

**Faculty Associates, Inc.
College of Dentistry**

Audit Committee Charter

1. Purpose

The Audit Committee is appointed to assist the Faculty Associates, Inc. Board of Directors in fulfilling its oversight responsibilities. The Audit Committee's duties and responsibilities are to:

Oversee the integrity of Faculty Associates, Inc. financial reporting, the systems of internal control, the independence and performance of the audit function and the compliance with legal and regulatory requirements. In so doing, it is the responsibility of the Committee to maintain free and open communication among the Committee, independent auditors, internal auditors and the management of the Faculty Associates, Inc. The Committee has the authority to engage independent counsel or other advisors, as deemed necessary, to enable it to carry out its duties.

2. Functions of the Audit Committee

- The Audit Committee shall recommend to the Faculty Associates, Inc Board of Directors, no later than January 1 of every year, the engagement of a firm of independent Certified Public Accountants (independent audit firm) for the performance of a financial audit, and the rendering of the associated management letter, for Faculty Associates, Inc. fiscal year which ends on the following June 30th. In making its recommendation, the Audit Committee may employ whatever selection criteria it deems most appropriate including, but not limited to, the reputation of the firm, the location of the main office which will conduct the audit, the financial responsibility of the firm and any existing relationship between the firm and this corporation. The Audit Committee's recommendation shall also require a proposed engagement letter by the recommended firm that will set forth, among other things, the scope of the engagement and the fee, or basis for fee, for their services to be rendered.
- The independent audit firm is directly accountable to the Audit Committee, and the Committee may recommend to the Board of Directors the discharge of the firm. The Committee shall also ensure proper rotation of the lead audit partner of the independent audit firm. The Committee shall receive directly from the internal auditors all reports on internal audit work and shall review and monitor implementation of management responses to such audit recommendations.

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- The Committee shall review Faculty Associates, Inc. annual audited financial statements and related reports from the independent auditors. The review shall include discussing with management and independent auditors all significant issues regarding accounting principles, practices, judgments and adjustments and ensuring that financial statements are understandable to the Committee and to others who will have a reason to rely on them. The Audit Committee shall meet with representatives of the auditing firm and Faculty Associates, Inc. management to discuss any issues arising as a result of the audit report, the management letter, or the responses to the management letter from the corporation's management. The Audit Committee shall discuss any matters required to be communicated to audit committees in accordance with applicable industry standards.
- In consultation with management and independent auditors, the Committee shall consider the integrity of Faculty Associates, Inc. financial reporting processes and controls. Further, the Committee shall discuss significant financial and compliance risk exposures and the steps management has taken to monitor, control, and report such exposures. It shall also review significant findings reported by the independent auditors together with management's responses.
- On an annual basis, the Audit Committee shall review and discuss with the independent auditors all significant relationships the auditors have with Faculty Associates, Inc. that could impair the auditors' independence. The Committee shall approve specifically each non-audit service provided by the independent audit firm. The Committee may not approve, and the independent auditor is specifically prohibited from performing, the following services:
 - Bookkeeping
 - Financial information system design, implementation or operation
 - Appraisal or valuation services as well as actuarial services
 - Management functions or human resources services
 - Investment banking services
 - Legal services
 - Internal audit outsourcing services
- The Audit Committee shall transmit the audit report, the management letter and the response of this corporation's management to the management letter to the President of the Board of Directors of Faculty

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Associates, Inc. within thirty days of receipt of the completed documents. The transmittal of the completed documents shall be accompanied by the comments of the Audit Committee as to its assessment of the quality, efficiency, cost-effectiveness and other attributes of the auditing firm's services, recommendations as to its policies and procedures which should be considered by the Board of Directors as a result of the audit process and other information the Committee deems relevant.

- The Committee shall establish, maintain and keep current adequate policies and guidelines receiving and responsibly handling all complaints regarding accounting controls, compliance matters and reports of financial fraud. The Committee shall monitor Faculty Associates, Inc. principles of personal conduct and fraud policy.
- The Committee shall oversee all tax compliance functions of Faculty Associates, Inc.
- The Committee shall periodically review and update this Audit Committee Charter.

3. **Composition**

In accordance with Faculty Associates, Inc. Bylaws, the President of the Faculty Associates, Inc. appoints the members of the Audit Committee, with the approval of the Board of Directors. Members should possess financial literacy and should have a familiarity with financial management and accounting practices, and at least one member should be a financial expert. Financial literacy is defined as the ability to read and understand fundamental financial statements. Financial expert means a person who has one or more of the following: an understanding of generally accepted accounting principles and financial statements; experience applying such principles; experience preparing or auditing financial statements; experience with internal controls; education and experience in the management of companies or entities involved in the same industry as the affiliate; and an understanding of the audit committee functions.

4. **Meetings**

The Audit Committee shall meet at least twice a year, including a meeting to review the results of the independent audit. The Audit Committee shall also meet as necessary to review matters relating to the Audit Committee's other functions and shall maintain minutes and other records of its meetings and activities.

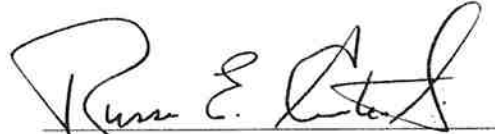
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5. **Independence**

Each member of the Committee must be free from any financial, family or other personal relationship that would interfere with the exercise of his or her independent judgment in carrying out the member's duties. Members of the Audit Committee may not accept directly or indirectly any consulting, advisory, or other compensatory fee from Faculty Associates, Inc.

Approved by Dentistry Faculty Associates, Inc. Audit Committee on 11 May, 2006



Russell E. Armistead, MBA, CPA
Chair

Approved by Faculty Associates, Inc. Board of Directors on 11 May, 2006



Teresa A. Dolan, DDS, MPH
President