the Financing Agreement. The Trustee accepts and agrees in the Indenture to perform all duties and obligations assigned to it under the Financing Agreement.

Supplemental Indentures Not Requiring Consent of Bondowners. The Corporation and the Trustee may from time to time, without the consent of or notice to any of the Bondowners, enter into such Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions in the Indenture, for any one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission in the Indenture or make any other change that is, in the opinion of Bond Counsel, not materially prejudicial to the Bondowners;

(b) To grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondowners or the Trustee or either of them;

(c) To more precisely identify the Facilities (including removal of a facility from the financed Facilities) or the Trust Estate;

(d) To subject to the Indenture an additional pledge or additional collateral;

(e) To issue Additional Bonds as provided in the Indenture; and

(f) To comply with the arbitrage rebate requirement of Section 148(f) of the Code.

Supplemental Indentures Requiring Consent of Bondowners.

(a) Exclusive of Supplemental Indentures covered by the Indenture and subject to the terms and provisions contained in this section, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Corporation and the Trustee of such other Supplemental Indenture or Supplemental Indentures as shall be deemed necessary and desirable by the Corporation for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing in this section contained shall permit or be construed as permitting (1) an extension of the maturity of the principal of or the interest on any Bond issued under the Indenture, (2) a reduction in the principal amount of any Bond or the rate of interest thereon, (3) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (4) a reduction in the aggregate principal amount of Bonds, the consent of the Owners of which is required for the execution of any such Supplemental Indenture.

(b) If at any time the Corporation shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this section, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Bondowner as shown on the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Bondowners. If within 60 days or such longer period as may be prescribed by the Corporation following the mailing of such notice, the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Corporation from executing the same or from taking any action pursuant to the provisions thereof.

Board's Consent to Supplemental Indentures. Anything in the Indenture to the contrary notwithstanding, a Supplemental Indenture under the Indenture which affects any rights of the Board shall not become effective unless and until the Board shall have consented in writing to the execution and delivery of such Supplemental Indenture, provided that an amendment to the Financing Agreement executed by the

Board in connection with the issuance of Additional Bonds under the Indenture shall be deemed to be the consent of the Board to the execution of a Supplemental Indenture pursuant to the Indenture.

Amendments to the Financing Agreement Not Requiring Consent of Bondowners. The Corporation and the Trustee shall, without the consent of or notice to the Bondowners, consent to any supplement, amendment, change or modification of the Financing Agreement as may be required (a) by the provisions of the Financing Agreement or the Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission in the Financing Agreement or in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Bondowners, (c) so as to more precisely identify the Facilities from time to time, including to remove facilities that are no longer identified and determined by the Board to be financed with proceeds of Bonds, or (d) in connection with the issuance of Additional Bonds under the heading "Authorization of Additional Bonds" in the Indenture.

Amendments to the Financing Agreement Requiring Consent of Bondowners. Except for the amendments, changes or modifications as specified in the paragraph above, neither the Corporation nor the Trustee shall consent to any other amendment, change or modification of the Financing Agreement without the giving of notice and the obtaining of the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and obtained as provided under the heading "Supplemental Indentures Requiring Consent of Bondowners" in the Indenture. If at any time the Corporation and the Board shall request the consent of the Trustee to any such proposed amendment, change or modification of the Financing Agreement, the Trustee shall cause notice of such proposed amendment, change or modification to be given in the same manner as provided in the Indenture with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the same are on file at the principal corporate trust office of the Trustee for inspection by all Bondowners.

Satisfaction and Discharge of the Indenture.

(a) When the principal of, redemption premium, if any, and interest on all the Bonds shall have been paid in accordance with their terms or provision has been made for such payment, as provided in the Indenture, and provision shall also be made for paying all other sums payable under the Indenture, including the fees and expenses of the Trustee and the Paying Agents to the date of retirement of the Bonds, any rebate due to the United States and all sums payable under the Financing Agreement, then the right, title and interest of the Trustee under the Indenture shall thereupon cease, determine and be void, and thereupon the Trustee shall cancel, discharge and release the Indenture and shall execute, acknowledge and deliver to the Corporation such instruments of satisfaction and discharge or release as shall be requisite to evidence such release and the satisfaction and discharge of the Indenture, and shall assign and deliver to the Corporation any property at the time subject to the Indenture which may then be in the Trustee's possession, except amounts in the Bond Fund required to be paid to the Board under the Indenture and except funds or securities in which such moneys are invested and held by the Trustee for the payment of the principal of, redemption premium, if any, and interest on the Bonds or for rebate amounts due to the United States.

(b) The Corporation is authorized to accept a certificate of the Trustee stating that the whole amount of the principal, redemption premium, if any, and interest so due and payable upon all of the Bonds then Outstanding has been paid or provision for such payment has been made in accordance with the Indenture as evidence of satisfaction of the Indenture.

Bonds Deemed to Be Paid.

(a) Bonds shall be deemed to be paid within the meaning of the Indenture when payment of the principal of and the applicable redemption premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided in the Indenture, or otherwise), either (1) shall have been made or caused to be made in accordance with the terms in the Indenture, or (2) provision therefor shall have been made by depositing with the Trustee, in trust and irrevocably setting aside exclusively for such payment, (i) moneys sufficient to make such payment or (ii) non-callable Government Obligations maturing as to principal and interest in such amount and at such times as will ensure the availability of sufficient moneys to make such payment. At such time as a Bond shall be deemed to be paid under the Indenture as aforesaid, such Bond shall no longer be secured by or be entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Government Obligations.

(b) Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed prior to the stated maturities thereof, no deposit under clause (2) of subsection (a) above shall be deemed a payment of such Bonds as aforesaid until, as to all such Bonds which are to be redeemed prior to their respective stated maturities, proper notice of such redemption shall have been given in accordance with the Indenture or irrevocable instructions shall have been given to the Trustee to give such notice.

(c) Notwithstanding any provision of any other section of the Indenture which may be contrary to the provisions of this section, all moneys or Government Obligations set aside and held in trust pursuant to the provisions of this section for the payment of Bonds (including redemption premium thereon, if any) and interest thereon shall be applied to and be used solely for the payment of the particular Bonds (including redemption premium thereon, if any) and interest thereon with respect to which such moneys and Government Obligations have been so set aside in trust.

(d) Before any of the Bonds may be subject to an advance refunding, there shall be filed with the Trustee a verification report of a nationally recognized independent certified public accounting firm as to the adequacy of the escrow to fully pay such Bonds.

Consents and Other Instruments by Bondowners. Any consent, request, direction, approval, objection or other instrument required by the Indenture to be signed and executed by the Bondowners may be in any number of concurrent writings (which may be by electronic transmission) and may be signed or executed by such Bondowners in person or by agent appointed in writing (which may be by electronic transmission). The fact of ownership of Bonds, the amount or amounts, numbers and other identification of Bonds, and the date of holding the same shall be proved by the Bond Register maintained by the Trustee.

Severability. If any provision in the Indenture or in the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

THE FINANCING AGREEMENT

Pledge. The Board irrevocably pledges to the payment of the amounts set forth in the Financing Agreement with respect to the Series 2019A Bonds all amounts deposited, paid in or accruing to the Series 2019A Debt Service Account and the Series 2019A Construction Account, and the Board grants security interests therein to the Corporation and the Trustee for the Series 2019A Bonds. The Board further irrevocably pledges to the payment of the amounts set forth in the Financing Agreement with respect to the Series 2019B Bonds all amounts deposited, paid in or accruing to the Series 2019B Debt Service Account and the Series 2019B Construction Account, and the Board grants security interests therein to the Corporation and the Trustee for the Series 2019B Bonds.

Anything in this section to the contrary notwithstanding, the Board may make any and all legally permitted expenditures and disbursements from funds comprising Available Funds during the term in the Financing Agreement as it shall deem necessary, desirable or advisable to conduct the business and affairs of the University. The Board shall take such action as shall be necessary to ensure that the Trustee shall have on deposit in the applicable Debt Service Account the amounts set forth on Exhibit A of the Financing Agreement on the applicable Payment Dates.

Maintenance of the Facilities. The Board agrees that the buildings, facilities and equipment acquired, constructed, equipped or furnished as a part of the Facilities will be used by the Board as a part of its educational system and agrees to provide or provide for all utilities, maintenance and repair services so that they are and will continue to be operational buildings, facilities and equipment. In the event of any damage or destruction to the buildings, facilities and equipment constituting a part of the Facilities, the Board agrees to rebuild or restore the same into substantially the same condition as they existed prior to such damage or destruction, unless such rebuilding or restoring is determined to be impractical or financially imprudent. The Board further covenants and agrees that it will not sell all or substantially all of its assets while any Bonds are Outstanding.

Insurance. The Board agrees to maintain insurance coverage by financially sound and reputable insurance companies or associations, provided that such insurance is commercially available at reasonable costs, and/or to maintain self-insurance programs, in such forms and amounts and against such hazards as are customary for institutions of similar size and scope of activities.

Continuing Disclosure. The Board has agreed to enter into the Disclosure Undertaking to assist the Underwriter with its obligations under the Rule. The Board deems the information in the Preliminary Official Statement to be "final" as of its date. The Board covenants and agrees in the Financing Agreement that it will comply with and carry out all of the provisions of the Disclosure Undertaking. Notwithstanding any other provision in the Financing Agreement, failure of the Board to comply with the Disclosure Undertaking shall not be considered a default under the Financing Agreement; however, the Owners of at least 25% in aggregate principal amount of the Series 2019 Bonds Outstanding or any Owner or Beneficial Owner of Series 2019 Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Board to comply with its obligations under this section.

Default. The following shall constitute an Event of Default under the Financing Agreement:

(a) Failure of the Board to make any payment due under the Financing Agreement within 3 Business Days after the date the same becomes due; or

(b) Failure of the Board to observe or perform any other of its covenants, agreements or obligations under the Financing Agreement after notice of such failure has been given to the Board in writing by the Corporation or by the Trustee, and such failure has not been corrected within 30 days after the Board receives such notice.

Remedies on Default. Upon an Event of Default by the Board, the Corporation may accelerate the amounts payable pursuant to the Financing Agreement and the Board agrees to pay to the Corporation for the use of the Facilities the principal amount of any Outstanding Series 2019 Bonds, including redemption premium, if any, plus any interest accrued thereon immediately upon any such acceleration including any amounts due and unpaid prior to the declaration of such Event of Default. If the Board fails to make payment, the Corporation may, and upon the written direction of the Owners of not less than a majority in aggregate principal amount of the Series 2019 Bonds then Outstanding, shall (a) take possession of the buildings, facilities and equipment constituting the Facilities and take such other action, including the lease thereof, as it shall deem advisable in order to collect the amounts due under the Financing Agreement and (b) pursue any available remedy by suit at law or in equity to enforce the Board's obligations under the Financing Agreement, including, without limitation, mandamus. No remedy conferred by the terms in the Financing Agreement is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Corporation now or hereafter existing at law or in equity.

Amendments Not Requiring Consent of Owners. The Corporation and the Board may, without the consent of or notice to the Owners of the Bonds, consent to any supplement, amendment, change or modification in the Financing Agreement as may be required or permitted (a) by the provisions in the Financing Agreement or the Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission in the Financing Agreement or in connection with any other change which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners, or (c) so as to more precisely identify the Facilities from time to time, including to remove certain facilities that are no longer identified or designated by the Board as Facilities, or (d) in connection with the issuance of Additional Bonds under the Indenture.

Amendments Requiring Consent of Owners. Except for the amendments, changes or modifications provided in the Financing Agreement, neither the Corporation nor the Board shall consent to any other amendment, change or modification in the Financing Agreement without mailing of notice and the receipt of written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds; provided, however, the consent of the Owners of all of the Outstanding Bonds is required for any amendment, change or modification in the Financing Agreement that would permit the termination or cancellation in the Financing Agreement other than as provided in the Financing Agreement or a reduction in or postponement of the payments provided for under the Financing Agreement or any change in the provisions relating to the payment thereunder. If at any time the Corporation and the Board shall request the consent of the Trustee to any such proposed amendment, change or modification in the Financing Agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the manner provided in the Indenture. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Designated Office of the Trustee for inspection by all Owners of the Bonds.

No Personal Liability. No officer, director, executive, agent or employee of the Corporation or the Board shall be individually or personally liable under the Financing Agreement.

Partial Invalidity. If any one or more of the covenants or agreements contained in the Financing Agreement should be deemed by a court of competent jurisdiction to be contrary to law, such covenants or agreements or any portions thereof shall be deemed severable from the remaining covenants or agreements in the Financing Agreement and the validity thereof shall in no way affect the validity of the other provisions in the Financing Agreement.

Termination. The Financing Agreement shall be in full force and effect until such time as all payments of the principal of and interest on the Bonds shall have been made or provided for pursuant to the provisions of the Indenture.

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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FORM OF CONTINUING DISCLOSURE UNDERTAKING

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of October 1, 2019 (this **"Disclosure Undertaking"**), is executed and delivered by **THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA** (the **"Board"**).

RECITALS

1. This Disclosure Undertaking is executed and delivered by the Board in connection with the issuance by The University of Nebraska Facilities Corporation (the **"Corporation"**) of its **$________ University System Facilities Bonds, Series 2019A (Taxable)** and **$________ University System Facilities Bonds, Series 2019B** (the **"Bonds"**), pursuant to a Trust Indenture dated as of October 1, 2019, by and between the Corporation and Union Bank and Trust Company, as trustee (the "**Indenture**"). Pursuant to a Financing Agreement dated as of October 1, 2019 by and between the Board and the Corporation (the **"Financing Agreement"**), the Board is obligated to make payments to the Corporation sufficient to pay amounts due under the Indenture related to the Bonds.

2. The Board is entering into this Disclosure Undertaking for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the **"Rule"**). The Board is the only **"obligated person"** with responsibility for continuing disclosure hereunder.

In consideration of the mutual covenants and agreements herein, the Board covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report filed by the Board pursuant to, and as described in, **Section 2** of this Disclosure Undertaking.

"Beneficial Owner" means any registered owner of any Bonds and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"**Business Day**" means a day other than (a) a Saturday, Sunday, or legal holiday, (b) a day on which banks located in the city in which the designated payment office of the paying agent for the Bonds is located is required or authorized by law to remain closed, or a day on which the Securities Depository or the New York Stock Exchange is closed.

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

"Fiscal Year" means the **12**-month period beginning on **July 1** and ending on **June 30** or any other **12**-month period selected by the Board as the Fiscal Year of the Board for financial reporting purposes.

"Material Events" means any of the events listed in **Section 3** of this Disclosure Undertaking.

"**MSRB"** means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

"Participating Underwriter" means any of the original underwriter(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Provision of Annual Reports.

(a) The Board shall, not later than the **February 28** following the end of the Board's fiscal year, commencing February 28, 2019, file with the MSRB, through EMMA, the following financial information and operating data for the Bonds (the "**Annual Report**"):

(1) The audited financial statements of the Board for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles. If audited financial statements are not available by the time the Annual Report is required to be filed pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available.

(2) If available, the Comprehensive Annual Financial Report of the Board (which may include as a component the audited financial statements referenced above).

(3) Updates as of the end of the fiscal year of certain financial information and operating data, as described in **Exhibit A** hereto, in substantially the same format contained in the final Official Statement related to the Bonds.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Board is an **"obligated person"** (as defined by the Rule), which have been filed with the MSRB and is available through EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB on EMMA. The Board shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audited financial statements of the Board may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Board's Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under **Section 3**.

(b) In addition to the foregoing requirements of this Section, the Board agrees to provide copies of the most recent Annual Report to any requesting Beneficial Owner or prospective Beneficial Owner, but only after the same has been filed with the MSRB.

(c) The Annual Report shall be filed with the MSRB in an electronic format as prescribed by the MSRB.

Section 3. Reporting of Material Events. No later than 10 business days after the occurrence of any of the following events, the Board shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Bonds ("**Material Events**"):

(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 determination 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 to rights of bondholders, 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 Board;
(13) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, 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 the trustee, if material;
(15) incurrence of a Financial Obligation of the Board, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Board, any of which affect security holders, if material; and
(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Board, any of which reflect financial difficulties.

For purposes of events (15) and (16) above, **"Financial Obligation"** means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of repayment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b); *provided, however*, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

If the Board has not submitted the Annual Report to the MSRB by the date required in **Section 2(a)**, the Board shall send a notice to the MSRB of the failure of the Board to file on a timely basis the Annual Report, which notice shall be given by the Board in accordance with this **Section 3**. Notices under this **Section 3** shall be filed with the MSRB in an electronic format as prescribed by the MSRB.

Section 4. Termination of Reporting Obligation. The Board's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Board's obligations under this Disclosure Undertaking are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Undertaking in the same manner as if it were the Board, and the Board shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Board shall give notice of such termination or substitution in the same manner as for a Material Event under **Section 3**.

Section 5. Dissemination Agents. The Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign as dissemination agent hereunder at any time upon **30** days prior written notice to the Board. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Report) prepared by the Board pursuant to this Disclosure Undertaking.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Board may amend this Disclosure Undertaking and any provision of this Disclosure Undertaking may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the Board with its written opinion that the undertaking of the Board contained herein, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Disclosure Undertaking.

If a provision of this Disclosure Undertaking is amended or waived, the Board shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event under **Section 3**, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Undertaking. If the Board chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by this Disclosure Undertaking, the Board shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Default. If the Board fails to comply with any provision of this Disclosure Undertaking, any Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default under the Financing Agreement, the

Indenture or the Bonds, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Board to comply with this Disclosure Undertaking shall be an action to compel performance.

Section 9. **Beneficiaries.** This Disclosure Undertaking shall inure solely to the benefit of the Board, the Participating Underwriter, and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 10. **Severability.** If any provision in this Disclosure Undertaking, the Indenture or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11. **Electronic Transactions.** The arrangement described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 12. **Governing Law.** This Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State of Nebraska.

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EXHIBIT A

FINANCIAL INFORMATION AND OPERATING DATA TO BE INCLUDED IN ANNUAL REPORT

Updates as of the end of the fiscal year of the following operating data contained in APPENDIX A to the Official Statement related to the Bonds.

- General Operating Budget Sources of Funding
- Summary of Statistics by Campus
- Student Headcount by Campus (3 tables)
- Full-Time Student Equivalent Enrollment
- Freshmen Admissions Data
- Retention Rates of First-Time Full-Time Freshmen after One Year
- Tuition and Fees Summary
- Total University Research Expenditures
- BONDED INDEBTEDNESS (table only)

APPENDIX E

BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

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BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of The Depository Trust Company (**"DTC"**), New York, New York, Euroclear Bank S.A/N.V. as operator of the Euroclear System (**"Euroclear")** or Clearstream Banking, SA. (**"Clearstream"**) (DTC, Euroclear and Clearstream together, the "**Clearing Systems"**) currently in effect. The information in this Appendix E concerning the Clearing Systems has been obtained from sources that the Board believes to be reliable, but none of the Board, the Corporation, the Trustee or the Underwriters take any responsibility for the accuracy, completeness or adequacy of the information in this Appendix. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Board nor the Corporation will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Series 2019 Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

DTC. Neither the Board nor the Corporation can, and will not, give any assurance that (1) DTC will distribute payments of debt service on the Series 2019 Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Series 2019 Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC 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.

DTC will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2019 Bond certificate will be issued for each maturity of the Series 2019 Bonds, each 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 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (**"Direct Participants"**) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (**"DTCC"**). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**"Indirect Participants"**). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 Bond (**"Beneficial Owner"**) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2019 Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Series 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2019 Bonds within a maturity 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 the Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Series 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board 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 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, the Board or the Trustee, 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 Board 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.

DTC may discontinue providing its services as securities depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the Board or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2019 Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2019 Bond certificates will be printed and delivered to DTC.

Euroclear and Clearstream. Euroclear and Clearstream have advised the Board and the Corporation as follows:

Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures

The Series 2019 Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Series 2019 Bonds, the record holder will be DTC's nominee. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a DTC Participant, other than the depository for

Clearstream or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants or Euroclear participants may not deliver instructions directly to the depositories.

The Corporation will not impose any fees in respect of holding the Series 2019 Bonds; however, holders of book-entry interests in the Series 2019 Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

The information in this Official Statement concerning the Clearing Systems has been obtained from sources that the Board and the Corporation believe to be reliable, but none of the Underwriters, the Board, or the Corporation take responsibility for the accuracy thereof.

APPENDIX F

FORM OF BOND COUNSEL OPINION

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[FORM OF BOND COUNSEL OPINION FOR SERIES 2019 BONDS]

[Closing Date]

The University of Nebraska Facilities Corporation Lincoln, Nebraska	Union Bank and Trust Company, Trustee Lincoln, Nebraska
The Board of Regents of the University of Nebraska Lincoln, Nebraska	Morgan Stanley & Co. LLC New York, New York

Re: $____________ The University of Nebraska Facilities Corporation, Facilities Bonds, Series 2019A (Taxable)
$____________ The University of Nebraska Facilities Corporation, Facilities Bonds, Series 2019B

Ladies and Gentlemen:

We have acted as Bond Counsel to The University of Nebraska Facilities Corporation (the "Corporation"), in connection with the issuance of the above-captioned bonds (the "Series 2019 Bonds"). In this capacity, we have examined the law and the certified proceedings, certifications and other documents that we deem necessary to render this opinion.

The Series 2019 Bonds have been authorized and issued under and pursuant to the laws of the State of Nebraska, including, in particular, the Nebraska Nonprofit Corporation Act, as amended, a resolution of the Corporation adopted August 16, 2019, and an Indenture dated as of October 1, 2019 between the Corporation and Union Bank and Trust Company, as trustee (the "Indenture"). Capitalized terms used and not otherwise defined in this opinion have the meanings assigned in the Indenture.

Regarding questions of fact material to our opinion, we have relied on representations of the Corporation and The Board of Regents of the University of Nebraska (the "Board") contained in the Financing Agreement and the Tax Compliance Agreement and certified proceedings and other certifications of the Corporation, the Board and others furnished to us, without undertaking to verify them by independent investigation.

Based upon such examination, we are of the opinion, under existing law, as follows:

1. The Corporation is a nonprofit corporation duly and legally organized and validly existing under the laws of the State of Nebraska and has lawful power and authority to issue the Series 2019 Bonds, and to enter into the Indenture and the Financing Agreement and to perform its obligations thereunder.

2. The Series 2019 Bonds have been duly authorized, executed and delivered by the Corporation and are valid and legally binding special, limited obligations of the Corporation.

3. The Series 2019 Bonds are payable solely from the payments required to be paid by the Board under the Financing Agreement, including certain funds and interest earnings, all in the manner provided in the Indenture. The Series 2019 Bonds are secured by a pledge of the Trust Estate under the

Indenture. The Series 2019 Bonds do not constitute a debt or liability of the Board or of the State of Nebraska or of any political subdivision thereof and shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

4. The Financing Agreement has been duly authorized, executed and delivered by the parties thereto and constitutes a valid and legally binding agreement of the parties thereto enforceable in accordance with the provisions thereof.

5. The interest on the Series 2019B Bonds [(including any original issue discount properly allocable to an owner thereof)] (i) is excludable from gross income for federal income tax purposes, (ii) is exempt from income taxation by the State of Nebraska, and (iii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the Board and the Corporation comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Series 2019B Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal and State of Nebraska income tax purposes. The Board and the Corporation have covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Series 2019B Bonds to be included in gross income for federal and State of Nebraska income tax purposes retroactive to the date of issuance of the Series 2019B Bonds. The Series 2019B Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

We express no opinion regarding (a) the perfection or priority of the lien on the Trust Estate described in the Indenture, or (b) federal or state tax consequences arising with respect to the Series 2019 Bonds, other than as expressly set forth in this opinion.

The rights of the owners of the Series 2019 Bonds and the enforceability of the Series 2019 Bonds, the Indenture, the Financing Agreement and the Tax Compliance Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

Very truly yours,

UNIVERSITY OF Nebraska

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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THE UNIVERSITY OF NEBRASKA FACILITIES CORPORATION • UNIVERSITY SYSTEM FACILITIES BONDS, SERIES 2019A (TAXABLE) AND SERIES 2019B