

**Supplement to
OFFICIAL STATEMENT**

dated December 8, 2010

relating to

**\$252,285,000
THE CURATORS OF THE UNIVERSITY OF MISSOURI
TAXABLE SYSTEM FACILITIES REVENUE BONDS
SERIES 2010A
(BUILD AMERICA BONDS – DIRECT PAYMENT)**

This Supplement to the Official Statement, dated December 8, 2010, relating to the above-referenced bonds (the “Series 2010A Bonds”) supplements and amends certain terms of the offering of the Series 2010A Bonds set forth in the Official Statement.

Capitalized terms used herein and not otherwise defined have the meanings given those terms in the Official Statement.

On January 7, 2011, Gary D. Forsee, president of the University of Missouri System, announced his immediate resignation for personal reasons. The Board of Curators of the University appointed Stephen J. Owens, the University’s general counsel, as interim president. The Board announced that it will begin a search for a successor president immediately.

Except as expressly supplemented or amended hereby, the terms of the offering of the Series 2010A Bonds set forth in the Official Statement remain in full force and effect.

The date of this Supplement is January 10, 2011.

**NEW ISSUE
BOOK-ENTRY ONLY**

**Ratings: Moody's: "Aa1"
Standard & Poor's: "AA+"
See "RATINGS."**

In the opinion of Bond Counsel, conditioned on continuing compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Series 2010A Bonds (a) is not excluded from gross income for federal income tax purposes but (b) is exempt from income taxation by the State of Missouri. See "TAX MATTERS."



**\$252,285,000
THE CURATORS OF THE UNIVERSITY OF MISSOURI
TAXABLE SYSTEM FACILITIES REVENUE BONDS
SERIES 2010A
(BUILD AMERICA BONDS – DIRECT PAYMENT)**

Dated: Date of Issuance

\$252,285,000, 5.792% Term Bonds due November 1, 2041; Price: 100%; CUSIP: 231266GC5

The Series 2010A Bonds are issuable in book-entry only form in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2010A Bonds will be payable on each May 1 and November 1, beginning May 1, 2011.

The Series 2010A Bonds are subject to redemption prior to maturity as described herein.

The Series 2010A Bonds and the interest thereon are special, limited obligations of The Curators of the University of Missouri. The Series 2010A Bonds are payable solely from, and secured as to the payment of principal of, redemption premium, if any, and interest on the Series 2010A Bonds by a first lien on and pledge of the System Revenues, as defined herein. The Series 2010A Bonds stand on a parity with and are equally and ratably secured with respect to the payment of principal and interest from the System Revenues and in all other respects with certain other outstanding revenue bonds of the University as described under "**SECURITY FOR THE SERIES 2010A BONDS - Outstanding Parity Bonds.**" The Series 2010A Bonds are not obligations of the State of Missouri. The University has no power to tax.

The Series 2010A Bonds are offered when, as and if delivered by the University, and accepted by the Underwriters, subject to the approval of legality by Thompson Coburn LLP, St. Louis, Missouri, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the University by Stephen J. Owens, Esq., General Counsel to the University, and by Gilmore & Bell, P.C., Kansas City, Missouri, Disclosure Counsel to the University, and for the Underwriters by Greenberg Traurig, LLP, Boston, Massachusetts. Prager, Sealy & Co., LLC, San Francisco, California, serves as Financial Advisor to the University in this transaction. It is expected that the Series 2010A Bonds in definitive form will be available for delivery through The Depository Trust Company, New York, New York on or about December 21, 2010.

BofA Merrill Lynch

Morgan Stanley

This Official Statement is dated December 8, 2010.

REGARDING USE OF THIS OFFICIAL STATEMENT

The Series 2010A Bonds have not been registered with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, nor has the Resolution been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. In making an investment decision, investors must rely on their own examinations of the University and the terms of the offering. The Series 2010A Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

In connection with the offering of the Series 2010A Bonds, the Underwriters may over allot or effect transactions that stabilize or maintain the market price of the Series 2010A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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 respective 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.

No dealer, broker, salesman or other person has been authorized by the University, the Underwriters or the Financial Advisor to give any information or to make any representations with respect to the Series 2010A Bonds 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 2010A 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 furnished by the University and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Financial Advisor. Statements contained in this Official Statement that 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 fact. 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 circumstances, create any implication that the information herein is correct as of any time subsequent to its date.

FORWARD-LOOKING STATEMENTS

This Official Statement contains “forward-looking statements.” These forward-looking statements include statements about the University’s future plans, strategies and projections, and other statements that are not historical in nature. These forward-looking statements are based on the current expectations of management of the University. When used in this Official Statement, the words “estimate,” “intend,” “expect,” “projected” and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve future risks and uncertainties that could cause actual results and experience to differ materially from the anticipated results or other expectations expressed in forward-looking statements. These future risks and uncertainties include (i) risks associated with decreases in State appropriations for the University in future years, (ii) risks associated with fluctuating student enrollment and any decrease in the demand for and revenues from the System Facilities, (iii) endowment and other investment risks, including future declines in the value of the University’s investments, (iv) risks associated with the operations of the University Health System, including the impact of the 2010 health care reform laws on the University Health System and the University, and (v) the other risks discussed in this Official Statement. The University undertakes no obligation to update any forward-looking statements contained in this Official Statement to reflect future events or developments.

INFORMATION COVERING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

The following information has been provided by the Underwriters for the use in the offering of the Series 2010A Bonds in this Official Statement. The University makes no representation as to the accuracy or adequacy of this information.

EEA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of any Series 2010A Bonds which are the subject of the offering contemplated by this Official Statement to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Series 2010A Bonds to the public in that Relevant Member State:

- (a) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR43,000,000; and (3) an annual net turnover of more than EUR50,000,000, as shown in its last annual or consolidated accounts;
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the University; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of any Series 2010A Bonds referred to in (a) through (d) above shall require the University or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “an offer of Series 2010A Bonds to the public” in relation to any Series 2010A Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Series 2010A Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Series 2010A Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

France

Each of the Underwriters has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Series 2010A Bonds to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Official Statement or any other offering material relating to the Series 2010A Bonds and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

Germany

Each of the Underwriters has represented and agreed that in Germany the Series 2010A Bonds will be offered only to qualified investors within the meaning of section 2 No. 6 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) or otherwise in compliance with German law and that in making any such offers any applicable German laws or regulations will be complied with.

Hong Kong

Each Underwriter has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Series 2010A Bonds other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (iii) in other circumstances which do not result in the Official Statement being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Series 2010A Bonds, 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 Series 2010A 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 under that Ordinance.

Ireland

The Series 2010A Bonds may be offered, sold or placed in Ireland only in the circumstances described in Regulation 9(1)(a), (b) or (c) of the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland. The Series 2010A Bonds may not be offered, sold or placed in Ireland in any other circumstances.

Korea

No registration statement for the offering and sale of the Series 2010A Bonds has been filed with the Financial Services Commission of Korea. Accordingly, no Series 2010A Bonds may be offered, sold or delivered, directly or indirectly, in Korea or to, or for the benefit of any Korean resident (as such term is defined in the Foreign Exchange Transaction law of Korea), except as otherwise permitted by applicable Korean laws and regulations. Furthermore, a holder of the Series 2010A Bonds will be prohibited from offering, delivering or selling any Series 2010A Bonds, directly or indirectly, in Korea or to any Korean resident, except as may be permitted by applicable Korean laws and regulations.

Norway

This Official Statement has not been approved by, or registered with, any Norwegian securities regulators pursuant to the Norwegian Securities Trading Act of 29 June 2007. Accordingly, neither this Official Statement nor any other offering material relating to the offering or the Series 2010A Bonds constitutes, or shall be deemed to constitute, an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007. The Series 2010A Bonds may not be offered or sold, directly or indirectly, in Norway except;

- (a) in respect of an offer of Series 2010A Bonds addressed to investors subject to a minimum purchase of Series 2010A Bonds for a total consideration of not less than €50,000 per investor;

- (b) to “professional investors” as defined in the Norwegian Securities Regulation of 29 June 2007 no. 876, being;
 - (i) legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in Series 2010A Bonds;
 - (ii) any legal entity which is registered as a professional investor with the Oslo Stock Exchange (No. *Oslo Børs*) and which has two or more of; (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
 - (iii) any natural person which is registered as a professional investor with the Oslo Stock Exchange (No. *Oslo Børs*) and which has two or more of; (1) an average execution of at least ten transactions in securities of significant volume per quarter for the last four quarters; (2) a portfolio of securities with a market value of at least €500,000; (3) worked or works, for at least one (1) year, within the financial markets in a position which presuppose knowledge of investing in securities;
- (c) to fewer than 100 natural or legal persons (other than “professional investors” as defined in the Norwegian Securities Regulation of 29 June 2007 no. 876), subject to obtaining the prior consent of the Underwriters for any such offer; or
- (d) in any other circumstances provided that no such offer of Series 2010A Bonds shall result in a requirement for the registration, or the publication by the University or any Underwriter, of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

Singapore

The Official Statement has not been registered as a prospectus with the Monetary Authority of Singapore, and any offering of the Series 2010A Bonds will be made pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the “***Securities and Futures Act***”). Accordingly, the Series 2010A Bonds may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Official Statement or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Series 2010A Bonds be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person under Section 275(1) of the Securities and Futures Act or to any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act. Each of the following persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased the Series 2010A Bonds, is a person who is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) 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;
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interests in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Series 2010A Bonds under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person or to any person pursuant to Section 275(1) and Section 275(1A) of the Securities and Futures Act, respectively and in accordance with the conditions specified in Section 275 of the Securities and Futures Act;

(iv)

- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the Securities and Futures Act.

United Kingdom

Each Underwriter has represented and agreed that:

- (a) in relation to any Series 2010A Bonds having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Series 2010A Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Series 2010A Bonds would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (“*FSMA*”) by the University;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Series 2010A Bonds in circumstances in which section 21(1) of the FSMA does not apply to the University; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Series 2010A Bonds in, from or otherwise involving the United Kingdom.

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BOARD OF CURATORS OF THE UNIVERSITY OF THE STATE OF MISSOURI

Judith G. Haggard, Board Chairwoman
Warren K. Erdman, Board Vice Chair
David R. Bradley
John M. Carnahan III
Don M. Downing

Bo Fraser
Wayne Goode
Doug Russell
David G. Wasinger
Laura Confer, Student Representative

Cindy S. Harmon, Secretary of Board of Curators
Stephen J. Owens, General Counsel

GENERAL OFFICERS

Gary D. Forsee, President
Steven W. Graham, Senior Associate Vice President for Academic Affairs
Natalie Krawitz, Vice President for Finance and Administration
Gary K. Allen, Vice President for Information Technology and Chief Information Officer
Elizabeth Rodriguez, Vice President for Human Resources
Stephen C. Knorr, Vice President for Government Relations
Michael F. Nichols, Vice President for Research and Economic Development
Brady J. Deaton, Chancellor, University of Missouri - Columbia
Leo E. Morton, Chancellor, University of Missouri - Kansas City
John F. Carney, III, Chancellor, Missouri University of Science and Technology
Thomas F. George, Chancellor, University of Missouri - St. Louis

BOND COUNSEL

Thompson Coburn LLP
St. Louis, Missouri

FINANCIAL ADVISOR

Prager, Sealy & Co., LLC
San Francisco, California

OFFICIAL STATEMENT

\$252,285,000
THE CURATORS OF THE UNIVERSITY OF MISSOURI
TAXABLE SYSTEM FACILITIES REVENUE BONDS
SERIES 2010A
(BUILD AMERICA BONDS – DIRECT PAYMENT)

INTRODUCTION

*The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices hereto, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and Appendices, should be considered in its entirety. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in **Appendix C**.*

Purpose of the Official Statement

The purpose of this Official Statement is to furnish information relating to The Curators of the University of Missouri (the “**University**”), the University’s System Facilities described below, and the University’s Taxable System Facilities Revenue Bonds, Series 2010A (Build America Bonds – Direct Payment) to be issued in the aggregate principal amount of \$252,285,000 (the “**Series 2010A Bonds**”).

The University

The University is a duly incorporated and created body politic and state educational institution existing under the Constitution and laws of the State of Missouri (the “**State**”), and is governed by the Board of Curators of the University of the State of Missouri (the “**Board**”). The University consists of four campuses located in the following Missouri cities: Columbia, Kansas City, Rolla and St. Louis. The four-campus system administration is located in Columbia. The University includes 45 schools, colleges and divisions and has a Fall 2010 enrollment of more than 71,000 full and part-time students. The University is the only public institution in Missouri offering professional and doctoral degrees. Approximately one-fourth of its enrollment consists of professional and graduate students. The University also administers a statewide cooperative extension service with centers located in nearly all of Missouri’s 114 counties. See “**THE UNIVERSITY**.”

The Series 2010A Bonds

The Series 2010A Bonds are being issued pursuant to and in full compliance with the Constitution and Statutes of the State of Missouri and a Resolution adopted by the Board on November 22, 2010, and a Resolution adopted by the Executive Committee of the Board on December 8, 2010 (collectively, the “**Resolution**”).

The American Recovery and Reinvestment Act of 2009 (the “**Recovery Act**”) authorizes the University to issue taxable bonds known as “Build America Bonds” and as “qualified bonds” to finance capital expenditures for which it could otherwise issue tax-exempt bonds, and to elect to receive subsidy payments from the federal government equal to 35% of the amount of each interest payment on such taxable bonds. The Series 2010A Bonds are being issued as “Build America Bonds” and as “qualified bonds” under the Internal Revenue Code of 1986, as amended (the “**Code**”). See “**THE SERIES 2010A BONDS**” and “**SECURITY FOR THE SERIES 2010A BONDS**.”

The Series 2010A Bonds are being issued for the purpose of (i) paying a portion of the cost of acquiring, constructing, erecting, equipping and furnishing certain additions and improvements to the System Facilities, as defined below (collectively, the “**Projects**”), (ii) paying capitalized interest on a portion of the Series 2010A Bonds, and (iii) paying the costs of issuance of the Series 2010A Bonds. See “**PLAN OF FINANCE.**”

Sources of Revenue and Security for the Series 2010A Bonds

The Series 2010A Bonds and the interest thereon are special limited obligations of the University. The Series 2010A Bonds are payable solely from, and secured as to the payment of principal of, redemption premium, if any, and interest on the Series 2010A Bonds, by a first lien on and pledge of the gross income and revenues derived from the following (collectively, the “**System Revenues**”): (i) the ownership or operation of certain facilities of the University described herein (the “**System Facilities**”); (ii) the imposition and collection of certain specifically assessed student fees and stadium usage surcharges; and (iii) the portion of the tuition and fees collected from all students attending the University that is designated by the University as a “**Student System Facilities Fee**” in connection with the System Facilities in an amount equal to the Maximum Annual Debt Service on the Series 2010A Bonds, 12 outstanding revenue bond issues of the University that are on a parity with the Series 2010A Bonds (the “**Prior System Bonds**”), and any Additional Bonds hereafter issued by the University and secured on a parity with the Series 2010A Bonds. See “**SECURITY FOR THE SERIES 2010A BONDS.**” The Series 2010A Bonds are not obligations of the State of Missouri. The University has no power to tax.

The following defined terms are used in this Official Statement and in the Resolution with respect to various series of revenue bonds payable from the System Revenues:

- “**Series 2010A Bonds,**” consisting of the Taxable System Facilities Revenue Bonds, Series 2010A (Build America Bonds – Direct Payment) in the principal amount of \$252,285,000;
- “**Prior System Bonds,**” means the 12 outstanding revenue bond issues of the University in the outstanding principal amount of \$1,115,640,000 as of November 30, 2010, which are payable from the System Revenues on a parity with the Series 2010A Bonds;
- “**Additional Bonds,**” means any series of revenue bonds hereafter issued by the University payable from the System Revenues on a parity with the Series 2010A Bonds, the Prior System Bonds and any other series of Additional Bonds then outstanding; and
- “**Bonds,**” means the Series 2010A Bonds, the Prior System Bonds and any Additional Bonds hereafter outstanding, all of which are payable from the System Revenues on a parity basis.

Additional Information

The references to and summaries of the Resolution, and other documents referred to herein and in **Appendix C**, and to the laws of the State, do not purport to be complete, and all such references are qualified in their entirety by reference to the complete provisions thereof. Copies of all documents referred to herein are on file with the Financial Advisor and the University and may be obtained, without charge, by written request.

PLAN OF FINANCE

The Series 2010A Bonds

The Series 2010A Bonds are being issued pursuant to and in full compliance with the Constitution and Statutes of the State of Missouri and the Resolution. The Series 2010A Bonds are being issued for the purpose of (i) paying a portion of the costs of the Projects, (ii) paying capitalized interest on a portion of the Series 2010A Bonds, and (iii) paying the costs of issuance of the Series 2010A Bonds.

The Projects

A portion of the proceeds of the Series 2010A Bonds, along with other monies of the University, will be used by the University to pay all or a portion of the costs of acquisition, construction, improvement, renovation, furnishing or equipping of the Projects. The Projects to be financed, in whole or in part, out of proceeds of the Series 2010A Bonds include the following:

Columbia Campus

- Power Plant upgrades.
- Mark Twain Residence Hall renovation.
- East Campus Chilled Water Plant Project.
- South Campus Storm Sewer replacement.

University Health System

- Patient Care Tower, Phase II.
- Ellis Fischel Cancer Center relocation.
- Green Meadows Outpatient Care Center.

Kansas City Campus

- Oak Street Parking Structure.
- Miller Nichols Library Classroom Addition.
- University Center renovation.

Missouri S&T Campus

- Thomas Jefferson Hall renovation, Phase III.
- Geothermal Energy Project.

All Campuses

- Acquisition, construction, renovation, furnishing and equipping of the System Facilities and various facilities and equipment of the University, including housing, dining, bookstore, parking, recreational, athletic, health system, student center, laboratory, classroom, educational, research, office, administrative and other similar facilities.

To the extent any proceeds of the Series 2010A Bonds to be used to finance the Projects are not spent on the foregoing items, the unspent proceeds will be used by the University for other improvements to the System Facilities.

Other Indebtedness of the University

The Prior System Bonds in the aggregate outstanding principal amount of \$1,115,640,000 as of November 30, 2010, are secured by the System Revenues on a parity with the Series 2010A Bonds. See **“SECURITY FOR THE SERIES 2010A BONDS - Outstanding Parity Bonds.”**

After the issuance of the Series 2010A Bonds, the University will have no outstanding long-term indebtedness other than the Series 2010A Bonds, and the Prior System Bonds.

Sources and Uses of Funds

The following is a summary of the estimated sources and uses of funds in connection with the plan of financing:

Sources of Funds:

Par amount	<u>\$252,285,000</u>
Total sources of funds	\$252,285,000

Uses of Funds:

Deposit to Projects Account	\$250,733,840
Costs of Issuance (including Underwriters' discount)	<u>1,551,160</u>
Total uses of funds	\$252,285,000

THE SERIES 2010A BONDS

Authority and Purpose

The Series 2010A Bonds are being issued pursuant to and in full compliance with the Constitution and Statutes of the State of Missouri and the Resolution. The Series 2010A Bonds are being issued for the purpose of (i) paying a portion of the costs of the Projects, (ii) paying capitalized interest on a portion of the Series 2010A Bonds, and (iii) paying the costs of issuance of the Series 2010A Bonds.

Description of the Series 2010A Bonds

The Series 2010A Bonds will be issuable in the form of fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates; the Series 2010A Bonds will be available in book-entry form only. The Series 2010A Bonds will be issued in the principal amount set forth on the cover page of this Official Statement, will be dated the date of original issuance and delivery thereof, and will mature on November 1, 2041. The Series 2010A Bonds will bear interest from the date of issuance and delivery, computed on the basis of a 360-day year consisting of twelve 30-day months, at the rate per annum set forth on the cover page, which interest will be payable semiannually on May 1 and November 1 in each year, beginning on May 1, 2011. Principal of, redemption premium, if any, and interest on the Series 2010A Bonds are payable at maturity or upon earlier redemption to the person in whose name the Bond is registered at maturity, or redemption date thereof, upon presentation and surrender of the Bond at the principal corporate trust office of Commerce Bank, N.A., Kansas City, Missouri (the ***“Paying Agent”***). Interest on the Series 2010A Bonds is payable (except on maturity or upon earlier redemption) by check or draft mailed by the Paying Agent to the person in whose name each Series 2010A Bond is registered on the 15th day of the month next preceding an interest payment date at such person's address as it appears on the bond registration books kept by the Paying Agent.

The Series 2010A Bonds as “Build America Bonds” and “Qualified Bonds”

The University is making the irrevocable election to have Section 54AA of the Code apply to the Series 2010A Bonds so the Series 2010A Bonds may be “Build America Bonds” as defined in Code Section 54AA(d). The University is further making the irrevocable election to have Section 54AA(g) of the Code apply to the Series 2010A Bonds so that the Series 2010A Bonds may be “qualified bonds” under Code Section 54AA(g) in order to receive the refundable credits allowed to issuers pursuant to Code Sections 54AA(g)(1) and 6431 with respect to the Series 2010A Bonds (the ***“Interest Subsidy Payments”***). Under current law, the Interest Subsidy Payments are to be paid by the United States directly to any issuer of bonds that qualify as “Build America Bonds” and as “qualified bonds” in an amount equal to 35% of the interest payable by such issuer on such bonds on each interest payment date, provided that certain requirements, as described in the Code and related Internal Revenue Service (the ***“Service”*** or ***“IRS”***) pronouncements, as to the uses and investment of the bond proceeds and other matters, are continuously satisfied by such issuer. The University is not covenanting to comply with requirements that must be satisfied in order for the Series 2010A Bonds to qualify as “Build America Bonds” and “qualified bonds” under Code Section 54AA, and thus the University’s failure to maintain such status or to receive the Interest Subsidy Payments with respect to the Series 2010A Bonds will not constitute an event of default under the Resolution. Also, in any event, no bondowner will be entitled to a tax credit with respect to the Series 2010A Bonds.

Redemption Provisions

Make Whole Optional Redemption. The Series 2010A Bonds are subject to redemption prior to the stated maturity date at the option of the University in whole, or in part, on any date at a redemption price equal to the greater of:

- (1) the principal amount of the Series 2010A Bonds to be redeemed; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010A Bonds to be redeemed, determined as if the principal of each Series 2010A Bond were paid on the date of each sinking fund installment described below in an amount equal to such Series 2010A Bond’s pro rata share of such installment and not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010A Bonds are to be redeemed, discounted to the date on which the Series 2010A 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, plus 25 basis points;

plus, in each case, accrued and unpaid interest on the Series 2010A Bonds to be redeemed to the redemption date.

“Treasury Rate” means, with respect to any redemption date for a particular Series 2010A Bond, 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 five Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release 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 2010A Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The make-whole optional redemption price of the Series 2010A Bonds to be redeemed will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the University at its expense to calculate the redemption price. The Paying Agent and the University may conclusively rely on the determination of the redemption price by the independent accounting firm, investment banking firm or financial advisor and will not be liable for that reliance. If fewer than all of the Series 2010A Bonds are to be redeemed, the particular Series 2010A Bonds to be redeemed will be determined as set forth below under “- **Selection of Series 2010A Bonds to be Redeemed.**”

Extraordinary Optional Redemption. The Series 2010A Bonds are subject to redemption prior to their maturity at the option of the University, in whole or in part, at any time upon or after the occurrence of an Extraordinary Event, at a redemption price equal to the greater of:

- (1) the principal amount of the Series 2010A Bonds to be redeemed; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010A Bonds to be redeemed, determined as if the principal of each Series 2010A Bond were paid on the date of each sinking fund installment described below in an amount equal to such Series 2010A Bond’s pro rata share of such installment and not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010A Bonds are to be redeemed, discounted to the date on which the Series 2010A 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, plus 100 basis points;

plus, in each case, accrued and unpaid interest on the Series 2010A Bonds to be redeemed to the redemption date.

An “***Extraordinary Event***” will have occurred (i) in the event Sections 54AA or 6431 of the Code are amended to reduce or eliminate the Interest Subsidy Payments payable with respect to the Series 2010A Bonds or there is any guidance published by the IRS or the Department of the Treasury with respect to such sections or any other determination by the IRS or the Department of the Treasury pursuant to which the Interest Subsidy Payments are reduced or eliminated, or (ii) in the event substantial new condition(s) are imposed by law or IRS or Department of the Treasury ruling or regulation upon the receipt by the University of the Interest Subsidy Payments payable with respect to the Series 2010A Bonds and such condition(s) are unacceptable to the University, or (iii) if in the opinion of Bond Counsel, or based on a written determination of the IRS, the Series 2010A Bonds fail, or would fail absent the taking of remedial action, to comply with the requirements of Sections 54AA or 6431 of the Code.

“***Treasury Rate***” has the meaning set forth above under “- **Make-Whole Optional Redemption.**”

The extraordinary optional redemption price of the Series 2010A Bonds to be redeemed will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the University at its expense to calculate such redemption price. The Paying Agent and the University may conclusively rely on the determination of the redemption price by the independent accounting firm, investment banking firm or financial advisor and will not be liable for that reliance. If fewer than all of the Series 2010A Bonds are to be redeemed, the particular Series 2010A Bonds to be redeemed will be determined as set forth below under “- **Selection of Series 2010A Bonds to be Redeemed.**”

Mandatory Sinking Fund Redemption. The Series 2010A Bonds are subject to mandatory redemption and payment prior to maturity at the principal amount thereof plus accrued interest to the redemption date, without premium. The University will redeem, on November 1 in each of the following years, the following principal amounts of the Series 2010A Bonds:

Series 2010A Bonds

<u>Year</u>	<u>Principal Amount</u>
2039	\$84,095,000
2040	84,095,000
2041*	84,095,000

* Final maturity.

The Paying Agent and Bond Registrar will, in each year in which Series 2010A Bonds are to be redeemed pursuant to the terms of the Resolution, make selection of the Series 2010A Bonds or amount thereof to be so redeemed as described below and will give notice thereof as provided in the Resolution without further instructions from the University. The Paying Agent and Bond Registrar may, upon instructions from the University, use moneys on hand in the System Facilities Revenue Account at any time to purchase Series 2010A Bonds in the open market at a price not in excess of their principal amount, and each Series 2010A Bond so purchased will be credited at 100% of the principal amount thereof on the obligation of the University to redeem Series 2010A Bonds on a pro rata basis against each mandatory sinking fund redemption payment coming due on the Series 2010A Bonds, and the principal amount of Series 2010A Bonds to be redeemed by operation of the foregoing provisions will be reduced accordingly.

At the University's option, said option to be exercised on or before the 60th day next preceding any scheduled mandatory redemption date by the University providing a certificate to the Paying Agent and Bond Registrar selecting one or more of the items set forth hereafter, the University may: (i) deliver to the Paying Agent and Bond Registrar for cancellation Series 2010A Bonds in the aggregate principal amount desired; or (ii) furnish to the Paying Agent and Bond Registrar funds, together with appropriate instructions, for the purpose of purchasing any of said Series 2010A Bonds from any Owner thereof whereupon the Paying Agent and Bond Registrar shall expend such funds for such purposes to such extent as may be practical; or (iii) receive a credit in respect to the mandatory redemption obligation of the University under this subsection for any Series 2010A Bonds which prior to such date have been redeemed (other than through the operation of the requirements of this subsection) and cancelled by the Paying Agent and Bond Registrar and not theretofore applied as a credit against any redemption obligation under this subsection.

Each Series 2010A Bond so delivered or previously purchased or redeemed will be credited at 100% of the principal amount thereof on the obligation of the University to redeem Series 2010A Bonds on a pro rata basis against each mandatory sinking fund redemption payment coming due on the Series 2010A Bonds and the principal amount of Series 2010A Bonds to be redeemed by operation of the requirements of this subsection will be accordingly reduced. If the University intends to exercise the option granted by the foregoing provisions, the University will, on or before the 60th day next preceding the scheduled mandatory redemption date, furnish the Paying Agent and Bond Registrar a certificate indicating to what extent the foregoing provisions are to be complied with in respect to such mandatory redemption payment.

Notice of Redemption. Notice of the call for any redemption identifying the Series 2010A Bonds or portions thereof to be redeemed shall be given by the Paying Agent, in the name of the University, to the owners of Bonds by mailing a copy of the redemption notice by first class mail not less than 30 nor more than 60 days prior to the redemption date to the owner of each Bond to be redeemed at the address shown on the registration books maintained by the Paying Agent; provided however that any defect in giving such notice by mailing as aforesaid shall not affect the validity of any proceeding for the redemption of any Bond.

A notice of optional or extraordinary optional redemption may be conditional upon moneys being on deposit with the Paying Agent on or prior to the redemption date in an amount sufficient to pay the redemption price plus premium, if any, on the redemption date. If the redemption notice is conditional and moneys are not received, the notice will be of no force and effect, the Paying Agent will not redeem such Series 2010A Bonds and the Paying Agent will give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that the Series 2010A Bonds will not be redeemed.

Selection of Bonds to be Redeemed. The Series 2010A Bonds will be redeemed only in denominations of \$5,000 or any integral multiple thereof. If less than all of the Series 2010A Bonds are to be redeemed and the Series 2010A Bonds are registered in book-entry form and DTC or a successor securities depository is the sole registered Owner of the Series 2010A Bonds, the particular Series 2010A Bonds or portions thereof to be redeemed will be selected on a “pro rata pass-through distribution of principal” basis in accordance with DTC procedures, including the operational arrangements of DTC then in effect. If the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2010A Bonds will be selected for redemption, in accordance with DTC procedures. If less than all of the Series 2010A Bonds are to be redeemed and the Series 2010A Bonds are not registered in book-entry form through DTC or a successor securities depository, the particular Series 2010A Bonds or portions thereof to be redeemed will be selected by the Paying Agent on a pro rata distribution of principal basis among all of the Owners of the Series 2010A Bonds based on the principal amount of Series 2010A Bonds owned by each Owner.

It is the University’s intent that redemption allocations made by DTC, DTC’s participants or such other intermediaries that may exist between the University and the Owners of Series 2010A Bonds be made on a “pro rata pass-through distribution of principal” basis as described above. None of the University, the Paying Agent or the Underwriters, however, can provide any assurance that DTC, DTC’s direct and indirect participants or any other intermediary will allocate the redemption of Series 2010A Bonds on that basis.

In connection with any repayment of principal, including payments of scheduled mandatory sinking fund payments, the Paying Agent will direct DTC to make a pass-through distribution of principal to the holders of the Series 2010A Bonds.

For purposes of calculation of the “pro rata pass-through distribution of principal,” “pro rata” means, for any amount of principal or interest to be paid, the application of a fraction to such amounts where (a) the numerator of which is equal to the amount due to the respective bondowners on a payment date, and (b) the denominator of which is equal to the total original par amount of the Series 2010A Bonds to be redeemed.

Effect of Redemption. On the date fixed for redemption, the Series 2010A Bonds or portion of the Series 2010A Bonds so called for redemption shall become due and payable at the redemption price provided for redemption of the Series 2010A Bonds or portion of Series 2010A Bonds on that date. Interest on the Series 2010A Bonds or portion of the Series 2010A Bonds so called shall cease to accrue as of the redemption date, provided funds are available for redemption of the Series 2010A Bonds on the date specified in such call.

Registration, Transfer and Exchange

The Series 2010A Bonds will be issued only in fully registered form. Any Series 2010A Bond may be transferred only upon the surrender thereof to the principal corporate trust office of the Paying Agent duly endorsed for transfer or accompanied by a written instrument of transfer duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Paying Agent. The Paying Agent will charge the owner requesting any change in registration, exchange or transfer a fee covering any tax or other governmental charge in connection therewith.

The foregoing provisions for the registration, transfer and exchange of the Series 2010A Bonds will not be applicable to purchasers of the Series 2010A Bonds so long as the Series 2010A Bonds are subject to the DTC or other book-entry only system.

BOOK-ENTRY ONLY SYSTEM

General Provisions

The Series 2010A Bonds will be available only in book-entry form. The Depository Trust Company, New York, New York ("**DTC**") will act as the initial securities depository for the Series 2010A Bonds. The Series 2010A 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 or more fully-registered bond certificates will be issued for the Series 2010A Bonds of each series and maturity, in the aggregate principal amount thereof, and will be deposited with the Paying Agent and Bond Registrar on behalf of DTC. Beneficial Owners (defined below) may own beneficial interests in the Series 2010A Bonds in the United States through DTC and in Europe through Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**"), directly if they are participants of such systems, or indirectly through organizations that are participants in such systems, Clearstream, Luxembourg and Euroclear will hold omnibus positions on behalf of their participants through customers securities accounts in Clearstream, Luxembourg's and Euroclear's names on the books of their respective depositories, which in turn will hold such positions in customers securities accounts in the depositories' names on the books of DTC.

None of the University, the Paying Agent and Bond Registrar, or the Underwriters can give or do give any assurances that DTC, Direct Participants or Indirect Participants of DTC, Clearstream, Luxembourg, Clearstream, Luxembourg Participants, Euroclear or Euroclear Participants will distribute to Beneficial Owners of the Series 2010A Bonds (i) payments of the principal of or interest or premium, if any, on the Series 2010A Bonds, (ii) confirmation of ownership interests in the Series 2010A Bonds, or (iii) redemption or other notices, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants of DTC, Clearstream, Luxembourg, Clearstream, Luxembourg Participants, Euroclear or Euroclear Participants will serve and act in the manner described in this Official Statement. The current "rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "procedures" of DTC to be followed in dealing with its Participants are on file with DTC.

NONE OF THE UNIVERSITY, THE PAYING AGENT AND BOND REGISTRAR, OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (B) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT WITH RESPECT TO THE SERIES 2010A BONDS; (C) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDOWNERS UNDER THE RESOLUTION OR THE SERIES 2010A BONDS; (D) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2010A BONDS; OR (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM, LUXEMBOURG PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS.

The information in this section concerning Clearstream, Luxembourg, and Euroclear and their book-entry systems has been obtained from sources that the University and the Underwriters believe to be reliable but neither the University nor the Underwriters take any responsibility for the accuracy thereof.

DTC

The following information concerning DTC and its book-entry system has been furnished for use in this Official Statement by DTC. None of the University, the Paying Agent and Bond Registrar, or the Underwriters take any responsibility for the accuracy or completeness of such information.

DTC acts as securities depository for the Series 2010A Bonds. The Series 2010A 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 certificate will be issued for each maturity of the Series 2010A Bonds in the aggregate principal amount of such maturity and will be deposited with the Paying Agent and Bond Registrar on behalf of 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 Standard & Poor's highest rating: "AAA". 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 and www.dtc.org.

Purchases of the Series 2010A Bonds under the DTC system must be made by or through Direct Participants, which receive a credit for the Series 2010A Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "*Beneficial Owner*") is in turn 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 2010A 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 the Series 2010A Bonds, except in the event that use of the Book-Entry system for the Series 2010A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010A 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 the Series 2010A 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 2010A Bonds; DTC's records

reflect only the identity of the Direct Participants to whose accounts such Series 2010A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants 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 the Series 2010A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of the Series 2010A Bonds may wish to ascertain that the nominee holding the Series 2010A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the Series 2010A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010A 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 University as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2010A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest and redemption price on the Series 2010A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University or the Paying Agent and Bond Registrar on a 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 University or the Paying Agent and Bond Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Series 2010A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University and the Paying Agent and Bond Registrar, disbursement of such payments to Direct Participants shall 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 2010A Bonds at any time by giving reasonable notice to the University and the Paying Agent and Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered as described in the Resolution.

The University may decide to discontinue use of the system of Book-Entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered as described in the Resolution.

Clearstream, Luxembourg

Clearstream, Luxembourg, 42 Avenue J.F. Kennedy, L-1855, was incorporated in 1970 as "Cedel S.A.," a company with limited liability under Luxembourg law (a société anonyme). Cedel S.A. subsequently changed its name to Cedelbank. On January 10, 2000, Cedelbank's parent company, Cedel International, société anonyme ("CI") merged its clearing, settlement and custody business with that of Deutsche Börse AG

("DBAG"). The merger involved the transfer by CI of substantially all of its assets and liabilities (including its shares in Cedelbank), and the transfer by DBAG of its shares in Deutsche Börse Clearing (DBC), to a new Luxembourg company, which with effect January 14, 2000 was renamed Clearstream International, société anonyme, and was then 50% owned by CI and 50% owned by DBAG. Following this merger, the subsidiaries of Clearstream International were also renamed to give them a cohesive brand name. On January 18, 2000, Cedelbank was renamed "Clearstream Banking, société anonyme," and Cedel Global Services was renamed "Clearstream Services, société anonyme." On January 17, 2000, Deutsche Börse Clearing AG was renamed "Clearstream Banking AG." Today Clearstream International is 100% owned by DBAG. The shareholders of DBAG are comprised of mainly banks, securities dealers and financial institutions.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of 36 currencies, including United States Dollars. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in over 30 countries through established depository and custodial relationships. Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, and the Banque Centrale du Luxembourg which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

Clearstream, Luxembourg's U.S. customers are limited to securities brokers and dealers and banks. Currently, Clearstream, Luxembourg has approximately 2,000 customers located in over 80 countries, including all major European countries, Canada, and the United States. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator of the Euroclear System (the "***Euroclear Operator***") in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Euroclear

Euroclear Bank S.A./N.V. ("***Euroclear Bank***") holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries.

Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants. Non-Participants in the Euroclear System may hold and transfer book-entry interests in the Securities through accounts with a Participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

Clearance and Settlement

Although Euroclear Bank has agreed to the procedures provided below in order to facilitate transfers of securities among Participants in the Euroclear System, and between Euroclear Participants and Participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Initial Distribution

Investors electing to acquire securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Secondary Market

Investors electing to acquire, hold or transfer securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities. Please be aware that Euroclear Bank will not monitor or enforce any transfer restrictions with respect to the securities offered herein.

Custody

Investors who are Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with Euroclear Bank. Investors who are not Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear Bank.

Custody Risk

Investors that acquire, hold and transfer interests in the securities by book-entry through accounts with Euroclear Bank or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Euroclear Bank has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear Bank have a co-property right in the fungible pool of interests in securities on deposit with Euroclear Bank in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear Bank, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear Bank. If Euroclear Bank did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on Euroclear Bank's records, all Participants having an amount of interests in securities of such type credited to their accounts with Euroclear Bank would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear Bank is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Initial Settlement; Distributions; Actions Upon Behalf of Holders

All of the Series 2010A Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers' securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream and JPMorgan Chase Bank acts as depository for Euroclear (the "***U.S. Depositories***"). Holders of the Series 2010A Bonds may hold their Series 2010A Bonds through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems. Investors electing to hold their Series 2010A Bonds through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional EuroSeries 2010A Bonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Series 2010A Bonds held beneficially through Clearstream will be credited to the cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Series 2010A Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Series 2010A Bonds on behalf of a Clearstream customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Secondary Market Trading

Secondary market trading between Participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds. Secondary market trading between Euroclear Participants and/or Clearstream customers will be settled using the procedures applicable to conventional EuroSeries 2010A Bonds in same-day funds. When securities are to be transferred from the account of a Participant (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream, as the case may be, will instruct its U.S. Depository to receive the securities against payment. Its U.S. Depository will then make payment to the Participant's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear participant's or Clearstream customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Series 2010A Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the securities are credited to their accounts one day later. As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts.

However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds. Because the settlement is taking place during New York business hours, Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the Participant, a cross-market transaction will settle no differently from a trade between two Participants.

Due to time zone differences in their favor, Euroclear Participants and Clearstream customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another Participant's. In these cases, Euroclear will instruct its U.S. Depository to credit the securities to the Participant's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream customer the following business day, and receipt of the cash proceeds in the Euroclear Participants' or Clearstream customers' accounts will be backvalued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream customer's accounts would instead be valued as of the actual settlement date.

Procedures May Change

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its participants, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

SECURITY FOR THE SERIES 2010A BONDS

General

The Series 2010A Bonds and the interest thereon constitute special, limited obligations of the University, payable solely from, and secured as to the payment of principal of, redemption premium, if any, and interest by a first lien on and pledge of the System Revenues, and the System Revenues (other than the Student System Facilities Fee) will be set aside for that purpose in a special fund held pursuant to the Resolution and identified therein as the System Facilities Revenue Account. See **“Appendix C - Definitions and Summaries of Principal Documents.”** System Revenues consist of the gross income and revenues derived from the following: (1) the ownership or operation of System Facilities described herein, (2) the imposition and collection of certain specifically assessed student fees and stadium usage surcharges and (3) the Student System Facilities Fee. Any amounts remaining in the Student Facilities Revenue Account after required deposits to the Principal and Interest Account may be used by the University for any lawful purpose. See **“Appendix C - Definitions and Summaries of Principal Documents – Application of Revenues.”**

The American Recovery and Reinvestment Act of 2009 – Series 2010A Bonds

The Recovery Act authorizes the University to issue taxable bonds known as “Build America Bonds” and as “qualified bonds” to finance capital expenditures for which it could otherwise issue tax-exempt bonds and to elect to receive Interest Subsidy Payments (that is, subsidy payments from the federal government equal to 35% of the amount of each interest payment on such taxable bonds). The Series 2010A Bonds are being issued as “Build America Bonds” and “qualified bonds” under the Code. The Interest Subsidy Payments with respect to the Series 2010A Bonds are to be paid to the University. Owners of the Series 2010A Bonds will not be entitled to a tax credit with respect to the Series 2010A Bonds. The receipt of the Interest Subsidy Payments by the University is subject to certain requirements, including the filing of applicable forms with the IRS prior to each interest payment date. The Interest Subsidy Payments are also subject to being offset by certain amounts that may, for unrelated reasons, be owed by the University to any agency of the United States. Furthermore, the Interest Subsidy Payments are payable under current law and there is no assurance that future change in the law would not reduce or eliminate the Interest Subsidy Payments. The Interest Subsidy Payments are also not full faith and credit obligations of the United States.

System Facilities -- Operating Units

The gross income and revenues derived from the ownership or operation of various System Facilities are pledged to the payment of the Series 2010A Bonds and the Prior System Bonds and included within the term “System Revenues.” The System Facilities include:

Bookstores -- the campus bookstores located on each of the four campuses of the University;

Housing -- certain student residence halls, apartments and related dining and other facilities located on each of the four campuses of the University, but excluding University Meadows on the St. Louis Campus;

Parking -- the existing parking and transportation systems located on each of the four campuses of the University, including revenues derived from parking fees and fines;

Student Centers -- the Memorial Union and Brady Commons located on the Columbia Campus, the Student Center Building on the Kansas City Campus, Havener Center on the Missouri S&T Campus, and the University Center and Student Center on the St. Louis Campus, including the dining and other student services located therein; and

University Health System -- the facilities of the University Health System (the “**University Health System**”), including the facilities of University Hospital located on the Columbia Campus; Women’s and Children’s Hospital, located in Columbia, Missouri; the Ellis Fischel Cancer Center, a specialty cancer facility located in Columbia, Missouri; the Missouri Psychiatric Center, located in Columbia, Missouri; and the Missouri Rehabilitation Center, a long-term acute care hospital specializing in brain injury and other rehabilitation services located in Mt. Vernon, Missouri; and the other facilities and health care clinics of the University Health System, including the facilities of University Physicians, the organized practice plan for the faculty of the School of Medicine. The School of Medicine, the Sinclair School of Nursing and the School of Health Professions are not part of the University Health System, and none of the revenues of those Schools is included in the System Revenues.

The term “System Facilities” also includes various other facilities of the University, including:

Athletics – the Mizzou Arena and various athletic practice and competition facilities constituting the Sports Complex on the Columbia Campus, including the Hearnes Multi-Purpose Building, Memorial Stadium, Daniel J. Devine Pavilion, the Mizzou Athletics Training Complex, Simmons Field, the softball field and the track and field and soccer stadium;

Printing and Publications -- the printing and publications facility of the University located in Columbia, Missouri;

Power Plant – the cogeneration power plant on the Columbia Campus;

Research Reactor – the research reactor on the Columbia Campus;

Laboratory – the laboratory and related facilities at the School of Medicine and the Swine Research Center on the Columbia Campus; and

Miscellaneous -- various miscellaneous facilities and equipment of the University located on each of the four campuses including classroom, educational, research, office, administrative and other similar facilities.

It is the intention of the University generally to include only revenue producing facilities within the System Facilities.

Under the Resolution, the University may sell at fair market value or abandon the use of the System Facilities, or any material part thereof, or any extension or improvement thereof, only if certain conditions set forth in the Resolution are satisfied. See “**Appendix C - Definitions and Summaries of Principal Documents – Particular Covenants of the University – Restriction on Mortgage, Sale or Disposition of the System Facilities.**”

Student Fees and Usage Surcharges

The gross income and revenues derived from the imposition and collection of certain usage fees are also pledged to the payment of the Series 2010A Bonds, the Prior System Bonds and any Additional Bonds hereafter issued by the University in accordance with the Resolution. The usage fees that are pledged and included in the “System Revenues” include:

Recreational Facility Fees -- (a) the Multi-Purpose Building Fee and the Student Recreational Facility Fee relating to the Hearnese Multipurpose Center and the Student Recreational Center, and the Student Activities Fee relating to Stankowski Field, paid by each enrolled student on the Columbia Campus, (b) the Recreational Center Fee relating to the Swinney Recreation Center paid by each enrolled student on the Kansas City Campus, (c) the Intramural Facility Fee relating to the Gale Bullman Multipurpose Building paid by each enrolled student on the Missouri S&T Campus, and (d) the Mark Twain Renovation Fee relating to the Mark Twain Building paid by each enrolled student on the St. Louis Campus;

Stadium Surcharges -- separate admission surcharges, presently collected in the aggregate amount of \$4.50 per paid admission to home regular season varsity football games of the University of Missouri - Columbia, relating to Memorial Stadium on the Columbia Campus; and

Student Center Fees -- (a) the Student Union Fee paid by each enrolled student on the Columbia Campus, (b) the Student Center Building Fee paid by each enrolled student on the Kansas City Campus, (c) the Havener Center Building Fee paid by each enrolled student on the Missouri S&T Campus, and (d) the University Center Building Fee paid by each enrolled student on the St. Louis Campus.

Student System Facilities Fees

The Student System Facilities Fee consists of the portion of the Tuition and Fees collected from all students enrolled at the University that has been designated by the University as a student fee for the use of the System Facilities in an amount equal to the Maximum Annual Debt Service on the Bonds. The Student System Facilities Fee is included in the "System Revenues" and is pledged to the payment of the Series 2010A Bonds, the Prior System Bonds and any Additional Bonds hereafter issued by the University, but is not required to be deposited in the System Facilities Revenue Account established under the Resolution. Once all deposits to the Principal and Interest Account required under the Resolution have been made in any fiscal year, however, the University may expend the System Revenues, including the Student System Facilities Fee, for any lawful purpose. As a result, the Student System Facilities Fee is not included in the revenues of the System in the audited financial statements of the University of Missouri System - System Facilities Revenue Bond Fund included as **Appendix B**. The University may increase, but may not decrease, the amount of the Student System Facilities Fee as a percentage of Maximum Annual Debt Service.

Net Tuition and Fees for the fiscal year ended June 30, 2010 were \$630,498,000. The total Student System Facilities Fee with respect to the Prior System Bonds for fiscal year 2010 was \$84,076,533.

Rate Covenant

Pursuant to the Resolution, the University covenants to continuously operate and maintain the System Facilities and continue to fix and maintain such reasonable rates and charges for the use of the System Facilities as will allow it to collect System Revenues sufficient to (a) provide and maintain the System Facilities Revenue Account and the Principal and Interest Account (as defined in the Resolution) in amounts adequate to pay promptly the principal of and interest on the Series 2010A Bonds, the Prior System Bonds and any Additional Bonds hereafter issued by the University and secured on a parity with the Series 2010A Bonds as and when the same become due; and (b) enable the University to have in each fiscal year System Revenues (excluding the Student System Facilities Fee) in an amount that will be not less than 200% of the Annual Debt Service required to be paid by the University in that fiscal year on account of both principal of and interest on all Bonds at the time Outstanding.

Outstanding Parity Bonds

In 1993, the University adopted resolutions that authorized the issuance of its System Facilities Revenue Bonds, Series 1993 (the “**Series 1993 Bonds**”), none of which remain outstanding. The Series 1993 Bond resolution (the “**Original Resolution**”) established a system facility financing program for the University, which included the Series 1993 Bonds and any Additional Bonds thereafter issued by the University in conformance with the provisions of the Original Resolution.

Since 1993, the University has issued various series of Prior System Bonds, all of which constituted Additional Bonds under the Original Resolution. The University currently has outstanding the following series of Prior System Bonds, all of which stand on a parity with the Series 2010A Bonds. Principal amounts outstanding for all Prior System Bonds are as of November 30, 2010:

- System Facilities Revenue Bonds, Series 1998A, in the outstanding principal amount of \$9,985,000;
- Variable Rate Demand System Facilities Refunding Revenue Bonds, Series 2000B, in the outstanding principal amount of \$50,000,000;
- Variable Rate Demand System Facilities Revenue Bonds, Series 2001A, in the outstanding principal amount of \$32,825,000;
- System Facilities Refunding Revenue Bonds, Series 2001B, in the outstanding principal amount of \$40,635,000;
- System Facilities Revenue Bonds, Series 2003A, in the outstanding principal amount of \$9,520,000;
- System Facilities Refunding Revenue Bonds, Series 2003B, in the outstanding principal amount of \$27,030,000;
- System Facilities Revenue Bonds, Series 2006A, in the outstanding principal amount of \$227,385,000;
- Variable Rate Demand System Facilities Revenue Bonds, Series 2006B, in the outstanding principal amount of \$39,705,000;
- System Facilities Revenue Bonds, Series 2007A, in the outstanding principal amount of \$250,450,000;
- Variable Rate Demand System Facilities Revenue Bonds, Series 2007B, in the outstanding principal amount of \$101,150,000;
- Taxable System Facilities Revenue Bonds, Series 2009A (Build America Bonds), in the outstanding principal amount of \$256,300,000; and
- System Facilities Revenue Bonds, Series 2009B, in the outstanding principal amount of \$70,655,000.

The bonds referred to above are collectively referred to as the “**Prior System Bonds**,” which are outstanding in the aggregate principal amount of \$1,115,640,000 as of November 30, 2010.

The Series 2010A Bonds are “Additional Bonds” within the meaning of the Prior System Bond resolutions and stand on a parity with and are equally and ratably secured with respect to the payment of principal and interest from the System Revenues derived by the University from the operation of the System Facilities and in all other respects with the Prior System Bonds, all as defined and provided in the Resolution.

The Prior System Bonds specified above enjoy complete equality of lien on and claim against the System Revenues with the Series 2010A Bonds.

Swap Agreements

The University has two interest rate swaps in an aggregate notional amount of approximately \$141.5 million as of June 30, 2010. Under the swap agreements, the University makes fixed rate payments and receives variable rate payments. The fixed swap rates are 3.95% (\$40 million notional amount, with a maturity date of November 1, 2032) and 3.798% (approximately \$101.5 million notional amount, with a maturity date of November 1, 2031). The University receives variable rate payments on the \$40 million swap equal to SIFMA, while it receives payments on the \$101.5 million swap equal to 68% of one-month LIBOR. The variable rate payments received by the University under the \$101.5 million swap, which are based on LIBOR, may not correspond to the University's debt service costs on the Series 2007B Bonds, (in the outstanding principal amount of \$101.5 million as of June 30, 2010) to which the swap agreement relates. The \$40 million swap does not specifically hedge any currently outstanding Bonds, but serves to reduce the overall exposure to interest rate risk on all outstanding variable rate Prior System Bonds (other than the Series 2007B Bonds). The counterparty on the swaps is JPMorgan Chase Bank, N.A. The University's fixed rate payment obligations and termination payment obligations to the counterparty under the swap agreements are limited obligations of the University payable solely from System Revenues on a parity basis with the Series 2010A Bonds, the Prior System Bonds and any Additional Bonds hereafter issued by the University. The University and the counterparty are required to post collateral with the other if the termination payment amount calculated on each valuation date exceeds a certain amount (which amount varies based on the credit rating of the party posting collateral). The market values of the swaps are computed daily by the counterparty based on fluctuations in interest rates. The University may choose to terminate either swap at any time. See Note 9 of the Notes to Financial Statements included as **Appendix A** to this Official Statement.

As of June 30, 2010, the market value to the University of the two swaps was an aggregate of approximately (\$30.7) million. The University is required to post collateral with the counterparty when the negative market value exceeds \$30 million, based on the current long-term rating of the University. The University posted collateral with the counterparty equal to the excess of the negative market value over \$30 million as of June 30, 2010. As of November 16, 2010, the market value to the University of the swaps was an aggregate approximately (\$28.7) million.

University Self-Liquidity

The University provides self-liquidity for all outstanding variable rate Prior System Bonds. As a result, the University is obligated to repurchase, with funds of the University, any variable rate bonds that are tendered for remarketing and are not successfully remarketed. The University maintains substantial liquidity in its Pooled General Investments for such purpose. As of September 30, 2010, the University had approximately \$1.6 billion in its Pooled General Investments, two-thirds of which is invested in fixed income investments and cash and cash equivalents.

Additional Bonds

Prior Lien Bonds. The University covenants and agrees that so long as any of the Series 2010A Bonds remain outstanding and unpaid, the University will not issue any Additional Bonds or other debt obligations payable out of the System Revenues or any part thereof that are superior to the Series 2010A Bonds; provided, however, that nothing in the Resolution will preclude the University from issuing any Additional Bonds or other debt obligations to refund, in whole or in part, the Series 2010A Bonds.

Parity Lien Bonds. The University may issue one or more series of Additional Bonds to finance the acquisition, construction, improvement, renovation, furnishing or equipping of System Facilities Additions (see “**Appendix C - Definitions and Summaries of Principal Documents**”) or to refund indebtedness previously incurred to finance the acquisition, construction, improvement, renovation, furnishing or equipping of the System Facilities or System Facilities Additions, to be secured by a parity lien on and ratably payable from the System Revenues pledged to the Series 2010A Bonds and the Prior System Bonds, provided that all the following conditions are met:

(a) The University is not in default in the payment of principal of or interest on the Series 2010A Bonds, any Prior System Bonds or any Additional Bonds or in making any payment at the time required to be made into the respective funds and accounts created by and referred to in the Resolution; and

(b) The System Facilities Additions are made part of, if not already a part of, the System Facilities, and the System Revenues are pledged as security for the additional parity bonds and all Bonds Outstanding against the System Facilities; and

(c) The University obtains a certificate from its Controller (or other similar officer selected by the University), attesting to the accuracy of the calculations made by the University, that shows both of the following:

(1) The System Revenues (excluding the amount of any Student System Facilities Fee designated by the University) derived by the University for the fiscal year immediately preceding the issuance of Additional Bonds have been equal to at least 200% of the Maximum Annual Debt Service required to be paid out of the System Revenues in any current or future fiscal year on account of both principal and interest becoming due with respect to the Series 2010A Bonds, the Prior System Bonds and any Additional Bonds. In determining the System Revenues for the purpose of this subsection, System Revenues may be adjusted by adding thereto, in the event the University has made and put into effect any increase in the rates, charges or fees constituting the System Revenues and the increase has not been in effect during all the fiscal year immediately preceding the issuance of the Additional Bonds, the estimated amount of the additional System Revenues that would have resulted from the increase in the rates, charges or fees constituting the System Revenues during the preceding fiscal year had the rate increase been in effect for the entire period; and

(2) The estimated average annual System Revenues derived by the University (excluding the amount of any Student System Facilities Fee designated by the University) in connection with the issuance of the Additional Bonds for the two fiscal years immediately following the year in which the additional facilities for which the cost of acquisition, construction, improvement, renovation, furnishing or equipping of which is being financed by such Additional Bonds, are to be in operation, will be equal to at least 200% of the average Annual Debt Service required to be paid out of the System Revenues in any succeeding fiscal year following such operation on account of both principal and interest becoming due with respect to all Bonds, including the Additional Bonds proposed to be issued. In determining the amount of estimated System Revenues for the purpose of this subsection, System Revenues may be adjusted by adding thereto any estimated increase in System Revenues resulting from any increase in the rates, charges or fees constituting the System Revenues that are economically feasible and reasonably considered necessary. The computation of estimates will be made by an officer selected by the University.

Additional Bonds of the University issued under the conditions set forth above will stand on a parity with the Series 2010A Bonds and the Prior System Bonds and will enjoy complete equality of lien on and claim against the System Revenues with the Series 2010A Bonds and the Prior System Bonds, and the University may make equal provision for paying the bonds and the interest thereon out of the System Facilities Revenue Account and may likewise provide for the creation of reasonable principal and interest accounts for the payment of the Additional Bonds and the interest thereon.

Special Additional Bonds. The University may also issue additional series of revenue bonds or provide for existing bonds or obligations to be secured by a parity lien on and ratably payable from the System Revenues with the Series 2010A Bonds and the Prior System Bonds and otherwise as set forth in **Article XV** of the Resolution. See **“Appendix C - Definitions and Summaries of Principal Documents.”**

Junior Lien Bonds. The University may issue one or more additional series of revenue bonds or other revenue obligations payable out of the System Revenues that are junior and subordinate to the Series 2010A Bonds provided at the time of the issuance of the additional revenue bonds or obligations all the following conditions are met:

(a) The University is not in default in the payment of principal of or interest on the Series 2010A Bonds, any Prior System Bonds or any Additional Bonds or in making any payment at the time required to be made into the respective funds and accounts created by and referred to in the Resolution;

(b) Any System Facilities Additions financed with junior lien bonds are made a part of, if not already a part of, the System Facilities, and the System Revenues derived therefrom are pledged as security for the additional revenue bonds or other obligations and all Bonds and Additional Bonds outstanding against the System Facilities; and

(c) The University obtains a certificate from its Controller (or other similar officer selected by the University), attesting to the accuracy of the calculations made by the University, that demonstrates that the System Revenues (excluding the amount of any Student System Facilities Fee designated by the University) derived by the University for the fiscal year immediately preceding the issuance of additional revenue bonds or other obligations that are junior and subordinate to the Series 2010A Bonds are equal to at least 200% of the sum of (i) the average Annual Debt Service required to be paid out of the System Revenues in any succeeding fiscal year (other than the last year) on account of both principal and interest becoming due with respect to all revenue obligations payable out of the System Revenues, and (ii) the average Annual Debt Service required to be paid out of the System Revenues in any succeeding fiscal year on account of both principal and interest becoming due with respect to the additional junior lien bonds or other obligations proposed to be issued. In determining the System Revenues for the purpose of this subsection, System Revenues may be adjusted by adding thereto, if the University has made and put into effect an increase in the rates or charges constituting the System Revenues and the increase will not have been in effect during all of the fiscal year immediately preceding the issuance of additional revenue bonds or other obligations, the estimated amount of the additional System Revenues that would have resulted from the increase in the rates, charges or fees constituting the System Revenues during the preceding fiscal year had the rate increase been in effect for the entire period.

The additional revenue bonds or obligations will be junior and subordinate to the Series 2010A Bonds so that if at any time the University is in default in paying either interest on or principal of the Series 2010A Bonds, or if the University is in default in making any payments required to be made by it under the Resolution, the University will make no payments of either principal of or interest on the junior and subordinate revenue bonds or obligations until the default or defaults are cured. In the event of the issuance of any junior and subordinate revenue bonds or obligations, the University, subject to the provisions above, may make provision for paying the principal of and interest on the junior lien revenue bonds or obligations out of moneys in the System Facilities Revenue Account.

Refunding Bonds. The University will have the right, if it finds it desirable, to refund any of the Series 2010A Bonds or Prior System Bonds then subject to redemption or becoming due, under the provisions of any law then available. The Bonds or any part thereof may be refunded and the refunding bonds so issued will stand on a parity or enjoy complete equality of pledge upon the System Revenues with any Series 2010A Bonds and Prior System Bonds that are not refunded without complying with the provisions of the foregoing as to Additional Bonds as long as there are debt service savings to the University by virtue of the refunding. See “**Appendix C - Definitions and Summaries of Principal Documents.**”

Type of Indebtedness. So long as the other covenants of the Resolution applicable to that indebtedness are met, the Additional Bonds or junior lien bonds may be issued on either a fixed rate or a variable rate basis, and the University may use derivative products.

Operation and Maintenance of System Facilities

The University intends to pay the cost of operation and maintenance of the System Facilities from excess System Revenues (excluding the Student System Facilities Fee) available for that purpose. The University also intends to pay the cost of operation and maintenance of the System Facilities financed by the Prior System Bonds from excess System Revenues available for that purpose should excess System Revenues exist. In the past, the System Revenues (excluding the Student System Facilities Fee) have been adequate to pay the costs of operation and maintenance of the System Facilities, including facilities financed by the Prior System Bonds.

The University has historically maintained reserves for repair and replacement relative to the System Facilities and intends to continue to maintain those reserves after the issuance of the Series 2010A Bonds. The existence of those reserves is not required by the Resolution, but is considered by the University to be a good business practice. The amount of reserves may change from time to time. As of June 30, 2010, the amounts held in the reserves for repair and replacement relative to the System Facilities aggregated \$121,793,000.

Limited Obligations

The Series 2010A Bonds and the interest thereon are special, limited obligations of the University payable solely from, and secured as to the payment of principal, redemption premium, if any, and interest, by a first lien on and pledge of the System Revenues. The Series 2010A Bonds will not constitute an indebtedness or general obligation of the State of Missouri, the University, the Board, or any individual member of the Board. Under the Resolution, the Board will pledge and grant a continuing security interest in the System Revenues as long as the Series 2010A Bonds are outstanding. The owners of the Series 2010A Bonds will have no right to demand payment out of any other funds of the University.

Changes to System Revenues or Facilities and Issuance of Additional Bonds or other Obligations

The University created a financing program for the System Facilities to be secured by the System Revenues in connection with the issuance of the Series 1993 Bonds and the Prior System Bonds. The Series 2010A Bonds are a part of that financing program. Under the Resolution and the resolutions authorizing the Prior System Bonds, the University may subsequently add other facilities and properties to the System Facilities, add other revenues to the System Revenues and secure other bonds or obligations by the System Revenues on a parity with the Series 2010A Bonds and the Prior System Bonds.

Under the Resolution, the University also has the right to do any or all of the following provided that, upon the occurrence of any of the following, the Bonds retain a rating from any national rating service then rating the Bonds at the request of the University at least equal to that in effect immediately prior to the occurrence of the following:

- (a) change the security for the Bonds (including the type of revenues, fees and reserves pledged) to add a new type of revenues, fees and reserves to or delete a type of revenues, fees and reserves from the System Revenues or the System Facilities;
- (b) add or delete new types of facilities or properties of the University to the System Facilities financed by Bonds;
- (c) secure any other bonds or obligations of the University, whether issued prior or subsequent to the date of the Resolution, by the System Revenues as long as any other security for such other bonds or obligations also secure the Bonds; or
- (d) issue Additional Bonds secured by the System Revenues and other security described in paragraph (a), (b) or (c) without meeting the requirements of the Resolution for the issuance of Additional Bonds on a parity with the Bonds.

See “**Appendix C - Definitions and Summaries of Principal Documents - Potential Modification of (1) Security for the Series 2010A Bonds; (2) Bonds as to Which System Revenues Provide Security; and (3) Parity Lien Bond Test.**”

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DEBT SERVICE REQUIREMENTS

The following table sets forth the future annual debt service requirements relating to the System Facilities, consisting of the Series 2010A Bonds and the Prior System Bonds, calculated on a fiscal year basis. The University is issuing the Series 2010A Bonds as “Build America Bonds” and has previously issued its Taxable System Facilities Revenue Bonds, Series 2009A (Build America Bonds) in the outstanding principal amount of \$256,300,000 (the “**Series 2009A Bonds**”) as “Build America Bonds”. For purposes of the table below, interest shown for the Series 2010A Bonds and the Series 2009A Bonds is the gross interest expense on those two series of Bonds before the 35% Interest Subsidy Payments that the University expects to receive from the U.S. Treasury as a result of the qualification of those two series of Bonds as “Build America Bonds” under the Code. For purposes of the Resolution and the Prior System Bond resolutions, however, “Annual Debt Service” and “Maximum Annual Debt Service” on the Bonds are computed after giving effect to (i.e. deducting) the Interest Subsidy Payments received or expected to be received by the University from the U.S. Treasury with respect any series of Bonds designated as Build America Bonds. The University is obligated to pay the interest on the Series 2010A Bonds and the Series 2009A Bonds at the stated interest rates thereon irrespective of whether the University receives any Interest Subsidy Payments from the U.S. Treasury.

<u>Fiscal Year Ending June 30,</u>	<u>Prior System Bonds Principal and Interest ⁽¹⁾</u>	<u>Series 2010A Bonds</u>		<u>Total Debt Service Relating to System Facilities</u>
		<u>Principal</u>	<u>Interest</u>	
2011	\$ 84,080,683		\$ 5,276,681	\$ 89,357,364
2012	81,823,035		14,612,347	96,435,382
2013	82,102,580		14,612,347	96,714,927
2014	82,088,603		14,612,347	96,700,950
2015	81,686,216		14,612,347	96,298,563
2016	82,138,844		14,612,347	96,751,191
2017	81,857,746		14,612,347	96,470,093
2018	81,847,227		14,612,347	96,459,574
2019	80,177,516		14,612,347	94,789,863
2020	80,329,559		14,612,347	94,941,906
2021	80,165,215		14,612,347	94,777,562
2022	80,216,799		14,612,347	94,829,146
2023	82,117,807		14,612,347	96,730,154
2024	80,375,440		14,612,347	94,987,787
2025	80,186,637		14,612,347	94,798,984
2026	79,972,347		14,612,347	94,584,694
2027	79,396,605		14,612,347	94,008,952
2028	79,816,243		14,612,347	94,428,590
2029	75,999,662		14,612,347	90,612,009
2030	61,696,377		14,612,347	76,308,724
2031	61,447,476		14,612,347	76,059,823
2032	57,231,286		14,612,347	71,843,633
2033	44,756,115		14,612,347	59,368,462
2034	44,431,447		14,612,347	59,043,794
2035	44,090,690		14,612,347	58,703,037
2036	43,745,378		14,612,347	58,357,725
2037	36,885,857		14,612,347	51,498,204
2038	36,511,488		14,612,347	51,123,835
2039	20,333,583		14,612,347	34,945,930
2040	19,931,779	\$ 84,095,000	12,176,956	116,203,735
2041		84,095,000	7,306,174	91,401,174
2042		<u>84,095,000</u>	<u>2,435,391</u>	<u>86,530,391</u>
Total	\$2,007,440,240	\$252,285,000	\$436,340,918	\$2,696,066,158

⁽¹⁾ Prior System Bonds in the outstanding principal amount of \$223,680,000 bear interest at variable rates that are set daily or weekly in accordance with the Prior System Bond resolutions. For purposes of the preceding table, the University has assumed that all the outstanding variable rate Prior System Bonds bear interest at a fixed rate of 4.0% per annum throughout the maturity of each series of variable rate bonds.

PLEDGED REVENUES OF THE SYSTEM

The Series 2010A Bonds are payable solely from, and secured as to the payment of principal of, redemption premium, if any, and interest on the Series 2010A Bonds, by a first lien on and pledge of the System Revenues, which consist of revenues derived from (i) the ownership or operation of the System Facilities; (ii) the imposition and collection of certain specifically assessed student fees and stadium usage surcharges; and (iii) the Student System Facilities Fee. See **“SECURITY FOR THE SERIES 2010A BONDS.”**

The following table sets forth the historical System Revenues pledged to secure the Series 2010A Bonds and the Prior System Bonds and the extent to which those System Revenues (exclusive of the Student System Facilities Fees) provided coverage of the actual annual debt service on the Outstanding Bonds for each fiscal year.

Historical Pledged System Revenues (*\$ in thousands*)

	Fiscal Years Ended June 30,				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Operating Revenues					
Specifically Assessed Student Fees	\$ 13,906	\$ 13,846	\$ 15,853	\$ 17,428	\$ 18,180
Bookstore	54,308	56,929	61,423	61,640	59,288
Housing and Food Service, Net	61,480	66,730	72,382	81,724	89,744
Parking	13,942	14,035	15,218	15,113	17,564
Patient Medical Services, Net	593,807	620,241	663,227	685,207	718,687
Other	<u>17,976</u>	<u>20,774</u>	<u>19,922</u>	<u>19,881</u>	<u>18,205</u>
Total	755,419	792,555	848,025	880,993	921,668
Investment Income	7,507	14,921	27,772	706	22,810
Student System Facilities Fee ⁽¹⁾	<u>48,591</u>	<u>48,591</u>	<u>63,116</u>	<u>61,720</u>	<u>84,076</u>
Total	<u>\$811,517</u>	<u>\$856,067</u>	<u>\$938,913</u>	<u>\$943,419</u>	<u>\$1,028,554</u>

⁽¹⁾ The Student System Facilities Fee is included in the System Revenues and is pledged to the payment of the Series 2010A Bonds, the Prior System Bonds and any Additional Bonds hereafter issued by the University. The University is not, however, required to deposit the Student System Facilities Fee in the System Facilities Revenue Account. Once all deposits to the Principal and Interest Account required under the Resolution have been made in any fiscal year, the University may expend the System Revenues, including the Student System Facilities Fee, for any lawful purpose. The Student System Facilities Fee is not included in the revenues of the System Facilities Revenue Bond Fund in the audited financial statements included as **Appendix B**.

The Series 2010A Bonds are special, limited obligations of the University payable solely from, and secured as to the payment of principal and interest by a first lien on and pledge of the System Revenues, which (other than the Student System Facilities Fee) are to be set aside for that purpose in a special fund, known as the System Facilities Revenue Account, held pursuant to the Resolution. The University covenants and agrees in the Resolution that as long as any of the Series 2010A Bonds remain Outstanding and unpaid, all System Revenues, other than the Student System Facilities Fee, will be credited to the System Facilities Revenue Account. All moneys then held in the System Facilities Revenue Account are required to be applied first to the Principal and Interest Account for the Series 2010A Bonds and all Prior System Bonds, on a parity basis (and to any subaccounts established with respect to any Additional Bonds hereafter issued by the University), to the extent necessary for the payment of all principal of and interest on the Bonds. All amounts paid and credited to the Principal and Interest Account are required to be used by the University for the sole purpose of paying the interest on and principal of the Bonds as and when the same become due and the payment of any fees of the respective paying agent and bond registrars in connection with the Bonds.

Once required deposits have been made to the Principal and Interest Account for each fiscal year, the University may use the amounts on deposit in the System Facilities Revenue Account for any lawful purpose.

THE UNIVERSITY

History and Background

The University, created by the Geyer Act of the Tenth General Assembly of Missouri in 1839, is the oldest state university west of the Mississippi. The University was patterned after the ideals of Thomas Jefferson, a vigorous advocate of public higher education. After passage of the Morrill Act by Congress, the University became a land-grant institution in 1870.

The University had its beginnings in Columbia, Missouri. It remained a single-campus institution until 1870 when the Rolla campus (now known as the Missouri University of Science and Technology) was opened. Two campuses were added in 1963: an entirely new campus was started in St. Louis, Missouri and the private University of Kansas City in Kansas City, Missouri became the University of Missouri-Kansas City.

Board of Curators

Under the State Constitution, the University is governed by the Board of Curators of the University of the State of Missouri. This nine-member Board is appointed by the Governor and confirmed by the State Senate, with each appointment being for a six-year term. No more than five members can be from the same political party, and no more than one member can be from a single congressional district. The State Constitution provides that the Board has sole authority to govern the University. The state General Assembly has the responsibility to provide adequate funds to maintain the University.

General Officers

The Board appoints the President of the University, who is the chief executive officer for the University's four-campus system. The Board, upon recommendation of the President, appoints a Chancellor to direct each campus, a Vice President for Finance and Administration, a Vice President for Academic Affairs, a Vice President for Research and Economic Development, a Vice President for Information Technology, a Vice President for Human Resources, and a Vice President for Governmental Relations, all of whom report to the President, and a General Counsel, who reports directly to the Board.

The following is summary biographical information relating to the President of the University and the Chancellor of each Campus of the University:

Gary D. Forsee, 60, President of the University of Missouri System. President Forsee was appointed President of the University effective February 18, 2008. Prior to assuming this role, President Forsee served as Chairman and Chief Executive Officer of Sprint Nextel; Chairman and Chief Executive Officer of Sprint; President and Chief Executive Officer of Global One, a joint venture of Sprint, Deutsche Telekom and France Telecom; Chairman of the Board for Cingular Wireless, a Bell-South-Southwestern Bell joint venture; President and Chief Operating Officer of Sprint's Long-Distance Division; and General Manager and Vice President of the Governmental Systems Division of Sprint. President Forsee received an engineering degree from the Missouri University of Science and Technology.

Brady J. Deaton, 68, Chancellor of the University of Missouri-Columbia. Dr. Deaton became the 21st chief executive officer of the University of Missouri - Columbia on October 4, 2004. Dr. Deaton holds a bachelor's degree in agricultural economics and a master of arts in diplomacy and international commerce from the University of Kentucky, and a master of science and doctorate in agricultural economics from the University of Wisconsin. Prior to joining the University, Dr. Deaton served as an assistant and associate professor of agricultural economics and rural sociology at the University of Tennessee, and served for 12 years as a professor and coordinator of the rural development research and extension program at Virginia Polytechnic Institute and State University. He joined the University of Missouri-Columbia in 1989 and, prior to being named Chancellor, served the University as professor and chair in the Agricultural Economics Department, chief of staff in the Office of the Chancellor, deputy chancellor, provost, and executive vice chancellor for academic affairs.

Leo E. Morton, 65, Chancellor of the University of Missouri-Kansas City. Mr. Morton became Chancellor of the University of Missouri - Kansas City on December 15, 2008. Mr. Morton holds a bachelor's degree in engineering from Tuskegee University and a master's degree in management from the Massachusetts Institute of Technology. Prior to assuming the Chancellorship, Mr. Morton served as interim Chancellor and was employed with Aquila, Inc., in various executive positions, including senior vice president and chief administrative officer since 2000. Prior to Aquila, Inc., Mr. Morton's management career extended over 26 years in engineering and manufacturing with AT&T Microelectronics, Bell Laboratories, General Motors, Rust Engineering Company and Corning Glass. Mr. Morton was a trustee for the University of Missouri-Kansas City since 2000 and served as chairman of the board of trustees prior to stepping down to serve as interim Chancellor.

John F. Carney III, 69, Chancellor of the Missouri University of Science and Technology. Dr. Carney, former provost and vice president for academic affairs at Worcester Polytechnic Institute (***"WPI"***) in Worcester, Massachusetts, became the Chancellor at Missouri University of Science and Technology effective September 1, 2005. A civil engineer by training, Dr. Carney holds a bachelor's degree from Merrimack College and master's and Ph.D. degrees in civil engineering from Northwestern University. Dr. Carney began his academic career at the University of Connecticut from 1966-1981. He then joined Auburn University as professor and head of the civil engineering department, a position he held until 1983, when he joined Vanderbilt University as a professor of civil engineering. He joined the faculty and administration at WPI in 1996.

Thomas F. George, 63, Chancellor of the University of Missouri-St. Louis. Dr. George became Chancellor of the University of Missouri – St. Louis on September 1, 2003. Prior to joining the University, Dr. George served as chancellor of the University of Wisconsin-Stevens Point. Prior to coming to Stevens Point in 1996, he served for five years as provost and academic vice-president of Washington State University. Dr. George also worked at the State University of New York at Buffalo where he served as dean of the faculty of natural sciences and mathematics for six years, and at the University of Rochester where he was a professor of chemistry. Dr. George earned his bachelor's degree (Phi Beta Kappa) with a double major in chemistry (with honors) and mathematics (with honors) from Gettysburg College, his master's degree and doctoral degree in theoretical chemistry from Yale University, followed by postdoctoral appointments at the Massachusetts Institute of Technology and the University of California at Berkeley.

University System

The University currently includes four campuses with 45 schools, colleges and divisions, and a Fall 2010 enrollment of over 71,000 full- and part-time students. The four-campus system administration is located in Columbia. The University is the only public institution in Missouri offering professional and doctoral degrees, and approximately one-fourth of its enrollment consists of professional and graduate students. The University also administers a statewide cooperative extension service consisting of centers located in nearly all of Missouri's 114 counties. The extension service is aided by local extension councils in every Missouri county which help guide local educational programming.

The Columbia Campus

The University of Missouri – Columbia (the ***“Columbia Campus”*** or ***“UMC”***) is the largest campus in the University system with nearly one-half of the University’s enrollment. The Columbia Campus had a Fall 2010 enrollment of approximately 32,341 full- and part-time students. Established in 1839, the Columbia Campus has 20 schools and colleges offering over 275 degree programs and emphasis areas. The Columbia Campus is home of the world’s first School of Journalism, the oldest agricultural experiment field west of the Mississippi River, and the nation’s first electrical engineering department. It is one of only five institutions in the United States that has accredited programs located on one campus in agriculture, business, education, engineering, journalism, law, medicine, and veterinary medicine. The Columbia Campus is home to the University Health System, an integrated health network that includes five hospitals totaling 555 acute care beds, which support the teaching efforts of the Schools of Medicine, Nursing, and Health Professions. The Columbia Campus also includes a School of Natural Resources, a Graduate School, a College of Arts and Sciences, a School of Fine Arts, a School of Music, a School of Accountancy, a School of Information Science and Learning Technologies, a College of Human Environmental Sciences, a School of Social Work, the Harry S Truman School of Public Affairs, as well as various cooperative programs. UMC is a member of the Association of American Universities and has been designated a Doctoral/Research Universities Extensive by the Carnegie Foundation for Advancement of Teaching. UMC is also a member of the National Association of State Universities and Land-Grant Colleges.

The Kansas City Campus

While the University of Missouri – Kansas City (the ***“Kansas City Campus”*** or ***“UMKC”***) has been a part of the University since 1963, classes began on the Kansas City Campus 30 years earlier as a private institution, the University of Kansas City. Three of the professional schools on the Kansas City Campus (dentistry, law and pharmacy) were founded in the nineteenth century and subsequently merged into the University of Kansas City. The Kansas City Campus also has a Graduate School, a College of Arts and Sciences, Schools of Biological Sciences, Business and Public Administration, Education, Interdisciplinary Computing and Engineering, Medicine and Nursing, the Conservatory of Music, and various cooperative programs. The Kansas City Campus had a Fall 2010 enrollment of approximately 15,259 full- and part-time students. UMKC includes both the main Volker campus, located just south of the Country Club Plaza, and the Hospital Hill campus, located in midtown Kansas City. It is primarily a commuter campus, and 36% of its students are enrolled in graduate or professional programs, the highest ratio on any of the University’s campuses.

The Missouri S&T Campus

The Missouri University of Science and Technology, formerly known as the University of Missouri – Rolla (the ***“Missouri S&T Campus”*** or ***“Missouri S&T”***) is located in the City of Rolla, Missouri, which is approximately 100 miles southwest of St. Louis. Missouri S&T had a Fall 2010 enrollment of approximately 7,205 full- and part-time students. The Campus was known as the Missouri School of Mines and Metallurgy from 1917 until 1964. On July 1, 2007 the campus restructured its academic administration. The School of Engineering, School of Management and Information Systems, School of Materials, Energy and Earth Resources and the College of Arts and Sciences were eliminated. Two new vice provost positions were created; one for graduate studies and one for academic affairs. This change was designed to enhance direct interaction among departments and the provost’s office and remove the dividing lines between schools, thereby encouraging more interdisciplinary activities. The Campus is located on a site of 284 acres within the City of Rolla and provides off campus programs at the Graduate Engineering Center in St. Louis. Missouri S&T ranks nationally in the “top twenty-five” in number of engineering bachelors degrees granted. About one-half of the engineers educated in Missouri are Missouri S&T graduates.

The St. Louis Campus

From its beginning in 1963, the University of Missouri – St. Louis (the “*St. Louis Campus*” or “*UMSL*”) has grown to become the third largest university in Missouri. The St. Louis Campus had a Fall 2010 enrollment of approximately 16,791 full- and part-time students. The St. Louis Campus offers an academic structure consisting of a Graduate School, an Honors College, the School of Social Work, the Colleges of Arts and Sciences, Business Administration, Education, Fine Arts and Communication, Nursing and Optometry, and various cooperative programs. The St. Louis Campus serves primarily residents of the St. Louis metropolitan area.

University Health System

University Health System – General. Effective as of February 7, 2006, the date of issuance of the Series 2006 Bonds, the University Health System and the facilities thereof became a part of the System Facilities. Accordingly, the revenues and expenses of the University Health System effectively became System Revenues and expenses for the fiscal year ended June 30, 2006.

The University Health System consists of the University of Missouri Health Care (“*Health Care*”), a system of hospitals and clinics serving the health care needs of central Missouri, and University Physicians, which is the organized practice plan for the faculty of the University of Missouri - Columbia School of Medicine, and various facilities utilized by University Physicians. The flagship hospital of Health Care is University Hospital, a 328-staffed bed hospital located on the Columbia Campus, which offers a wide spectrum of general and specialty care services and is the only Level I trauma center and helicopter service in central Missouri. University Hospital includes Missouri Psychiatric Center, an acute psychiatric center, for which Health Care assumed operational responsibility and the real and personal property from the State Department of Mental Health on July 1, 2009. Missouri Psychiatric Center has 61 acute psychiatric beds (included in the University Hospital total beds). A \$54 million freestanding Missouri Orthopedic Institute was opened on the University Hospital campus in June 2010, with 16 inpatient beds (included in the University Hospital total beds) and five operating rooms.

Health Care also includes Columbia Regional Hospital, a 148-staffed bed acute-care facility located in Columbia, which was acquired by the University in 1999; the Ellis Fischel Cancer Center, a specialty cancer facility located in Columbia, which became a part of Health Care in 1990; Missouri Rehabilitation Center, a 79-staffed bed long-term acute care hospital specializing in brain injury and other rehabilitation services located in Mt. Vernon, Missouri; and numerous health care clinics. University Hospital previously included Children’s Hospital, which was operated as a “hospital-within-a-hospital” within the facilities of University Hospital. In September 2010, the Children’s Hospital at University Hospital was transferred to Columbia Regional Hospital, and Columbia Regional Hospital was renamed Women’s and Children’s Hospital. Health Care also has partnerships with various health care providers. The School of Medicine, the Sinclair School of Nursing and the School of Health Professions are not part of the University Health System, and none of the revenues of those Schools is included in the System Revenues.

Health Care treats patients from every county in the State and considers its primary service area to be seven counties in central Missouri (including Boone County, in which the principal Health Care facilities are located) and its secondary service area to be 18 surrounding counties. University Hospital (including Ellis Fischel), Women’s and Children’s Hospital and Missouri Rehabilitation Center are accredited by The Joint Commission.

In 2008, the University’s health sciences-based delivery system in Columbia was realigned to enable it to meet future challenges, take advantage of new opportunities in the health care field, and better serve the people of the State by integrating the University’s medical education, research and clinical missions. The Vice Chancellor for Health Sciences serves as the operating executive responsible for all academic, clinical and business operations for the hospitals, physician group and health-related schools and reports to the Chancellor of the University of Missouri-Columbia.

The Chief Executive Officer of Health Care and the deans of each the Schools of Medicine, Nursing and Health Professions report to the Vice Chancellor for Health Sciences. In conjunction with the realignment, an advisory board (the ***“Health Care Advisory Board”***) was established to oversee Health Care. The Health Care Advisory Board consists of individuals external to the University who possess broad expertise and experience in financial, health-related and other fields. The President of the University chairs the Health Care Advisory Board and the Vice Chancellor of Health Sciences and the Chief Executive Officer of Health Care serve as ex-officio members.

University Health System - Biographical Information. The following is summary biographical information for the Vice Chancellor for Health Sciences and the Chief Executive Officer of Health Care:

Harold A. Williamson Jr., 60, MD, MSPH, Vice Chancellor for Health Sciences. Dr. Williamson was appointed Vice Chancellor for Health Sciences in March 2009 after having served as interim vice chancellor since September 2008. Prior to his appointment Dr. Williamson served for 10 years as the chair of the University’s Curtis W. and Ann H. Long Department of Family and Community Medicine, directed the University’s family practice residency program, served as a visiting scholar at the University of Washington, where he helped rural communities develop health care services, and served for 11 years as director of the University’s Area Health Education Center. Dr. Williamson received his medical degree from Case Western Reserve University Medical School in Cleveland and completed his residency training at the University of Minnesota. Dr. Williamson received his master’s degree in public health from the University of Missouri-Columbia.

James H. Ross, 58, Chief Executive Officer, Health Care. Mr. Ross became Chief Executive Officer of the Health Care in April 2004. For approximately 14 years prior to then, Mr. Ross served in a number of executive capacities with the University Health Systems of Eastern Carolina, most recently as its President and Chief Operating Officer. That health system serves 29 counties in eastern North Carolina. Prior to that, Mr. Ross served in executive capacities at two private nonprofit hospitals in Texas for approximately 13 years. Mr. Ross has a bachelor’s degree in business administration from Memphis State University and a master’s degree in health care administration from Washington University School of Medicine.

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FINANCIAL AND OPERATING INFORMATION

University Health System Financial and Operating Data

The table below summarizes selected utilization data for the University Health System for each of the five most recent fiscal years.

University Health System Utilization Data

	Fiscal Years Ended June 30,				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Acute Staffed Beds ⁽¹⁾	581	573	554	502	562
Patient Days ⁽¹⁾	127,913	120,370	125,074	113,218	127,822
Average Daily Census ⁽²⁾	350.4	329.8	341.7	310.2	350.3
Length of stay (days) ⁽²⁾	6.25	5.83	6.15	5.90	5.91
Discharges ⁽²⁾	20,452	20,655	20,331	19,202	21,625
Outpatient Visits ⁽³⁾	714,948	693,643	668,098	689,624	715,409

⁽¹⁾ Effective July 1, 2009, the University Health System assumed operational responsibility and the real and personal property for a 61-bed psychiatric hospital previously operated by the State Department of Mental Health and now known as Missouri Psychiatric Center, in Columbia, Missouri.

⁽²⁾ Excludes normal newborns.

⁽³⁾ Outpatient clinic visits have declined in part due to realignment of clinics, closure of certain smaller clinics, and, for fiscal years 2007 and 2008, primarily due to the sale of University Behavioral Health Clinics in February 2007.

The following table summarizes certain financial information for the University Health System for each of the five most recent fiscal years.

University Health System Summary Financial Information (in thousands)

	Fiscal Years Ended June 30,				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net patient service revenue	\$593,807	\$620,241	\$663,227	\$685,207	\$718,687
Other operating revenues	<u>16,335</u>	<u>18,818</u>	<u>17,812</u>	<u>17,153</u>	<u>16,855</u>
Total operating revenues	610,142	639,059	681,039	702,360	735,542
Operating expenses	<u>591,012</u>	<u>641,834</u>	<u>674,291</u>	<u>683,299</u>	<u>715,625</u>
Operating income (loss)	19,130	(2,775)	6,748	19,061	19,917
Net non-operating revenues	<u>19,268</u>	<u>25,628</u>	<u>29,741</u>	<u>11,009</u>	<u>36,120</u>
Income before contributions and transfers	\$38,398	\$22,853	\$36,489	\$30,070	\$56,037

The following table summarizes the gross patient service revenue payor mix for the five most recent fiscal years.

**University Health System
Sources of Patient Service Revenue**

<u>Source of Payment</u>	<u>Fiscal Years Ended June 30,</u>				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Medicare	34.4%	34.1%	34.5%	33.6%	33.2%
Medicaid	22.0	21.0	21.9	23.0	25.2
Managed Care / Commercial Insurance	33.5	33.6	33.1	32.0	31.9
Self Pay / Other	<u>10.1</u>	<u>11.3</u>	<u>10.5</u>	<u>11.4</u>	<u>9.7</u>
Total	100%	100%	100%	100%	100%

University Health System – Competition. Health Care’s principal competitors are Boone Hospital Center, a 349-bed hospital located in Columbia, Missouri and affiliated with BJC Health System, headquartered in St. Louis, Missouri (“**Boone Hospital**”); and St. Mary’s Health Center, a 167-bed hospital located in Jefferson City, Missouri and affiliated with SSM Health Care in St. Louis, Missouri (“**St. Mary’s**”). Capital Region Medical Center, a 114-bed hospital also located in Jefferson City (“**Capital Region**”), is affiliated with the University Health System and is included in the audited financial statements of the University as a discretely presented component unit. See Note 1 of the Notes to Financial Statements included as **Appendix A**. Although Capital Region is not a part of the University Health System, Health Care does not consider Capital Region a competitor. The following table sets forth for the fiscal years ended June 30, 2008, 2009 and 2010, the market share of the University Health System, Boone Hospital, St. Mary’s and other facilities for the Combined Service Area of the University Health System. The Combined Service Area of the University Health System consists of 25 counties, including Boone County, surrounding Columbia, Missouri and from which approximately 85% of the University Health System’s discharges historically originate.

Market Share – Combined Service Area

	<u>Fiscal Years Ended June 30,</u>					
	<u>2008</u>		<u>2009</u>		<u>2010</u>	
Combined Service Area	<u>Discharges</u>	<u>% Share</u>	<u>Discharges</u>	<u>% Share</u>	<u>Discharges</u>	<u>% Share</u>
University of Missouri Health Care	16,626	17.0%	16,115	17.2%	18,243	19.3%
University Hospital	10,984	11.3	10,809	11.6	13,676	14.5
Women’s and Children’s Hospital ⁽¹⁾	5,642	5.8	5,306	5.7	4,567	4.8
Boone Hospital Center	16,203	16.6	15,522	16.6	15,854	16.8
St. Mary’s Health Center	9,879	10.1	9,336	10.0	8,952	9.5
Other Facilities ⁽²⁾	<u>54,958</u>	<u>56.3</u>	<u>52,538</u>	<u>56.2</u>	<u>51,424</u>	<u>54.4</u>
Total CSA ⁽³⁾	97,666	100%	93,511	100%	94,473	100%

⁽¹⁾ Formerly known as Columbia Regional Hospital.

⁽²⁾ Includes Capital Region Medical Center, which is affiliated with the University.

⁽³⁾ May not sum to 100% due to rounding.

Source: Missouri Hospital Association.

University Historical and Projected Enrollment

The following table sets forth the historical and projected enrollment for the University. The projected enrollment figures provided below are prepared by each campus and are reviewed by the University system administration.

Enrollment (Full- and Part-Time)

Historical Enrollment

<u>Fall</u>	<u>Columbia</u>	<u>Kansas City</u>	<u>Missouri S&T</u>	<u>St. Louis</u>	<u>Total</u>
2006	28,184	14,213	5,858	15,528	63,783
2007	28,405	14,442	6,166	15,527	64,540
2008	30,130	14,481	6,367	15,741	66,719
2009	31,237	14,799	6,814	16,534	69,384
2010	32,341	15,259	7,205	16,791	71,596

Projected Enrollment

<u>Fall</u>	<u>Columbia</u>	<u>Kansas City</u>	<u>Missouri S&T</u>	<u>St. Louis</u>	<u>Total</u>
2011	32,824	15,618	6,992	16,865	72,299
2012	32,693	16,152	6,987	16,925	72,757
2013	32,418	16,574	6,935	17,032	72,959
2014	31,979	17,011	6,864	17,099	72,953

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Student Applications, Acceptances, and Matriculations

The following table sets forth the numbers of applications, acceptances and matriculations for new undergraduate students of the University for the Fall semesters 2006 through 2010.

<u>Campus</u>	<u>Fall</u>	<u>Category</u>	<u>Applications</u>	<u>Acceptances</u>	<u>Matriculations</u>
Columbia	2006	Freshmen	13,134	10,248	4,843
		Transfers	1,843	1,459	982
	2007	Freshmen	12,125	10,362	4,983
		Transfers	2,475	1,661	1,179
	2008	Freshmen	14,575	12,373	5,802
		Transfers	3,361	2,379	1,621
	2009	Freshmen	16,455	13,659	5,593
		Transfers	3,107	2,154	1,423
	2010	Freshmen	17,491	14,597	6,089
		Transfers	3,173	2,133	1,415
Kansas City	2006	Freshmen	3,899	2,940	972
		Transfers	3,099	2,214	1,246
	2007	Freshmen	3,300	2,181	959
		Transfers	2,946	1,801	1,214
	2008	Freshmen	3,267	2,379	1,007
		Transfers	2,819	1,851	1,239
	2009	Freshmen	3,524	2,541	1,011
		Transfers	3,106	2,172	1,486
	2010	Freshmen	4,131	2,916	1,145
		Transfers	3,384	2,429	1,590
Missouri S&T	2006	Freshmen	2,257	2,037	1,004
		Transfers	499	384	252
	2007	Freshmen	2,398	2,153	1,051
		Transfers	494	376	276
	2008	Freshmen	2,427	2,144	1,056
		Transfers	551	409	274
	2009	Freshmen	2,702	2,393	1,132
		Transfers	552	411	293
	2010	Freshmen	2,865	2,497	1,170
		Transfers	636	429	342
St. Louis	2006	Freshmen	2,147	1,371	538
		Transfers	3,538	2,880	1,713
	2007	Freshmen	2,308	1,429	550
		Transfers	3,803	2,975	1,682
	2008	Freshmen	2,116	1,259	479
		Transfers	3,379	2,660	1,848
	2009	Freshmen	2,221	1,335	527
		Transfers	3,488	2,675	1,848
	2010	Freshmen	2,377	1,386	515
		Transfers	4,618	3,609	2,382

Degrees Granted

The following tables sets forth the number of degrees awarded by campus and school/college therein during the 2009-2010 academic year.

Degrees Granted

<u>Columbia</u>							
<u>School/College</u>	<u>Bachelor</u>	<u>Professional</u>	<u>Master</u>	<u>Doctorate</u>	<u>Graduate Certificate</u>	<u>Education Specialist</u>	<u>Total</u>
Agriculture, Food & Natural Resources	383	-	38	28	-	-	449
Arts and Sciences	1,744	-	144	104	-	-	1,992
Business	900	-	237	4	15	-	1,156
Education	239	-	502	74	-	59	874
Engineering	398	-	78	24	-	-	500
Health Professions	176	-	48	36	-	-	260
Human Environmental Sciences	274	-	17	8	-	-	299
Journalism	521	-	112	8	-	-	641
Law	-	141	7	-	37	-	185
Medicine	-	99	41	11	-	-	151
Natural Resources	96	-	21	5	-	-	122
Nursing	190	-	60	3	-	-	253
Social Work	42	-	129	4	-	-	175
Veterinary Medicine	-	64	7	1	-	-	72
Graduate School	-	-	74	12	90	-	176
Columbia Campus Total	4,963	304	1,515	322	142	59	7,305

<u>Kansas City</u>							
<u>School/College</u>	<u>Bachelor</u>	<u>Professional</u>	<u>Master</u>	<u>Doctorate</u>	<u>Graduate Certificate</u>	<u>Education Specialist</u>	<u>Total</u>
Arts and Sciences	931	-	173	4	-	-	1,108
Biological Sciences	84	-	23	-	-	-	107
Business and Public Administration	192	-	254	-	-	-	446
Computing and Engineering	95	-	135	-	-	-	230
Conservatory of Music	70	-	56	20	1	-	147
Dentistry	31	96	7	-	17	-	151
Education	116	-	152	5	-	33	306
Law	-	156	32	-	-	-	188
Medicine	-	92	4	-	-	-	96
Nursing	107	-	74	22	-	-	203
Pharmacy	7	111	1	-	-	-	119
Graduate Studies	-	-	-	32	-	-	32
Kansas City Campus Total	1,633	455	911	83	18	33	3,133

<u>Missouri S&T</u>							
<u>School/College</u>	<u>Bachelor</u>	<u>Professional</u>	<u>Master</u>	<u>Doctorate</u>	<u>Graduate Certificate</u>	<u>Education Specialist</u>	<u>Total</u>
Missouri S&T Campus Total	998	-	411	51	278	-	1,738

Degrees Granted (continued)

<u>School/College</u>	<u>St. Louis</u>					<u>Graduate Certificate</u>	<u>Education Specialist</u>	<u>Total</u>
	<u>Bachelor</u>	<u>Professional</u>	<u>Master</u>	<u>Doctorate</u>				
Arts and Sciences	767	-	241	35	35	-		1,078
Business Administration	545	-	162	2	11	-		720
Education	229	-	287	24	5	31		576
Fine Arts and Communications	214	-	22	-	-	-		236
Nursing	200	-	41	2	1	-		244
Optometry	-	41	2	-	-	-		43
Graduate School	-	-	16	-	30	-		46
Engineering	<u>56</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>56</u>
St. Louis Campus Total	<u>2,011</u>	<u>41</u>	<u>771</u>	<u>63</u>	<u>82</u>	<u>31</u>		<u>2,999</u>
University Total	<u>9,605</u>	<u>800</u>	<u>3,608</u>	<u>519</u>	<u>520</u>	<u>123</u>		<u>15,175</u>

Student Quality Indicators

The academic demands of the curriculum require that students admitted possess a satisfactory preparatory education. The following tables set forth the high school class rank of freshmen entering the University during the Fall 2010 term and the average ACT test scores for the last five years for incoming freshmen for each campus of the University, the State of Missouri, and the United States.

High School Class Rank of Incoming Freshmen, Fall 2010

<u>High School Class Rank</u>	<u>Columbia</u>	<u>Kansas City</u>	<u>Missouri S&T</u>	<u>St. Louis</u>
Top 10%	25%	27%	38%	24%
Top 20%	46	49	60	45
Top 40%	76	73	86	76

Average First Time Freshman ACT

<u>Fall</u>	<u>Columbia</u>	<u>Kansas City</u>	<u>Missouri S&T</u>	<u>St. Louis</u>	<u>State of Missouri</u>	<u>National</u>
2006	25.3	23.7	27.1	22.9	21.6	21.1
2007	25.4	24.1	27.3	22.8	21.6	21.2
2008	25.5	24.0	27.3	23.3	21.6	21.1
2009	25.6	24.1	27.7	22.7	21.6	21.1
2010	25.6	23.9	27.7	23.5	21.6	21.0

Demographics of Student Population

Although virtually every state and numerous foreign countries are represented in the University's on-campus student population, Missouri students represent over 80% of the student body. The following table summarizes the historical geographic origin of students attending the University at the commencement of the Fall semester for each of the last five years.

Student Geographic Origin

<u>Campus</u>	<u>Fall</u>	<u>Missouri</u>	<u>Illinois, Iowa and Kansas</u>	<u>Other States</u>	<u>International</u>
Columbia	2006	21,655	2,260	3,178	1,059
	2007	21,849	2,322	3,065	1,169
	2008	22,647	2,714	3,399	1,357
	2009	23,087	3,182	3,494	1,458
	2010	23,444	3,715	3,677	1,486
Kansas City	2006	10,141	2,468	901	643
	2007	10,281	2,472	901	788
	2008	10,155	2,564	946	816
	2009	10,287	2,682	964	866
	2010	10,606	2,786	1,031	835
Missouri S&T	2006	4,072	532	694	550
	2007	4,317	558	720	571
	2008	4,430	578	754	598
	2009	4,672	599	812	729
	2010	4,917	617	816	851
St. Louis	2006	13,655	738	389	743
	2007	13,630	763	388	746
	2008	13,788	734	439	553
	2009	14,742	767	466	505
	2010	15,024	693	488	531

Full-Time Ranked Faculty

The following table sets forth for the last five fiscal years the number of full-time ranked faculty, and the percentages who are tenured and hold terminal degrees for each campus of the University.

Full-Time Ranked Faculty				
<u>Campus</u>	<u>Academic Year</u>	<u>Full-Time Ranked Faculty</u>	<u>Percentage of Faculty Tenured</u>	<u>Percentage of Faculty With Terminal Degrees</u>
Columbia	2005-2006	1,706	49%	90%
	2006-2007	1,820	50	92
	2007-2008	1,855	49	91
	2008-2009	1,853	48	91
	2009-2010	1,862	49	91
Kansas City	2005-2006	605	54%	81%
	2006-2007	626	53	81
	2007-2008	655	50	81
	2008-2009	670	50	83
	2009-2010	687	53	83
Missouri S&T	2005-2006	305	64%	96%
	2006-2007	304	68	98
	2007-2008	304	68	96
	2008-2009	318	66	98
	2009-2010	314	69	98
St. Louis	2005-2006	369	60%	90%
	2006-2007	392	61	88
	2007-2008	440	53	82
	2008-2009	447	52	80
	2009-2010	443	50	79

Selected Financial Data of the University

The following table presents a summary of the Revenues, Expenses and Changes in Net Assets of the University for the fiscal years ended June 30, 2006 through 2010. The information is derived from the audited financial statements of the University, and with respect to the fiscal years ended June 30, 2010 and 2009, reference is made to the audited financial statements of the University attached as **Appendix A** to this Official Statement. The summary financial information in the following table excludes revenues, expenses and changes in net assets attributable to the University's discretely presented component unit(s) and retirement trust. The University has reclassified certain prior year amounts to conform to fiscal year 2010 presentation.

**Summary of Revenues, Expenses and
Changes in Net Assets of the University
(in thousands)**

	Fiscal Years Ended June 30,				
	2006	2007	2008	2009	2010
Operating Revenues:					
Tuition and Fees (net of provision for doubtful accounts)	\$ 501,347	\$ 537,832	\$ 557,085	\$ 601,742	\$ 630,498
Less: Scholarship Allowances	<u>126,421</u>	<u>136,527</u>	<u>139,880</u>	<u>148,578</u>	<u>164,187</u>
Net Tuition and Fees	<u>374,926</u>	<u>401,305</u>	<u>417,205</u>	<u>453,164</u>	<u>466,311</u>
Federal Grants and Contracts	176,442	163,517	184,416	172,669	183,885
State and Local Grants and Contracts	41,255	47,045	54,414	53,042	66,194
Private Grants and Contracts	46,310	54,268	60,318	71,034	68,044
Sales and Services of Educational Activities	18,267	22,346	19,569	22,088	22,560
Auxiliary Enterprises:					
Patient Medical Services, Net	620,577	648,802	681,312	702,424	736,799
Housing and Dining Services, Net	61,548	66,828	72,503	81,939	89,743
Bookstores	54,308	56,930	61,423	62,113	59,288
Other Auxiliary Enterprises, Net	133,135	154,113	181,893	190,315	198,748
Other Operating Revenues	<u>49,851</u>	<u>53,523</u>	<u>46,968</u>	<u>53,681</u>	<u>49,250</u>
Total Operating Revenues	<u>1,576,619</u>	<u>1,668,677</u>	<u>1,780,021</u>	<u>1,862,469</u>	<u>1,940,822</u>
Operating Expenses:					
Salaries and Wages	1,044,462	1,101,867	1,153,676	1,213,837	1,236,965
Benefits	248,688	272,923	310,375	299,586	303,300
Supplies, Services and Other Operating Expenses	606,617	608,134	662,331	672,711	676,362
Scholarships and Fellowships	35,090	38,602	39,485	48,456	55,469
Depreciation	<u>110,924</u>	<u>119,069</u>	<u>125,996</u>	<u>131,167</u>	<u>146,753</u>
Total Operating Expenses	<u>2,045,781</u>	<u>2,140,595</u>	<u>2,291,863</u>	<u>2,365,757</u>	<u>2,418,849</u>
Operating Loss before State Appropriations	(469,162)	(471,918)	(511,842)	(503,288)	(478,027)
State Appropriations	<u>428,893</u>	<u>440,855</u>	<u>462,281</u>	<u>479,478</u>	<u>498,358</u>
Operating Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)	<u>(40,269)</u>	<u>(31,063)</u>	<u>(49,561)</u>	<u>(23,810)</u>	<u>20,331</u>
Nonoperating Revenues (Expenses):					
Federal Appropriations	14,203	14,105	14,277	14,858	21,455
Federal Pell Grants	22,994	23,613	27,232	31,649	48,281
Investment and Endowment Income, Net of Fees	111,675	202,633	45,629	(173,355)	172,833
Private Gifts	64,483	53,268	51,680	52,552	48,695
Interest Expense	(28,563)	(29,497)	(43,055)	(31,432)	(46,103)
Other Nonoperating Expenses	<u>(4,971)</u>	<u>(3,147)</u>	<u>(4,750)</u>	<u>(3,930)</u>	<u>(1,659)</u>
Net Nonoperating Revenues (Expenses)	<u>179,821</u>	<u>260,975</u>	<u>91,013</u>	<u>(109,658)</u>	<u>243,502</u>
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item	139,552	229,912	41,452	(133,468)	263,833
State Capital Appropriations and State Bond Funds	8,503	18,138	15,532	17,817	14,205
Capital Gifts and Grants	16,285	12,941	17,341	13,009	19,381
Private Gifts for Endowment Purposes	26,607	27,917	32,995	21,093	24,703
Extraordinary Item:					
Net Proceeds from Sale of Missouri Care	<u>-</u>	<u>19,317</u>	<u>-</u>	<u>2,550</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>190,947</u>	<u>308,225</u>	<u>107,320</u>	<u>(78,999)</u>	<u>322,122</u>
Net Assets, Beginning of Year	2,804,034	2,994,981	3,303,206	3,430,442	3,364,777
Cumulative Effect of Change in Accounting Principles	<u>-</u>	<u>-</u>	<u>19,916</u>	<u>13,334</u>	<u>(6,163)</u>
Net Assets, Beginning of Year, as Adjusted	<u>2,804,034</u>	<u>2,994,981</u>	<u>3,323,122</u>	<u>3,443,776</u>	<u>3,358,614</u>
Net Assets, End of Year	<u>\$2,994,981</u>	<u>\$3,303,206</u>	<u>\$3,430,442</u>	<u>\$3,364,777</u>	<u>\$3,680,736</u>

State Appropriations

Article IV, Section 27 of the State Constitution authorizes the Governor to control the rate at which any appropriation is expended during the period of the appropriation by allotment or other means. This section also authorizes the Governor to reduce the expenditures of the State or any of its agencies below their appropriations whenever the actual revenues are less than the revenue estimates upon which the appropriations were based. The normal Governor's reserve from appropriated funds is 3%, and the University budgets with the expectation that the actual funds received by the University will always be 3% less than the amount appropriated due to the withholding of the normal Governor's reserve. The effect of the withholdings in any year is to reduce the State's overall budget.

The University has historically experienced relatively stable appropriations from the State. For the period from 1992 through 2001, growth in State appropriations for general operations exceeded inflation. State appropriations during this period represented approximately 28% of the University's total current funds revenues. For the fiscal year ended June 30, 2002 through the fiscal year ended June 30, 2004, poor general economic conditions nationwide and in Missouri resulted in shortfalls in the State's revenues. Over this period of time, the University incurred \$148.5 million in general operations extraordinary withholdings and core appropriation reductions.

For the five fiscal years 2005 through 2009, the University received State appropriations that ranged from a 0% to a 4.9% increase from the prior fiscal year. The national economy was reported to be in recession from December 2007 through June 2009. Struggles began in the housing-related sectors, particularly financial services and construction, and progressed to nearly every industry. Missouri was slower to feel the effects of the recession initially but by the beginning of the State's 2009 fiscal year, it was experiencing significantly higher unemployment and sharply declining tax revenues. State net general revenue collections for fiscal year 2009 decreased a then record 6.9% from fiscal year 2008 and decreased a new record 9.1% for fiscal year 2010 compared to 2009.

Total State appropriations received for University operations, the University Health System and other special programs increased by \$18.9 million, or 3.9% for fiscal year 2010, compared to an increase of \$17.2 million, or 3.7% for fiscal year 2009. The recurring operations portion was flat for fiscal year 2010 compared to an increase of 4.8% for fiscal year 2009, while the appropriations for the University Health System decreased in fiscal year 2010 by 3.3% compared to no change in fiscal year 2009. In fiscal year 2010, the State also appropriated \$23.5 million in one-time funding for a special University initiative, \$6.4 million in one-time funding for the Health System related to the transfer of the Psychiatric Hospital, and \$6.6 million in one-time funding for capital purposes for the Health System. Certain other special programs that the University administers for the State experienced significant reductions in State support in fiscal year 2010, but this reduction did not affect the dollars available for overall University operations. State appropriations for the University operating budget for fiscal year 2010 included approximately \$48 million of federal stabilization funds. Federal stabilization funds for the State (for all purposes) were \$1.639 billion for fiscal 2010 and are expected to be \$546.6 million and \$0 in fiscal years 2011 and 2012, respectively. Accordingly, the University is anticipating continued pressure on State revenues available for higher education, including University operations, for the foreseeable future.

For the fiscal year ending June 30, 2011, the State legislature appropriated \$950 million in funding for higher education operations, including the University, which was 5.2% below fiscal year 2010. This appropriation included \$40 million from federal budget stabilization funding. The University expects to receive \$445 million in State appropriations in fiscal year 2011, net of the Governor's 3% withholding, which includes one-time funding of \$19 million from federal budget stabilization funding. The appropriations, net of withholding, includes \$415 million for operations and \$18 million for the University Health System operations, with the remaining \$11 million restricted to special programs.

In exchange for no reduction in State operating support in fiscal year 2010 and a more moderate 5.2% reduction in appropriations for fiscal year 2011, public universities in Missouri, including the University, agreed to freeze in-state undergraduate tuition for fiscal years 2010 and 2011 to fiscal year 2009 levels.

Future revenue shortfalls for the State or increased spending pressures for the State in other areas, or a combination of the two, may continue to adversely affect future State appropriations for the University.

Endowment Funds and Other Investments

The University's investments are generally divided between the Endowment Fund and the Pooled General Investments. The Endowment Fund holds gifts and bequests received by the University, other funds transferred to the Endowment Fund by the University, and the retained earnings thereon. The Pooled General Investments are primarily the working capital of the University and currently consist of approximately one-third for traditional working capital purposes, one-third for immediate availability with respect to the liquidity requirements of the University's variable rate bonds (for which the University provides self-liquidity), and one-third of excess funds that are invested in a manner consistent with the Endowment Fund. See Note 3 of the Notes to Financial Statements included as **Appendix A**.

The Endowment Fund is primarily managed by professional investment managers under investment policies established by the Board of Curators in accordance with the Revised Statutes of Missouri. The Pooled General Investments are primarily managed by the University, with a portion of the Pooled General Investments managed by outside investment managers. The Balanced Pool, which is the majority of the Endowment Fund and is currently managed by 35 investment managers, has the following long-term target asset mix and actual asset mix as of September 30, 2010:

Endowment Fund – Balanced Pool Asset Mix

<u>Investment Sectors</u>	<u>Target Asset Mix</u>	<u>Actual Asset Mix September 30, 2010</u>
U.S. equity	21%	22.3%
International equity	21	22.3
Emerging markets equity	8.5	9.2
Absolute return	5	5.2
Private equity	5	3.0
Real estate	7.5	3.3
Global fixed income	14	15.6
TIPS (Treasury Inflation-Protected Securities)	7	7.9
High yield/bank loans	6	6.0
Emerging markets debt	5	5.3

The market values of the Endowment Fund as of June 30 for the last five years are set forth below. In addition, as of June 30, 2010 there were approximately \$92.7 million of endowment funds held in trust by others for the benefit of the University, which are not included in the amounts listed below.

University of Missouri System Endowment Fund

<u>As of June 30,</u>	<u>Market Value</u>
2006	\$ 893,418,000
2007	1,048,491,000
2008	968,802,000
2009	809,238,000
2010	895,872,000

The University's endowment increased in value in fiscal year 2010 due to favorable financial markets, compared to the decline in value in fiscal year 2009. At September 30, 2010 the endowment had a market value of \$883.4 million.

At June 30, 2010, the Balanced Pool (consisting of the majority of the Endowment Fund) had a market value of approximately \$1.1 billion. The market value of certain investments in the Balanced Pool (primarily, absolute return, private equity, and real estate) is reported on a lagged basis of one to three months. For the fiscal year ended June 30, 2010, the Balanced Pool had an annual return of 11.4%.

The University's spending policy for the Endowment Fund is 5% of the average of the 12 prior quarters market value of the endowment. To achieve some uniformity from year to year in the amounts available from the Endowment Fund for operations, the actual amount distributed will not exceed 106% of the prior year's distribution or be less than 96% of the prior year's distribution.

The Pooled General Investments had a market value of approximately \$1.4 billion as of June 30, 2010 and \$1.6 billion as of September 30, 2010. The Pooled General Investments (other than the one-third invested in a manner consistent with the Endowment Fund) is invested entirely in fixed income investments and cash and cash equivalents.

Capital Campaigns

Each of the four campuses of the University has recently completed or has an ongoing major capital campaign, as follows:

- The Columbia Campus completed a \$1.0 billion capital campaign in 2008, raising \$1.04 billion, and currently is planning a new campaign.
- The Kansas City Campus commenced a \$250 - \$350 million capital campaign in 2009, which currently is in the silent phase.
- The Missouri S&T Campus completed a \$200 million capital campaign in 2009, raising \$211.8 million.
- The St. Louis Campus launched a \$100 million capital campaign in 2005, adjusted the target to \$150 million, and has raised \$106.7 million as of June 30, 2010.

Total gifts for these capital campaigns and other giving to the University totaled \$86.7 million in fiscal year 2009 and \$92.8 million in fiscal year 2010.

Undergraduate Student Fees

The following table sets forth the total annual Academic, Educational and Required Fees collected from each full-time undergraduate student at the University who is a resident of Missouri for each of the four campuses for the academic years 2006-2007 through 2010-2011.

<u>Academic Year</u>	<u>Columbia</u>	<u>Kansas City</u>	<u>Missouri S&T</u>	<u>St. Louis</u>
2006-2007	\$7,784	\$7,659	\$7,889	\$7,968
2007-2008	8,098	7,946	8,172	8,264
2008-2009	8,467	8,272	8,488	8,595
2009-2010	8,501	8,272	8,488	8,595
2010-2011	8,501	8,602	8,537	8,631

Financial Aid

The following table sets forth the total Financial Aid awarded by the University for fiscal year 2010, the number of students receiving financial aid and the average amount awarded per student.

Financial Aid

	<u>Columbia</u>	<u>Kansas City</u>	<u>Missouri S&T</u>	<u>St. Louis</u>	<u>Total</u>
Total Financial Aid Awarded	\$380,858,981	\$191,792,501	\$87,617,725	\$133,897,379	\$794,166,586
Aid from Institutional Sources	\$142,114,981	\$41,043,096	\$38,478,223	\$22,856,205	\$244,492,505
Students Receiving Aid	26,076	12,064	6,673	11,596	56,409
Total Financial Aid Awarded Per Student	\$14,606	\$15,898	\$13,130	\$11,547	\$14,079

Management's Discussion and Analysis

In the Fall of 2010, the University enrolled a total of 71,596 students on its four campuses, a 3.2% increase from Fall 2009. Over the five-years ended Fall 2010, total Fall enrollment increased 12.3%. This increase has occurred across all four campuses, with the largest percentage increases at the Columbia and Missouri S&T campuses, which reflect 14.8%, and 23.0% increases, respectively, for the five-year period. Consistent with its mission as a major research institution, 25.5%, or 18,238, of the students enrolled as of the Fall 2010 semester were enrolled in graduate and professional programs.

*The following Management's Discussion and Analysis is excerpted from the financial statements of the University for the fiscal years ended June 30, 2010 and 2009. For the full discussion (which discussion is unaudited as noted therein), see the financial statements of the University for the fiscal years ended June 30, 2010 and 2009 included as **Appendix A** to this Official Statement.*

Financial Position of the University

At June 30, 2010, the University's financial position remained sound, with Total Assets of \$5.5 billion. Net Assets, which represent the residual value of the University's assets after deducting liabilities, totaled \$3.7 billion. When operating, non-operating, and other changes are included, Net Assets increased by approximately \$316 million in fiscal year 2010, driven primarily by a \$346 million increase in Investment and Endowment income as compared to fiscal year 2009.

Total Assets increased by \$700 million, or 14.5%, to \$5.5 billion as of June 30, 2010, compared to the prior year. The increase during fiscal year 2010 was driven primarily by the strong performance of the University's Investments combined with increasing liquidity resulting from continued spending restraints. At the same time, the University continued to expand Capital Assets across all of its campuses to meet housing, educational, and patient care needs. From fiscal year 2008 to fiscal year 2009, Total Assets decreased by 2.6%, primarily due to the impact of adverse market conditions on Investments.

At June 30, 2010, the University's working capital, which is current assets less current liabilities, was \$36.8 million, a decrease of \$24.2 million from the previous year. The largest driver of the decline was a \$79.6 decrease in short-term investments which was primarily related to a change in mix between short-term and long-term investments within the portfolio. With Current Assets above 1.0 times Current Liabilities, the University has adequate working capital reserves. As more fully discussed in Note 9, Current Liabilities include Long-Term Debt Subject to Remarketing, which totaled \$223.7 million and \$224.9 million at June 30, 2010 and 2009, respectively. Excluding such debt, which is not contractually due within one year, Current Assets would have been 1.45 and 1.51 times Current Liabilities at June 30, 2010 and 2009, respectively.

At June 30, 2010, the University held \$327.3 million in Cash and Cash Equivalents, an increase of \$74.4 million over June 30, 2009. The June 30, 2009 cash balances of \$252.9 million were \$85.9 million higher than June 30, 2008. The increase in cash at June 30, 2010 largely reflects the results of continued measures to limit spending during difficult budgetary times.

Long-Term and Short-Term Investments totaled \$2.1 billion as of June 30, 2010, representing an increase of 27.7% over the prior year as compared to a 16.2% decrease from fiscal year 2008 to fiscal year 2009. The increase in investment balances during fiscal year 2010 primarily reflects positive investment returns, increasing liquidity as a result of spending restraint, and unspent bond proceeds related to projects under construction at June 30, 2010. The financial markets were more favorable during fiscal year 2010; net realized and unrealized gains and losses improved by \$359.8 million, going from a net loss of \$240.2 million in fiscal year 2009 to a net gain of \$119.6 million in fiscal year 2010. The overall change in investment returns was most evident in the Balanced Pool, which experienced a net gain of 11.4% in fiscal year 2010 as compared to a net loss of 17.5% in fiscal year 2009.

At June 30, 2010, the University's investment in Capital Assets totaled \$2.5 billion compared to \$2.4 billion at June 30, 2009. The University added \$293.6 million in capital assets, net of retirements, during fiscal year 2010, offset by depreciation and transfers of \$152.1 million for the year. Fiscal year 2009 capital asset additions of \$296.6 million, net of retirements, were offset by \$131.2 million in depreciation.

Total Liabilities were \$384.1 million higher at June 30, 2010 as compared to June 30, 2009, but \$64.6 million lower at June 30, 2009 as compared to June 30, 2008. Significant changes in Current Liabilities at June 30, 2010 include a \$29.3 million increase in Accounts Payable; a \$13.1 million decrease in Funds Held for Others; and an \$8.4 million decrease in Investment Settlements Payable for purchases of investments occurring on or before June 30, but settling after June 30. Issuance of new bonds in fiscal year 2010, discussed below, represented the largest factor in increased liabilities at June 30, 2010.

Current Liabilities include long-term variable rate demand bonds subject to remarketing totaling \$223.7 million, \$224.9 million and \$226.1 million at June 30, 2010, 2009 and 2008, respectively, with final contractual maturities ranging from fiscal years 2031 to 2036. Despite contractual maturities beyond one year, these variable rate demand bonds are classified as current liabilities because the University is ultimately the sole source of liquidity should the option to tender be exercised by the bondholder.

Net Assets represent the value of the University's assets after liabilities are deducted. The University's total Net Assets increased by \$316.0 million during the year ended June 30, 2010, after decreasing by \$65.7 million in the year ended June 30, 2009. Changes in total Net Assets include the effects of changes in accounting principles as follows: a decrease of \$6.2 million in fiscal year 2010 (GASB Statement No. 53 Implementation); an increase of \$13.3 million in fiscal year 2009 (GASB Statement No. 52 Implementation); and an increase of \$19.9 million in fiscal year 2008 (GASB Statement Nos. 43 and 45 Implementations).

Total Net Assets are reflected in the four component categories as follows:

- *Invested in Capital Assets, Net of Related Debt*, represents the University's investment in capital assets, net of accumulated depreciation and outstanding debt related to acquisition, construction or improvement of those assets. This category decreased by \$55.6 million to \$1.49 billion in fiscal year 2010 after increasing by \$100.9 million in fiscal year 2009. Such changes are largely driven by the timing of debt issuance and the completion of associated construction projects.
- *Restricted Nonexpendable Net Assets* include endowment and similar assets that are subject to externally imposed stipulations for the principal to be maintained in perpetuity by the University. Realized and unrealized market gains contributed to a \$67.4 million, or 11.0%, increase in Restricted Non-expendable Net Assets during fiscal year 2010. Realized and unrealized market losses were largely responsible for a \$106.2, or 14.8%, decrease during fiscal year 2009.
- *Restricted Expendable Net Assets* are resources that are subject to externally imposed stipulations regarding their use, but are not required to be maintained in perpetuity. During fiscal year 2010, this category increased by \$8.4 million, or 2.5%, after a decrease of \$23.7 million, or 6.5%, in fiscal year 2009. As of June 30, 2010, this category includes:
 - \$244.2 million of net assets restricted for operations and endowment purposes compared to \$235.4 million at June 30, 2009;
 - \$75.6 million for student loan programs compared to \$78.4 million at June 30, 2009; and
 - \$32.4 million for facilities compared to \$30.0 million at June 30, 2009.
- *Unrestricted Net Assets* are not subject to externally imposed stipulations although these resources may be designated for specific purposes by the University's management or Board of Curators. This category increased by \$295.7 million, or 34.1%, to \$1.164 billion at June 30, 2010 after decreasing by \$36.7 million, or 4.1%, in fiscal year 2009. Maintaining adequate levels of unrestricted net assets is one of several key factors that have enabled the University to maintain its Aa1 credit rating. As of June 30, 2010 and 2009, University Health System designated funds totaled \$319.2 million and \$245.2 million, respectively; capital project-designated funds totaled \$188.5 million and \$99.3 million, respectively; student loan program-designated funds totaled \$8.0 million and \$3.8 million, respectively; and unrestricted funds functioning as endowments totaled \$100.8 million and \$90.9 million, respectively. The remaining Unrestricted Net Assets which are available for the University's instructional and public service missions and its general operations totaled \$547.4 million and \$429.0 million at June 30, 2010 and 2009, respectively.

Changes in Financial Position of the University

Operating Revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Total Operating Revenues increased by \$78.4 million, or 4.2% in fiscal year 2010, and by \$82.4 million, or 4.6% in fiscal year 2009. Grants and Contracts and Patient Medical Services contributed most significantly to the operating revenue gain in fiscal year 2010 while Net Tuition and Fees, Patient Medical Services, and Housing and Dining Services had the largest gains in the previous year. Nonoperating Revenues are those not generated by the University's core missions and include such funding sources as State and Federal Appropriations, Pell Grants, Private Gifts and Investment and Endowment Income.

Tuition and Fees, net of Scholarship Allowances, increased by \$13.1 million, or 2.9%, in fiscal year 2010 and by \$36.0 million, or 8.6%, in fiscal year 2009. The increases in both fiscal year 2010 and fiscal year 2009 were driven primarily by increases in student enrollment.

As a research institution, the University receives a substantial amount of funding through Federal, State and Private Grants and Contracts. Overall, sponsored funding increased by \$21.4 million, or 7.2%, in fiscal year 2010 compared to a slight decrease of 0.8% in fiscal year 2009. Increases in Federal, State, and Local grants offset a slight decline in Private Grants and Contracts in fiscal year 2010.

The University's auxiliary enterprises include the University Health System, Housing and Dining Services, campus Bookstores, and other such supplemental activities. Total operating revenues generated by these auxiliary enterprises increased by \$63.5 million, or 6.2%, in fiscal year 2010 as compared to an increase of \$38.7 million, or 3.9%, in fiscal year 2009. Patient Medical Services, which includes fees for services provided by the University Health System, had the largest increase in both fiscal year 2010 and 2009 at \$34.4 million, or 4.9%, and \$21.1 million, or 3.1%, respectively.

Total State Appropriations received for University operations, University Health System operations, and other special programs increased by \$18.9 million, or 3.9%, in fiscal year 2010, and by \$17.2 million, or 3.7%, in fiscal year 2009. Continuing general operating appropriations were held flat in fiscal year 2010 as compared to fiscal year 2009. New general operating funding of \$23.5 million was received in fiscal year 2010 for the Caring for Missourians initiative, but was offset by reductions in funding for several other programs such as MOREnet and the University Health System.

As one of the more volatile sources of nonoperating revenues, Investment and Endowment Income includes interest and dividend income as well as realized and unrealized gains and losses. Realized and unrealized market value gains, losses and other activity affecting Investment and Endowment Income contributed to a net gain of \$172.8 million in fiscal year 2010 as compared to a net loss of \$173.4 million in fiscal year 2009. This represents an increase in Investment and Endowment Income of \$346.2 million for the year ended June 30, 2010, as compared to a \$219.0 million decrease for the year ended June 30, 2009.

Gift income is reflected in three categories: Private Gifts, Capital Gifts and Grants (which are restricted for adding or improving capital assets) and Private Gifts for Endowments (which are restricted for establishing endowments). Private Gifts and Grants can fluctuate significantly from year to year due to the voluntary nature of donors' gifts. In fiscal year 2010, the University received gifts totaling \$92.8 million, as compared to \$86.7 million and \$102.0 million for fiscal year 2009 and fiscal year 2008, respectively.

In fiscal year 2010, State Capital Appropriations of \$14.2 million represented a decrease of \$3.6 million from fiscal year 2009. Fiscal year 2010 State Capital Appropriations included \$4.3 million for the Thompson Center for Autism (Columbia campus), \$3.7 million for Missouri Psychiatric Center (Columbia campus), and \$2.8 million for Pharmacy and Nursing shell space (Kansas City campus).

In fiscal year 2009, the University received additional proceeds of \$2.6 million related to the 2007 sale of Missouri Care L.C., which had been a component unit of the University. The additional proceeds received in fiscal year 2009 and the initial proceeds of \$19.3 million received in fiscal year 2007 were recorded as an extraordinary item in the Statement of Revenues, Expenses and Changes in Net Assets for the respective fiscal years.

Total Operating Expenses increased by \$53.1 million, or 2.2%, in fiscal year 2010 compared to an increase of \$73.9 million or 3.2% in fiscal year 2009.

During fiscal year 2010 and fiscal year 2009, Salaries, Wages and Benefits increased approximately 1.8% and 3.4%, respectively, over the prior fiscal year. Beyond a small pool for faculty and staff promotions, these increases were primarily attributable to salaries funded by increased grant support and associated activities, as well as auxiliary enterprise growth driven by increased enrollment.

In fiscal year 2010 and fiscal year 2009, the University's Supplies, Services, and Other Operating expenses of \$676.4 million and \$672.7 million increased by just \$3.7 million, or 0.5%, and \$10.4 million, or

1.6%, respectively, over the prior fiscal year. These minimal increases year over year have been due to tight controls over expenses in response to budgetary constraints caused by the downturn in the economy.

The core missions of instruction, research, and public service account for the largest proportion of Operating Expenses at 37.2% for fiscal year 2010. The University Health System constitutes the next highest proportion at 28.2% of expenses for fiscal year 2010. Institutional support, which represents the core administrative operations of the University, was only 4 to 5 cents of each dollar spent during this 5-year period.

Statement of Cash Flows of the University

The Statement of Cash Flows provides information about the University's sources and uses of cash and cash equivalents during the fiscal year.

Net Cash Used in Operating Activities reflects the continued need for funding from the state of Missouri, as funding received from tuition and fees and related sales and services of auxiliary and educational activities are not sufficient to cover operational needs. In fiscal year 2010, \$62.1 million less cash was used in operating activities as compared to fiscal year 2009 due primarily to increased cash inflows from tuition and fees, sales and services of educational activities and other auxiliaries, student housing fees, and patient revenues, combined with a reduction in payments to suppliers. In fiscal year 2009, cash used in operating activities decreased by \$44.7 million from fiscal year 2008.

The University's most significant source of cash, Net Cash Provided by Noncapital Financing Activities, includes funding from State and Federal appropriations, Pell grants and noncapital private gifts. Cash from these sources totaling \$622.4 million, \$595.3 million and \$583.4 million in fiscal year 2010, fiscal year 2009 and fiscal year 2008, respectively, directly offset the additional cash needs resulting from operations.

Net Cash Provided by Capital and Related Financing Activities was \$5.7 million in fiscal year 2010 due largely to the bond issue in July 2009 and related unspent bond proceeds associated with capital projects still under construction at June 30, 2010. Net Cash Used in Capital and Related Financing Activities of \$306.2 million in fiscal year 2009 was due to the completion of capital projects funded by the previous bond issue in fiscal year 2008.

Net Cash Provided by Investing Activities reflects net cash outflows of \$288.9 million in fiscal year 2010, consistent with growth in the University's investments, which includes the temporary investment of unspent bond proceeds. In fiscal year 2009, the University had net cash inflows of \$123.8 million, primarily driven by a shift in investment balances to cash equivalent largely as a result of uncertainties that existed in the markets.

Discretely Presented Component Unit

The University operates the University of Missouri-Columbia Medical Alliance (the "***Medical Alliance***"), a not-for-profit entity, and previously operated Missouri Care L.C., a not-for-profit entity that the University sold in January 2007. The Medical Alliance is reflected in the financial statements of the University as a discretely presented component unit of the University; however, since fiscal year 2008, Missouri Care L.C. is no longer a discretely presented component unit of the University.

The Medical Alliance was established to facilitate the creation of an integrated healthcare delivery system for mid-Missouri. Capital Region Medical Center in Jefferson City, Missouri, operates as an affiliate of the Medical Alliance and provides inpatient, outpatient and emergency care services to the surrounding community. The Medical Alliance ended the fiscal year ended June 30, 2010 with a \$11.0 million increase in net assets compared to a \$8.5 million increase in the fiscal year ended June 30, 2009.

Retirement Trust and OPEB Trust

The University operates the University of Missouri Retirement, Disability and Death Benefit Plan (the “**University Retirement Plan**”) and the University of Missouri Other Post-employment Benefits Plan (the “**OPEB Plan**” and collectively with the University Retirement Plan, the “**Plan**”), which are single employer, defined benefit plans. The assets of the Plan are held in trust and are restricted for use only to pay for benefits and expenses of the Plan. Therefore, these net assets and changes in net assets are reflected separately from the operations of the University. The table below sets forth comparative summary financial statements for the Plan as of and for the three years ended June 30, 2010.

Summary Financial Information of the Plan (in thousands)

Net Assets Held for Plan	Fiscal Years Ended June 30,		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Assets:			
Cash and Cash Equivalents and Collateral for Securities Lending	\$ 424,641	\$ 304,880	\$ 366,197
Investments and Related Receivables	<u>3,022,612</u>	<u>2,231,927</u>	<u>2,354,558</u>
Total Assets	<u>3,447,253</u>	<u>2,536,807</u>	<u>2,720,755</u>
Liabilities:			
Payables and Accrued Liabilities	402,571	149,859	64,892
Collateral for Securities Lending	<u>294,781</u>	<u>221,242</u>	<u>277,747</u>
Total Liabilities	<u>697,352</u>	<u>371,101</u>	<u>342,639</u>
Net Assets Held in Trust for Retirement and OPEB	<u>\$2,749,901</u>	<u>\$2,165,706</u>	<u>\$2,378,116</u>
Changes in Plan Net Assets			
Net Revenues and Other Additions:			
Net Investment Income (Loss)	\$ (166,575)	\$ (518,503)	\$ 283,516
Contributions	<u>140,479</u>	<u>94,520</u>	<u>94,563</u>
Total Net Revenues and Other Additions (Deductions)	<u>(26,096)</u>	<u>(423,983)</u>	<u>378,079</u>
Expenses and Other Deductions:			
Administrative Expenses	2,173	2,752	2,722
Payments to Retirees and Beneficiaries	<u>152,864</u>	<u>157,460</u>	<u>162,947</u>
Total Expenses and Other Deductions	<u>155,037</u>	<u>160,212</u>	<u>165,669</u>
Increase (Decrease) in Net Assets Held in Trust for Retirement and OPEB	(181,133)	(584,195)	212,410
Net Assets Held in Trust for Retirement and OPEB, Beginning of Year	<u>2,931,034</u>	<u>2,749,901</u>	<u>2,165,706</u>
Net Assets Held in Trust for Retirement and OPEB, End of Year	<u>\$2,749,901</u>	<u>\$2,165,706</u>	<u>\$2,378,116</u>

Net assets held for the Plan increased \$212.4 million, from \$2.17 billion at fiscal year ended June 30, 2009 to \$2.38 billion at fiscal year ended June 30, 2010. This increase is a result of a net investment income of \$283.5 million, partially offset by the \$71.1 million excess of payments of benefits to retirees and related expenses over the University's and employees' contributions. See Notes 3, 12, 13 and 16 of the Notes to Financial Statements of the University included as **Appendix A**.

For the year ended June 30, 2010, the Plan experienced a total investment return of 12.7% compared to (18.4)% for the year ended June 30, 2009. The 12.7% investment return for the fiscal year ended June 30, 2010 compares to the benchmark index of 12.7%. The allocation of the Plan Investments for the fiscal year ended June 30, 2010 is shown in the following table.

Plan Investments
Fiscal Year ended June 30, 2010

	<u>Asset Distribution</u>	<u>Total Return</u>	<u>Benchmark Index Return ⁽¹⁾</u>
Domestic Equities	16.8%	17.0%	15.7%
International Equities	12.9	10.6	6.4
Emerging Markets Equities	7.1	23.9	24.1
Alternative Investments – Absolute Return	5.5	15.5	5.2
Alternative Investments – Private Equity	3.3	18.5	19.3
Real Estate	4.6	(20.8)	(9.6)
Global Fixed Income	15.9	8.1	4.2
TIPS	16.3	10.9	9.5
High Yield/Bank Loans ⁽²⁾	12.4	N/A	N/A
Emerging Markets Debt ⁽²⁾	5.3	N/A	N/A
Total (Composite)	100%	12.7%	12.7%

⁽¹⁾ Benchmark index returns are calculated by independent investment consultants based on returns of similar security portfolios.

⁽²⁾ Total Return and Benchmark Index Return information is unavailable because allocation to this Plan Investment occurred late in fiscal year 2010.

As of October 1, 2009, the most recent actuarial valuation date, the University Retirement Plan was 100.9% funded, down from 102.7% funded as of October 1, 2008, based upon the actuarial and other assumptions set forth in the report. The actuarial accrued liability for benefits was \$2,819,524,000 and the actuarial value of the assets was \$2,843,422,000, resulting in excess funding of \$23,898,000. The covered payroll (annual payroll of active employees covered the University Retirement Plan) was \$970,060,000, and the ratio of excess funding to covered payroll was 2.5%. The market value of the University Retirement Plan assets was 6% less than the actuarial value of assets as of the October 1, 2009 valuation date. This difference (deferred investment loss) will be recognized (along with any other investment losses/gains subsequent to the valuation date) over the next few years under the current actuarial asset smoothing method. The University made required contributions to the University Retirement Plan in fiscal year 2010 at 4.9% of covered payroll, compared to 5.9% of covered payroll in fiscal year 2009. See Note 12 of the Notes to Financial Statements of the University included as **Appendix A**.

Other Post-Employment Benefits

Under the OPEB Plan, the University provides post-employment benefits to eligible retirees and long-term disability claimants, including medical, dental, and life insurance benefits. The terms and conditions governing the post-employment benefits to which its employees are entitled are at the sole authority and discretion of the University's Board of Curators. Effective June 2008, the University established a trust, the assets of which are irrevocable and legally protected from creditors and dedicated to providing post-employment benefits in accordance with terms of the plan. Contribution requirements of employees and the University are established and may be amended by the University's management.

Effective for fiscal year 2008, the University adopted Government Accounting Standards Board Statement Nos. 43 and 45, which establish requirements for financial reporting for post-employment benefits other than pension plans.

Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits, Other Than Pensions* (GASB 45) requires the University to recognize actuarially estimated costs of its post-employment benefit plan and to provide certain related disclosures. As the University established an irrevocable trust fund to manage its post-employment benefit costs in June 2008, Governmental Accounting Standards Board Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 43) is also applicable. GASB 43 requires financial reporting and disclosures for post-employment benefit plans. In adopting these standards, the University recognized the effect of a change in accounting principal, which increased net assets by \$19,916,000 as a result of writing off previously established benefit reserves that were not in accordance with the new requirements.

The Annual Required Contribution (ARC) represents a level of funding that an employer is projected to need in order to prefund its obligations for postemployment benefits over its employees' years of service. The University has no obligation to make contributions in advance of when insurance premiums or claims are due for payment and currently funds postemployment benefits at a level no less than the pay-as-you-go basis. In fiscal year 2010, the University contributed \$23,789,000, or 45.3% of the ARC, which was \$52,563,000 and represented 5.2% of annual covered payroll. In fiscal year 2009, the University contributed \$23,789,000 or 50% of the ARC, which was \$47,578,000 and represented 5.1% of annual covered payroll.

As of July 1, 2009, the OPEB Plan was 5.7% funded. The actuarial accrued liability (AAL) for postemployment benefits was \$646,655,000 with \$37,171,000 in actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$609,484,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,009,800,000, and the ratio of UAAL to covered payroll was 60.4%.

TAX MATTERS

The following is a summary of the material federal and State of Missouri income tax consequences of purchasing, owning and disposing of the Series 2010A Bonds. This summary is based on the Code, as well as the Treasury Regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is not a complete analysis or description of all potential federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular owners of the Series 2010A Bonds and does not address federal alternative minimum tax, gift tax or estate tax, or state, local or other tax consequences. *This summary is intended as a general explanatory discussion of the consequences of holding the Series 2010A Bonds and does not purport to furnish information in the level of detail or with the investor's special circumstances that would best be provided by an investor's own tax advisor.* For example this summary generally is only addressed to original purchasers of the Series 2010A Bonds that are "**U.S. Bondowners**" (as defined below), deals only with those Series 2010A Bonds held as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code and does not address tax consequences to owners that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt organizations, broker-dealers, traders in securities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, FASITs, S corporations, partnerships, or any other pass-thru entity treated as a partnership for federal income tax purposes, grantor trusts, small business investment companies, former citizens of the United States, taxpayers who may be subject to personal holding company provisions of the Code, persons that hold Series 2010A Bonds as a hedge against, or that are hedged against, currency risks or that hold Series 2010A Bonds as a part of a hedge straddle, conversion or

other integrated transaction, persons who have hedged the interest rate risks of ownership of the Series 2010A Bonds, or persons whose functional currency (as defined in Section 985 of the Code) is not the United States dollar. In addition, this summary does not address the indirect consequences to a holder of an equity interest in an owner of the Series 2010A Bonds.

As used herein, the term ***“U.S. Bondowner”*** means a beneficial owner of the Series 2010A Bonds that is for United States federal income tax purposes (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof (except in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), (iii) an estate the income of which is subject to United States federal income taxation without regard to its source, (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantive decisions of the trust, or (b) the trust validly elects to be treated as a United States person for United States federal income tax purposes, or (v) any other person whose income or gain in respect of the Series 2010A Bonds is effectively connected with the conduct of a United States trade or business.

For purposes of this summary, a ***“Foreign Investor”*** is any beneficial owner of Series 2010A Bonds that is not a U.S. Bondowner. Generally, distributions with respect to the Series 2010A Bonds to a Foreign Investor that has no connection with the United States other than holding its Series 2010A Bond will be made free of withholding tax, as long as the Foreign Investor has complied with certain tax identification and certification requirements.

Treasury Circular 230 Disclosure Regarding the Series 2010A Bonds. Pursuant to United States Treasury Department Circular 230, (1) any discussion of federal tax issues arising with respect to the Series 2010A Bonds contained in or referred to in this Official Statement or any document referred to herein is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding any federal tax penalties that may be imposed on the taxpayer, (2) such discussion is written to support the promotion or marketing of the Series 2010A Bonds, and (3) each taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor.

Build America Bonds and Qualified Bonds. As part of the Recovery Act, the United States Congress added provisions to the Code that permit state or local governments to obtain certain tax advantages when issuing certain taxable obligations, referred to as “Build America Bonds” and as “qualified bonds.” “Build America bonds” and “qualified bonds” must satisfy certain requirements including that the interest on the “Build America Bonds” would be, but for the issuer’s election to treat such bonds as “Build America Bonds,” excludable from gross income under Section 103 of the Code. The University is making irrevocable elections to apply Section 54AA of the Code to the Series 2010A Bonds so that the Series 2010A Bonds may be “Build America Bonds” under Section 54AA(d) and “qualified bonds” under Section 54AA(g).

As a result, interest on the Series 2010A Bonds is not excluded from gross income of the holders thereof for federal income tax purposes and the holders of the Series 2010A Bonds will not be entitled to any tax credits as a result either of ownership of the Series 2010A Bonds or of receipt of any interest payments on the Series 2010A Bonds. Owners of the Series 2010A Bonds should consult their tax advisors with respect to the inclusion of interest on the Series 2010A Bonds in gross income for federal income tax purposes. Federal tax law contains a number of requirements and restrictions that apply to the Series 2010A Bonds in order for them to be “Build America Bonds” and “qualified bonds.” The University is not covenanting to comply with requirements that must be satisfied in order for the Series 2010A Bonds to qualify as “Build America Bonds” and “qualified bonds” under Code Section 54AA. As of the date hereof, the University reasonably intends to comply with such Code provisions necessary to maintain the qualifications of the Series 2010A under Section 54AA of the Code and is presently able to do so. Failure to comply with such requirements could prevent the allowance of the Interest Subsidy Payments retroactively to the date of issuance of the Series 2010A Bonds.

As a consequence of the Series 2010A Bonds being “Build America Bonds” and “qualified bonds” under Sections 54AA(d) and 54AA(g) of the Code, the University will be entitled to apply for the Interest Subsidy Payments. If for any reason the Series 2010A Bonds cease to be “Build America Bonds” that are “qualified bonds” under Sections 54AA(d) and 54AA(g) of the Code, the University will not be entitled to receive such Interest Subsidy Payments.

Under Section 6431 of the Code, the University must apply in order to receive the Interest Subsidy Payments directly from the United States. The amount of each Interest Subsidy Payment with respect to the Series 2010A Bonds determined in accordance with Section 6431 of the Code is 35% of interest payable on each interest payment date.

Under currently existing procedures, the University is required to file a tax return between 90 and 45 days prior to each interest payment date in order to receive the related Interest Subsidy Payment by each interest payment date. If the University fails to file the necessary tax return requesting an Interest Subsidy Payment between 90 and 45 days prior to the related interest payment date, the Interest Subsidy Payment may not be received by such interest payment date. Also, the Interest Subsidy Payments are subject to offset by certain amounts that may, for unrelated reasons, be owed by the University to any agency of the United States. Furthermore, the amount of the Interest Subsidy Payments is subject to legislative changes by the United States Congress. The Interest Subsidy Payments are also not full faith and credit obligations of the United States.

Taxability of Interest on Series 2010A Bonds. The opinion of Thompson Coburn LLP, Bond Counsel, to be delivered upon the issuance of the Series 2010A Bonds will state that, under existing law, interest on the Series 2010A Bonds (a) is not excluded from gross income for federal income tax purposes but (b) is exempt from income taxation by the State of Missouri.

Bond Counsel’s opinion is based on Bond Counsel’s knowledge of facts as of the date thereof. Further, Bond Counsel’s opinion is based on existing legal authorities, cover certain matters not directly addressed by such authorities and represent Bond Counsel’s legal judgment as to the proper treatment of the Series 2010A Bonds for federal and State of Missouri income tax purposes. Such opinion is not a guarantee of result and are not binding on the Service or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the University, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Service. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences arising with respect to the Series 2010A Bonds.

All prospective purchasers of the Series 2010A Bonds should consult their own tax advisors as to the applicability and the impact of any other tax consequences (which may depend upon their particular tax status or other tax items) as well as to the treatment of interest on the Series 2010A Bonds under state or local laws other than those of the State of Missouri.

Federal, state or local legislation, if enacted in the future, may cause interest on the Series 2010A Bonds to be subject, directly or indirectly, to State of Missouri income taxation or otherwise adversely affect the federal, state or local tax consequences of ownership or disposition of, and, whether or not enacted, may adversely affect the value and liquidity of, the Series 2010A Bonds.

Certain Federal Tax Consequences. The Code contains a number of provisions relating to the federal taxation of taxable obligations such as the Series 2010A Bonds (including but not limited to the federal income tax treatment of and accounting for interest, premium, original issue discount and market discount

thereon, gain from the sale, exchange or other disposition thereof and withholding and backup withholding tax on income therefrom) that may affect the taxation of certain bondowners, depending on their particular tax situations. Bond Counsel expresses no opinion regarding the effect of such provisions.

Payments of Interest. Payments of interest on the Series 2010A Bonds generally will be taxable to a bondowner as ordinary income for federal income tax purposes at the time such payments are accrued or received (in accordance with the bondowner's method of tax accounting). A cash basis bondowner will generally include interest in gross income when received (or when made available for receipt, if earlier). An accrual basis bondowner will generally include interest in gross income when all events necessary to establish the right to receive such interest have occurred.

Premium. If a bondowner purchases a Series 2010A Bond for an amount that is greater than the sum of all amounts payable on such Series 2010A Bond after the purchase date other than payments of qualified stated interest, such bondowner will be considered to have purchased such Series 2010A Bond at a "premium" and may elect to deduct the "amortizable bond premium."

A bondowner may elect to amortize such premium using a constant yield method over the remaining term of such Series 2010A Bond and may offset interest otherwise required to be included in income in respect of such Series 2010A Bond during any taxable year by the amortized amount of such premium for the taxable year. The amount amortized in any year will be treated as a reduction of the bondowner's adjusted tax basis in such Series 2010A Bond. However, if the Series 2010A Bond may be optionally redeemed after the bondowner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply which could result in a deferral of the amortization of some bond premium until later in the term of such Series 2010A Bond. Any election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by the bondowner and may be revoked only with the consent of the Service. Bond premium on a Series 2010A Bond held by a bondowner that does not make such an election will decrease the gain or increase the loss otherwise recognized on disposition of such Series 2010A Bond.

Market Discount. If a Series 2010A Bond is purchased at any time for a price that is less than its stated redemption price at maturity, such bondowner will be treated as having purchased such Series 2010A Bond at a "market discount," unless such market discount is less than a statutorily specified de minimis amount.

Under the market discount rules, a bondowner will be required to treat any partial principal payment on, or any gain realized on the sale, exchange, retirement or other disposition (including certain nontaxable dispositions such as gifts) of, such Series 2010A Bond as ordinary income for federal income tax purposes to the extent of the market discount which has not previously been included in gross income for federal income tax purposes and is treated as having accrued on such Series 2010A Bond at the time of such payment or disposition. A bondowner may instead elect to include market discount in gross income for federal income tax purposes each taxable year as it accrues with respect to all debt instruments (including a Series 2010A Bond) acquired in the taxable year for which the election is made. Such election would apply to the taxable year for which it is made and for all subsequent taxable years and could be revoked only with the consent of the Service.

Also, a bondowner who acquires a Series 2010A Bond with market discount may be required to defer, until the maturity of the Series 2010A Bond or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry such Series 2010A Bond, unless an election is made to include in gross income market discount currently as it accrues as described above.

The accrued market discount on a Series 2010A Bond is generally determined on a ratable basis, unless the bondowner elects with respect to such Series 2010A Bond to determine accrued market discount under a constant yield method similar to that applicable to original issue discount.

Election to Treat All Interest as Original Issue Discount. Bondowners generally may elect, with respect to a Series 2010A Bond acquired in the taxable year for which such election is made, to include in gross income for federal income tax purposes each taxable year all interest, including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium, that accrues on such Series 2010A Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. Such election would apply to the taxable year for which it is made and for all subsequent taxable years and could be revoked only with the consent of the Service.

Redemption, Sale, Exchange or Other Disposition. Upon the redemption, sale, exchange or other disposition of a Series 2010A Bond, a bondowner generally will recognize taxable gain or loss for federal income tax purposes equal to the difference between the amount realized on the redemption, sale, exchange or other disposition (other than amounts representing accrued qualified stated interest which will be taxable as such) and such bondowner's adjusted tax basis in the Series 2010A Bond. Defeasance of the Series 2010A Bonds, as applicable, may result in a reissuance (or deemed exchange) thereof for federal income tax purposes, in which event a bondowner will recognize taxable gain or loss as described in the preceding sentence. A bondowner's adjusted tax basis in a Series 2010A Bond generally will equal such bondowner's initial investment in such Series 2010A Bond increased by any original issue discount included in such bondowner's gross income (and accrued market discount, if any, if the bondowner has included such market discount in such bondowner's gross income) and decreased by the amount of any payments received, other than qualified stated interest payments, and bond premium amortized with respect to such Series 2010A Bond by such bondowner. Subject to the market discount rules discussed above, such gain or loss generally will be long-term capital gain or loss if such Series 2010A Bond was held by such bondowner for more than one year. Also, the deductibility of capital losses is subject to certain limitations.

LITIGATION

There is not now pending or, to the knowledge of the University, threatened any litigation (a) to restrain or enjoin the issuance or delivery of the Series 2010A Bonds, (b) challenging the proceedings or authority under which the Series 2010A Bonds are to be issued, (c) materially affecting the security for the Series 2010A Bonds, or (d) which would otherwise materially adversely affect the financial condition of the University.

LEGAL MATTERS

Legal matters incident to the authorization, sale and delivery of the Series 2010A Bonds are subject to the approval of Thompson Coburn LLP, St. Louis, Missouri, Bond Counsel, whose approving opinions will be delivered with the Series 2010A Bonds. The proposed form of opinion of Bond Counsel is attached hereto as **Appendix D**. Certain legal matters will be passed upon for the University by Steven J. Owens, Esq., General Counsel to the University, and by Gilmore & Bell, P.C., Kansas City, Missouri, as Disclosure Counsel to the University, and for the Underwriters by Greenberg Traurig LLP, Boston, Massachusetts.

The various legal opinions to be delivered concurrently with the delivery of the Series 2010A Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein.

By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transactions opined upon, or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

CONTINUING DISCLOSURE

The University will execute a Continuing Disclosure Certificate for the benefit of the owners and Beneficial Owners of the Series 2010A Bonds and in order to assist the Underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “**Rule**”). The University is the only “obligated person” with responsibility for continuing disclosure.

Annual Reports

Pursuant to the Continuing Disclosure Certificate, the University will, or will cause the Dissemination Agent (initially the University) to, not later than 180 days after the end of the University’s fiscal year beginning with the fiscal year ending June 30, 2011, provide to the Municipal Securities Rulemaking Board (“**MSRB**”) through the Electronic Municipal Market Access system (“**EMMA**”) operated by the MSRB the following financial information and operating data (the “**Annual Report**”):

(a) The audited financial statements of the University for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Governmental Accounting Standards Board. If the University’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to the Continuing Disclosure Certificate, the Annual Report will contain unaudited financial statements in a format similar to the financial statements contained in this Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

(b) The audited financial statements of the System Facilities Revenue Bond Fund for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Governmental Accounting Standards Board. If the audited financial statements of the System Facilities Revenue Bond Fund are not available by the time the Annual Report is required to be filed pursuant to the Continuing Disclosure Certificate, the Annual Report will contain unaudited financial statements in a format similar to the financial statements contained in this Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

(c) Updates as of the end of the prior fiscal year of certain financial information and operating data contained in the final Official Statement in substantially the same format contained in the final Official Statement, as follows:

- (1) PLEDGED REVENUES OF THE SYSTEM – Historical Pledged System Revenues;
- (2) FINANCIAL AND OPERATING INFORMATION – University Health System Utilization Data;
- (3) FINANCIAL AND OPERATING INFORMATION – University Health System Summary Financial Information;
- (4) FINANCIAL AND OPERATING INFORMATION – University Health System Sources of Patient Service Revenue;
- (5) FINANCIAL AND OPERATING INFORMATION – Enrollment (Full- and Part-Time);
- (6) FINANCIAL AND OPERATING INFORMATION – Student Applications, Acceptances and Matriculations;

- (7) FINANCIAL AND OPERATING INFORMATION – Student Quality Indicators;
- (8) FINANCIAL AND OPERATING INFORMATION – Full-Time Ranked Faculty;
- (9) FINANCIAL AND OPERATING INFORMATION – Endowment Funds and Other Investments;
- (10) FINANCIAL AND OPERATING INFORMATION – Undergraduate Student Fees;
- (11) FINANCIAL AND OPERATING INFORMATION – Financial Aid;
- (12) FINANCIAL AND OPERATING INFORMATION – Summary Financial Information of the Plan; and
- (13) FINANCIAL AND OPERATING INFORMATION – Plan Investments.

Event Notices

Pursuant to the Continuing Disclosure Certificate, the University also will give, or cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Series 2010A 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 determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2010A Bond, or other material events affecting the tax status of the Series 2010A 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 Series 2010A Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the University;
- (13) the consummation of a merger, consolidation, or acquisition involving the University or the sale of all or substantially all of the assets of the University, 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; and
- (15) failure of the University to file with the MSRB an Annual Report for any fiscal year by the deadline for the filing prescribed above.

The University is required to file an event notice with the MSRB, through EMMA, promptly after the occurrence of any of the Material Events listed above, but no later than 10 business days after the occurrence of the Material Event.

Other Terms

The University may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent is not responsible in any manner for the content of any notice or report prepared by the University pursuant to the Continuing Disclosure Certificate. The initial Dissemination Agent is the University.

Notwithstanding any other provision of the Continuing Disclosure Certificate, the University and the Dissemination Agent may amend the Continuing Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the University) and any provision of the Continuing Disclosure Certificate may be waived, provided Bond Counsel or other counsel experienced in federal securities law matters provides the Dissemination Agent with its opinion that the undertaking of the University, 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 the Continuing Disclosure Certificate.

In the event of a failure of the University or the Dissemination Agent to comply with any provision of the Continuing Disclosure Certificate, the Dissemination Agent may (and, at the request of the Underwriters or the owners of at least **25%** aggregate principal amount of Outstanding Bonds, shall), or any owner or Beneficial Owner of the Series 2010A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the University or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Certificate. A default under the Continuing Disclosure Certificate shall not be deemed an event of default under the Resolution and the sole remedy under the Continuing Disclosure Certificate in the event of any failure of the University or the Dissemination Agent to comply with the Continuing Disclosure Certificate shall be an action to compel performance.

Electronic Municipal Market Access System (EMMA)

All Annual Reports and notices of Material Events required to be filed by the University or the Dissemination Agent pursuant to the Continuing Disclosure Certificate must be submitted to the MSRB through the 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 University or any Prior System Bonds is incorporated by reference in this Official Statement.

The voluntary quarterly reports described below prepared by the University with respect to the University Health System are also submitted by the University to the MSRB through EMMA and are available to all persons at the EMMA website.

Compliance with Prior Continuing Disclosure Undertakings

In the past five years, the University has not failed to comply in any material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events. The University was late, however, in submitting the fiscal year 2005 audited financial statements to the national repositories due to delays in completing the audit of the financial statements for fiscal year 2005 after the change in independent auditors for that fiscal year.

Voluntary Quarterly Reports – University Health System

The University is not required by the Continuing Disclosure Certificate (or any previous continuing disclosure undertaking made by the University) to make any quarterly filings with EMMA of financial information or operating data with respect to the University or the System Facilities (including the University Health System). The University does, however, make voluntary quarterly filings with the MSRB, through EMMA, of selected consolidated quarterly and year-to-date, actual, budgeted and actual compared to budget balance sheet information and statement of revenues, expenses and changes in net assets of the University Health System.

The University presently intends to continue to make voluntary filings with EMMA of this or similar financial information for the University Health System for the foreseeable future, but is not obligated to do so under the Continuing Disclosure Certificate or any similar undertaking or agreement by the University.

Website Information

In addition, the University maintains a public website on which it posts:

- Audited Financial Statements of the University, the University Health System and the System Facilities Revenue Bond Fund
- Summaries of University debt
- Offering documents relating to University debt
- University Debt Policy
- Annual Operating Budgets
- Annual Appropriations Requests
- Endowment Fund Information
- Retirement Fund Information
- Finance & Administration Strategic Plan

Certain of the foregoing information is available on the webpage for the University of Missouri System, Office of the Treasurer, at www.umsystem.edu/ums/departments/fa/treasurer/index.shtml. None of the information included on the University's website is incorporated by reference into this Official Statement.

FINANCIAL ADVISOR

The University has retained Prager, Sealy & Co., LLC San Francisco, California, as Financial Advisor (the "**Financial Advisor**") for the sale of the Series 2010A Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness of fairness or the information contained in this Official Statement. In addition to providing financial advisory services, the Financial Advisor is also engaged in the business of underwriting, trading, and distribution municipal and other public securities.

FINANCIAL STATEMENTS

The following financial statements of the University are included as Appendices to this Official Statement:

- Audited Financial Statements of the University of Missouri System for the fiscal years ended June 30, 2010 and 2009, included as **Appendix A**; and
- Audited Financial Statements of the University of Missouri System - System Facilities Revenue Bond Fund for the fiscal years ended June 30, 2010 and 2009, included as **Appendix B**.

Each of these financial statements has been audited by KPMG LLP, independent auditors, as stated in their reports, which also appear in **Appendices A** and **B**, respectively.

RATINGS

Standard & Poor's Ratings Services and Moody's Investors Service, Inc. have assigned the Series 2010A Bonds the ratings of "AA+" and "Aa1," respectively. These ratings reflect only the respective views of

those organizations at the time the ratings were given. An explanation of the significance of those ratings may be obtained from the respective rating agencies.

The University furnished the rating agencies with certain information and materials relating to the Series 2010A Bonds and the University that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies.

There is no assurance that a particular rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by either or both rating agencies if, in the judgment of either or both, circumstances so warrant. Any downward change or withdrawal of the ratings may have an adverse effect on the market price and marketability of the Series 2010A Bonds.

UNDERWRITING

The Series 2010A Bonds are being purchased for reoffering by the underwriters named on the cover page (collectively, the ***“Underwriters”***), for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated will act as representative, pursuant to a Bond Purchase Agreement between the University and the Underwriters. The Underwriters have agreed to purchase all, but not less than all, of the Series 2010A Bonds at a price of \$251,414,440.03 (which gives effect to an underwriting discount in the amount of \$870,559.97).

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, an underwriter of the Series 2010A Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2010A Bonds.

The Underwriters may offer and sell the Series 2010A Bonds to certain dealers (including dealers depositing the Series 2010A Bonds into investment trusts) and others at prices lower than the public offering price stated on the cover page. The initial public offering price may be changed from time to time by the Underwriters.

MISCELLANEOUS

The references to and summaries of the Resolution, and other documents referred to herein and in **Appendix C**, and to the laws of the State, do not purport to be complete, and all such references are qualified in their entirety by reference to the complete provisions thereof. Copies of all documents referred to herein are on file with the Financial Advisor and the University and may be obtained, without charge, by written request. All estimates and other 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 attached appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The closing documents will include a certificate by the proper official of the University that, to the best of his or her knowledge and belief at the time of the acceptance of the delivery of the Series 2010A Bonds, this Official Statement and any information furnished by the University supplementary thereto did not and do not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made in light of the circumstances under which they were made, not misleading in any material respect.

This Official Statement has been duly authorized and approved by the University and duly executed and delivered on its behalf by the official signing below.

**THE CURATORS OF THE UNIVERSITY OF
MISSOURI**

By /s/ Natalie Krawitz
Vice President for Finance and Administration

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APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY OF MISSOURI SYSTEM
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

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2010 FINANCIAL REPORT



University of Missouri System

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

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Message from the President

In so many ways, the four campuses of the University of Missouri System advance the education, economy, health, culture and overall prosperity of the state and the citizens we serve. Whether through our classrooms, network of hospitals and telehealth locations, statewide research parks, incubators and agriculture experiment stations, or our small business technology development centers and extension centers, our impact can be felt in all four corners of the state and beyond as we work to educate Missourians and help drive the economy of our state.

We take our responsibilities seriously. The quality of our academic programs continues to draw record numbers of students. In FY 2010, our enrollment grew to more than 71,000, bringing our growth in enrollment since fall 2000 to 15,600 students. We demonstrated our commitment to access and affordability this past year by holding tuition for Missouri resident undergraduate students to the 2009 rate. And, we have continued to support student access with increased institutional financial aid, adding \$5 million in FY 2010.

As good stewards of the resources entrusted to us and with a commitment to transparency, we implemented this past year a set of nearly 80 accountability measures aligned with our mission that include best-in-class benchmarks, peer comparison data and three-year targets. These measures will provide us and our stakeholders with information about how we are performing. We look forward to sharing those findings with you in coming years.

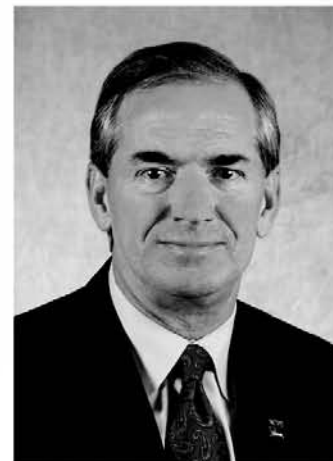
We also have continued to be diligent in controlling costs and looking for additional efficiencies. In FY 2010, our non-compensation expenses increased only a half percent, and we are in the midst of benchmarking our administrative processes to identify shared services opportunities with a goal of reducing costs and improving service quality.

We invite you to look at the financial statements and analysis contained in this report to find out more about how the university continues to advance its core mission of teaching, research, service and economic development while remaining good stewards of state resources. And be sure to learn about other university success and initiatives under way by visiting us online at www.umsystem.edu.

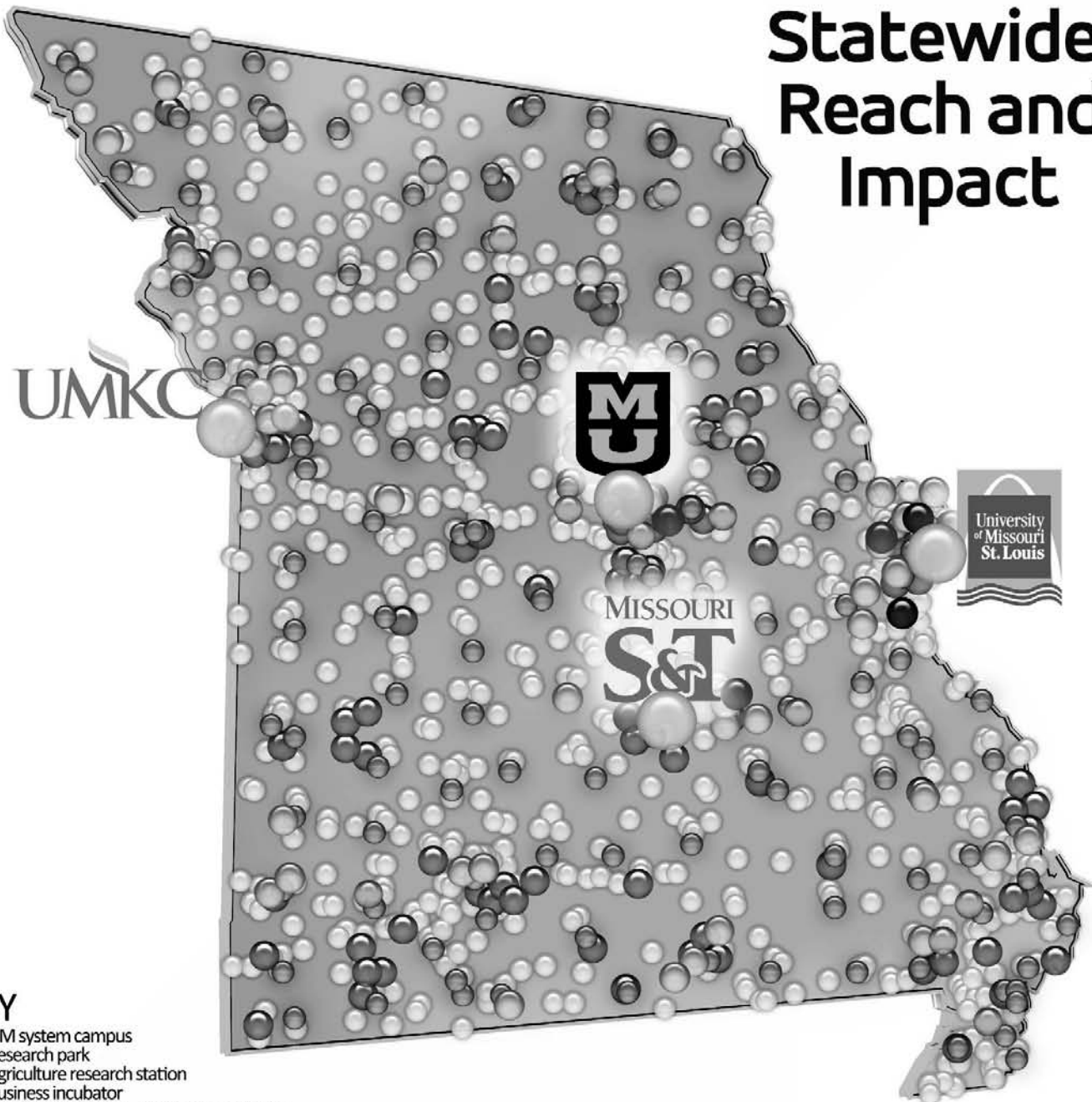
Sincerely,



Gary D. Forsee
President
University of Missouri System



Statewide Reach and Impact



KEY

- UM system campus
- Research park
- Agriculture research station
- Business incubator
- Small Business Tech. Development Center
- MOREnet member site
- Missouri Telehealth Network site
- Extension center
- Future facilities



Curators of the University of Missouri

The Board of Curators, the governing body of the University of Missouri, consists of nine members who are appointed by the governor, by and with the advice and consent of the Senate; provided, that not more than one person shall be appointed from the same congressional district, and no person shall be appointed a curator who shall not be a citizen of the United States, and who shall not have been a resident of the state of Missouri two years prior to his or her appointment. Not more than five curators shall belong to any one political party.

Shown above, from left, Laura Confer (student representative), Doug Russell, Don M. Downing, David G. Wasinger, Gary D. Forsee (president, University of Missouri System), Warren K. Erdman (vice chairman), Judith G. Haggard (chairwoman), Bo Fraser, Wayne Goode, John M. Carnahan III, David R. Bradley

UNIVERSITY OF MISSOURI SYSTEM GENERAL OFFICERS



Gary D. Forsee
President



Stephen J. Owens
General Counsel



Gary K. Allen
VP for Information Technology



Steven W. Graham
Sr. Assoc. VP for Academic Affairs



Stephen C. Knorr
VP for Government Relations



Natalie Krawitz
VP for Finance and Administration



Michael F. Nichols
VP for Research and Economic Development



Elizabeth Rodriguez
VP for Human Resources



Brady J. Deaton
Chancellor
University of Missouri-Columbia



Leo M. Morton
Chancellor
University of Missouri-Kansas City



John F. Carney III
Chancellor
Missouri University of Science and Technology



Thomas F. George
Chancellor
University of Missouri-St. Louis

FINANCE STAFF

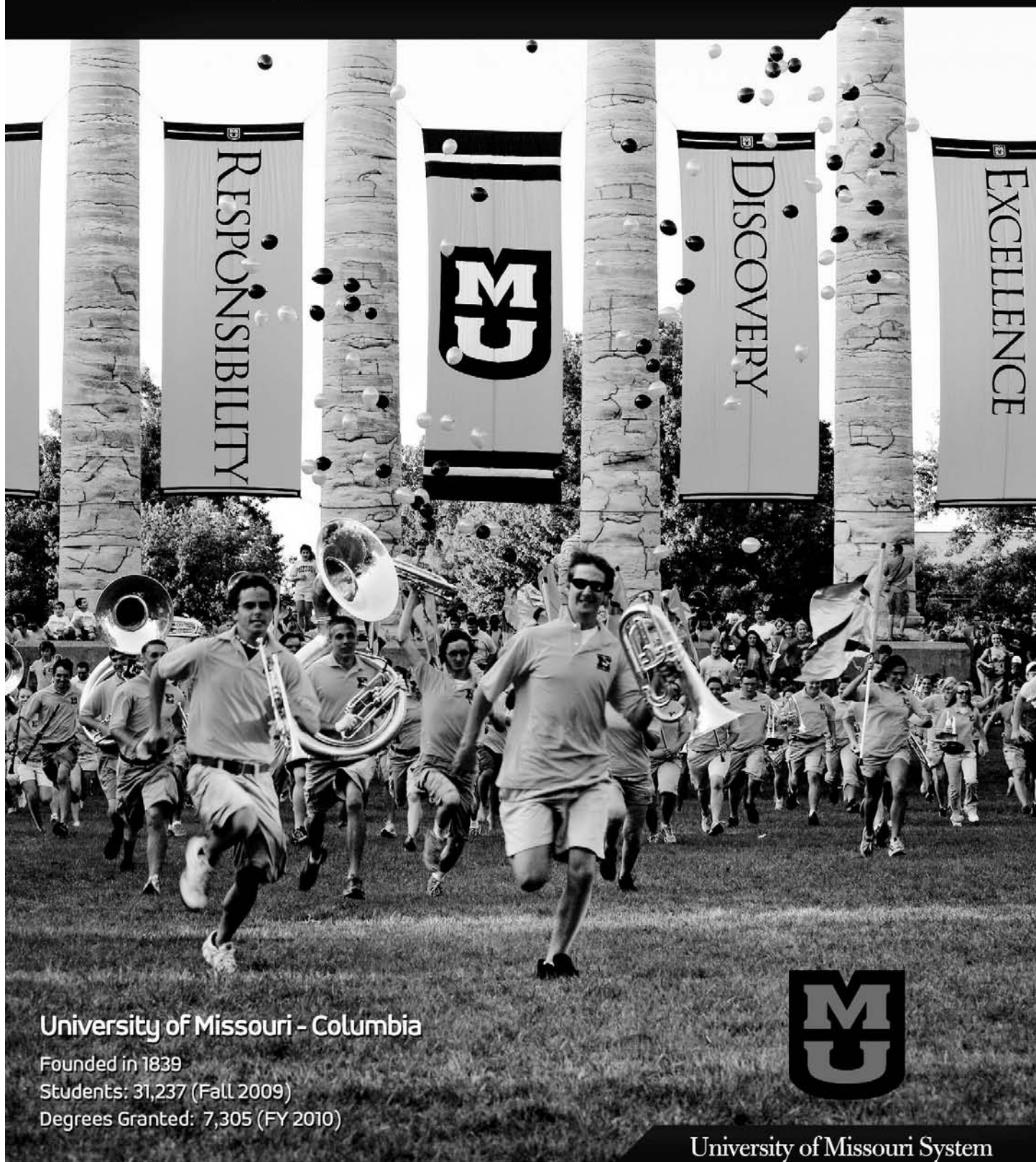
Natalie Krawitz, Vice President for Finance and Administration

Jane E. Closterman, Controller

John Miller, Treasurer

Cuba Plain, Assistant Vice President for Budget Planning and Development

AdvancingMissouri™



University of Missouri - Columbia

Founded in 1839

Students: 31,237 (Fall 2009)

Degrees Granted: 7,305 (FY 2010)



University of Missouri System

AdvancingMissouriSM



UMKC

University of Missouri System

University of Missouri - Kansas City

Founded in 1929

Students: 14,799 (Fall 2009)

Degrees Granted: 3,133 (FY 2010)

AdvancingMissouri™



Missouri University of Science and Technology

Rolla, Mo

Founded in 1870

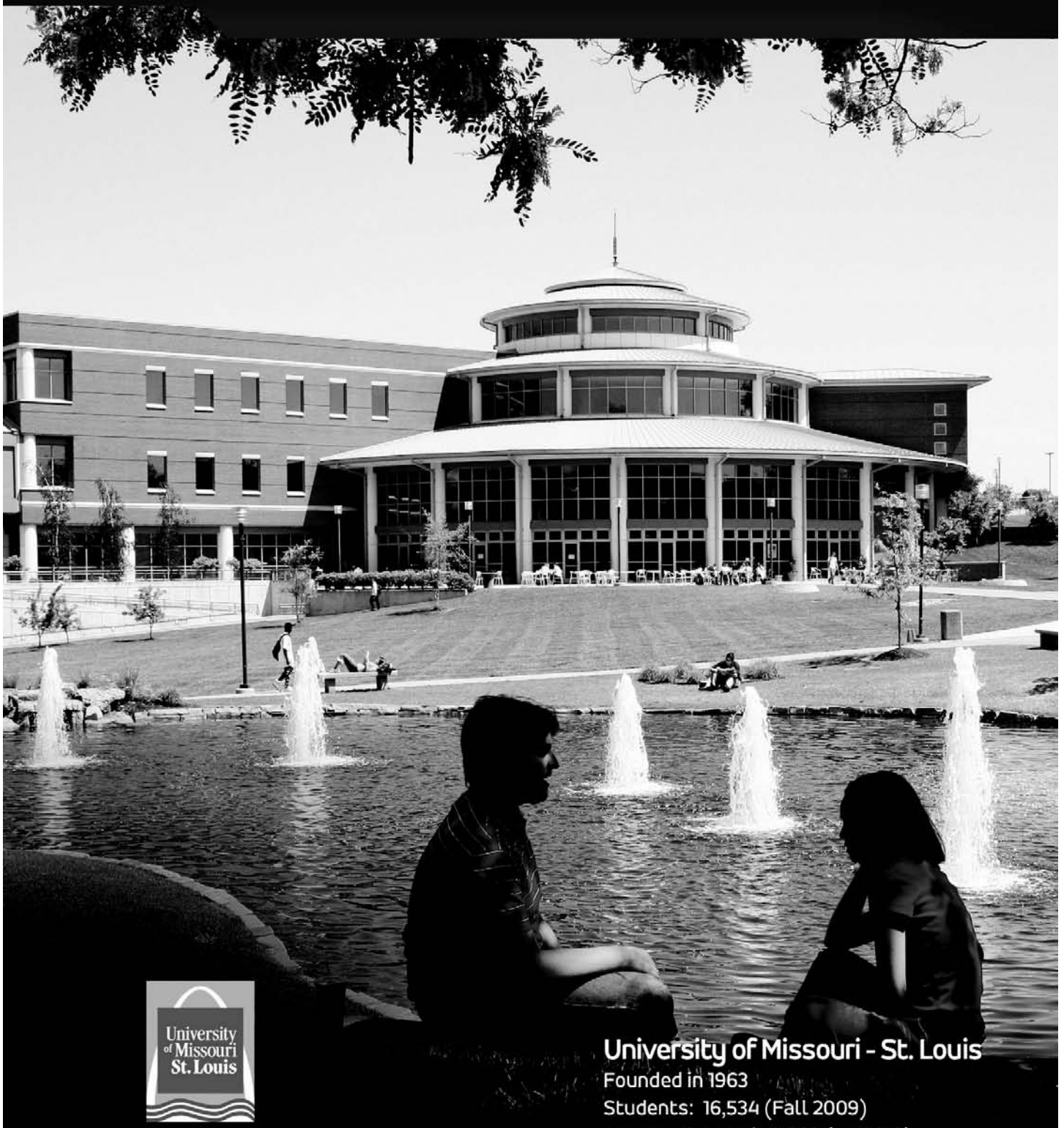
Students: 6,814 (Fall 2009)

Degrees Granted: 1,738 (FY 2010)

MISSOURI
S&T

University of Missouri System

AdvancingMissouri™



University of Missouri - St. Louis

Founded in 1963

Students: 16,534 (Fall 2009)

Degrees Granted: 2,999 (FY 2010)

University of Missouri System

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FINANCIAL INFORMATION



University of Missouri System

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

October 14, 2010

The management of the University of Missouri System (the "University") is responsible for the preparation, integrity, and fair presentation of the financial statements. The financial statements, presented on pages 30 to 36, have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on judgments and estimates by management.

The financial statements have been audited by the independent accounting firm KPMG LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Curators. The University believes that all representations made to the independent auditors during their audit were valid and appropriate. KPMG's audit opinion is presented on pages 28-29.

The University maintains a system of internal controls over financial reporting, which is designed to provide reasonable assurance to the University's management and Board of Curators regarding the preparation of reliable published financial statements. Such controls are maintained by the establishment and communication of accounting and financial policies and procedures, by the selection and training of qualified personnel, and by an internal audit program designed to identify internal control weaknesses in order to permit management to take appropriate corrective action on a timely basis. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls.

The Board of Curators, through its Audit Committee, is responsible for engaging the independent auditors and meeting regularly with management, internal auditors, and the independent auditors to ensure that each is carrying out their responsibilities and to discuss auditing, internal control, and financial reporting matters. Both internal auditors and the independent auditors have full and free access to the Audit Committee.

Based on the above, I certify that the information contained in the accompanying financial statements fairly presents, in all material respects, the financial condition, changes in net assets and cash flows of the University.



Natalie "Nikki" Krawitz

Vice President for Finance and Administration



UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010 and 2009 (unaudited)

Management's Discussion and Analysis provides an overview of the financial position and activities of the University of Missouri System (the "University") for the fiscal years ended June 30, 2010 and 2009, and should be read in conjunction with the financial statements and notes. The University is a component unit of the state of Missouri and an integral part of the state's Comprehensive Annual Financial Report.

This report includes five financial statements:

- The three financial statements for the University of Missouri and its Discretely Presented Component Unit include the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows, where applicable.
- The two financial statements for the University's fiduciary fund, which includes the Retirement and the Other Postemployment Benefits Trust Funds, are the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets.

The University's financial statements are prepared in accordance with U.S. generally accepted accounting

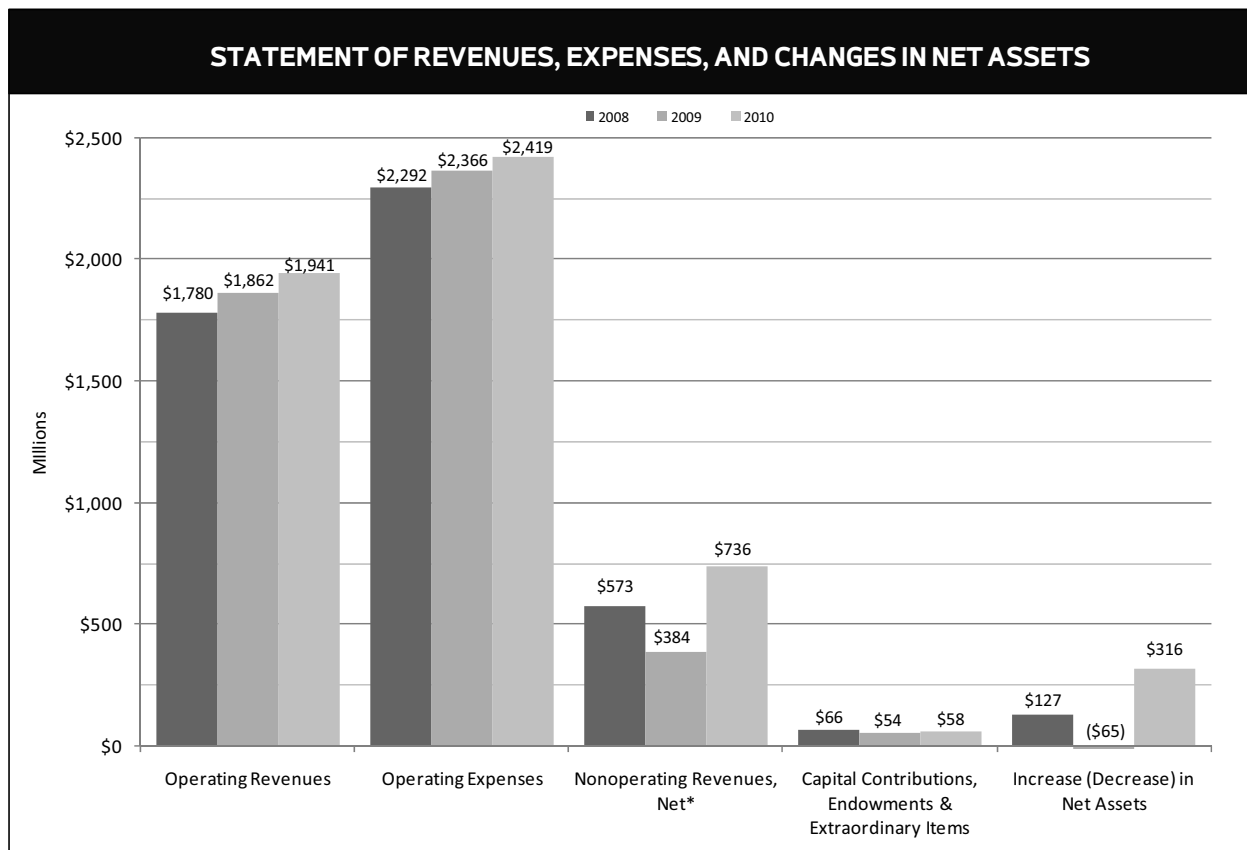
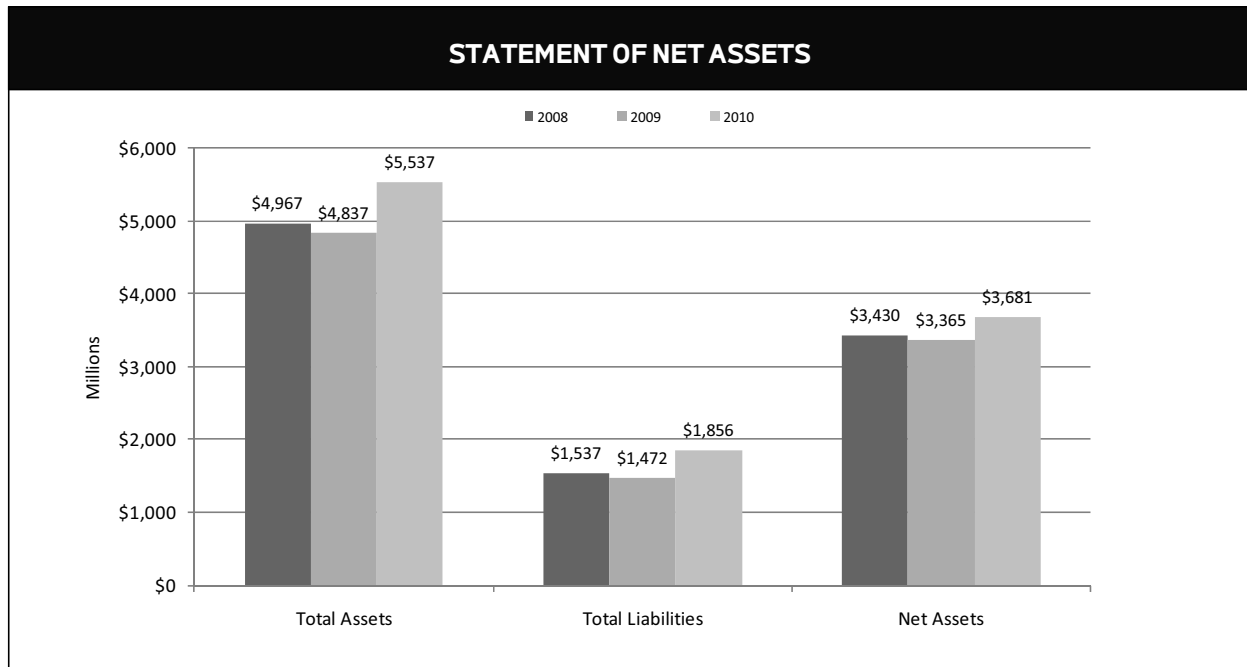
principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes financial reporting standards for public colleges and universities. The University's significant accounting policies are summarized in Note 1 to the financial statements of this report, including further information on the financial reporting entity. In addition, a more detailed unaudited financial report that includes campus-level financial statements is available at the University of Missouri, 118 University Hall, Columbia, MO 65211, and at www.umsystem.edu through the Finance and Administration page.

FINANCIAL HIGHLIGHTS

At June 30, 2010, the University's financial position remained sound, with Total Assets of \$5.5 billion. Net Assets, which represent the residual value of the University's assets after deducting liabilities, totaled \$3.7 billion. When operating, non-operating, and other changes are included, Net Assets increased by approximately \$316 million in fiscal year (FY) 2010, driven primarily by a \$346 million increase in Investment and Endowment income as compared to FY 2009.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009 (unaudited)

The following charts compare Total Assets, Liabilities, and Net Assets at June 30, 2010, 2009 and 2008, and the major components of changes in Net Assets for the years ended June 30, 2010, 2009 and 2008:



*includes State Appropriations and Cumulative Effects of Changes in Accounting Principles

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009 (unaudited)

CONDENSED STATEMENT OF NET ASSETS

The Statement of Net Assets presents the University's financial position at the end of the fiscal year, including all assets and liabilities of the University and segregating them into current and noncurrent

components. Assets and liabilities are generally measured using current values with certain exceptions, such as capital assets which are stated at cost less accumulated depreciation, and long-term debt which is stated at cost.

The following table summarizes the University's assets, liabilities and net assets at June 30, 2010, 2009 and 2008:

CONDENSED STATEMENT OF NET ASSETS			
(in thousands of dollars)			
As of June 30,	2010	2009	2008
Assets			
Current Assets	\$ 837,688	\$ 848,949	\$ 930,882
Noncurrent Assets			
Endowment and Other Long-Term Investments	2,063,065	1,520,094	1,730,019
Capital Assets, Net	2,534,365	2,392,852	2,227,427
Other	79,265	74,591	78,442
Deferred Outflow of Resources	22,192	-	-
Total Assets and Deferred Outflow of Resources	\$ 5,536,575	\$ 4,836,486	\$ 4,966,770
Liabilities			
Current Liabilities			
Current Portion of Long-Term Debt	\$ 30,139	\$ 24,922	\$ 21,697
Long-Term Debt Subject to Remarketing	223,680	224,925	226,120
Other	547,051	538,083	607,522
Noncurrent Liabilities			
Long-Term Debt	915,906	608,114	631,742
Other	139,063	75,665	49,247
Total Liabilities	1,855,839	1,471,709	1,536,328
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,485,090	1,540,654	1,439,753
Restricted -			
Nonexpendable	679,494	612,119	718,314
Expendable	352,236	343,805	367,519
Unrestricted	1,163,916	868,199	904,856
Total Net Assets	3,680,736	3,364,777	3,430,442
Total Liabilities and Net Assets	\$ 5,536,575	\$ 4,836,486	\$ 4,966,770

ASSETS

Total Assets increased by \$700 million, or 14.5%, to \$5.5 billion as of June 30, 2010, compared to the prior year. The increase during FY 2010 was driven primarily by the strong performance of the University's **Investments** combined with increasing liquidity resulting from continued spending restraints. At the same time, the University continued to expand **Capital Assets** across all of its campuses to meet housing, educational, and patient care needs. From FY 2008 to FY 2009, Total Assets decreased by 2.6%, primarily due

to the impact of adverse market conditions on Investments.

At June 30, 2010, the University's working capital, which is current assets less current liabilities, was \$36.8 million, a decrease of \$24.2 million from the previous year. The largest driver of the decline was a \$79.6 decrease in short-term investments which was primarily related to a change in mix between short-term and long-term investments within the portfolio. With Current Assets above 1.0 times Current Liabilities,

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010 and 2009 (unaudited)

the University has adequate working capital reserves. As more fully discussed in Note 9, Current Liabilities include Long-Term Debt Subject to Remarketing, which totaled \$223.7 million and \$224.9 million at June 30, 2010 and 2009, respectively. Excluding such debt, which is not contractually due within one year, Current Assets would have been 1.45 and 1.51 times Current Liabilities at June 30, 2010 and 2009, respectively.

At June 30, 2010, the University held \$327.3 million in **Cash and Cash Equivalents**, an increase of \$74.4 million over June 30, 2009. The June 30, 2009 cash balances of \$252.9 million were \$85.9 million higher than June 30, 2008. The increase in cash at June 30, 2010 largely reflects the results of continued measures to limit spending during difficult budgetary times.

Long-Term and Short-Term Investments totaled \$2.1 billion as of June 30, 2010, representing an increase of 27.7% over the prior year as compared to a 16.2% decrease from FY 2008 to FY 2009. The increase in investment balances during FY 2010 primarily reflects positive investment returns, increasing liquidity as a result of spending restraint, and unspent bond proceeds related to projects under construction at June 30, 2010. The financial markets were more favorable during FY 2010; net realized and unrealized gains and losses improved by \$359.8 million, going from a net loss of \$240.2 million in FY 2009 to a net gain of \$119.6 million in FY 2010. The overall change in investment returns was most evident in the Balanced Pool, which experienced a net gain of 11.4% in FY 2010 as compared to a net loss of 17.5% in FY 2009.

Composition and returns of the University's various investment pools for the years ended June 30, 2010 and 2009 were as follows:

CASH, CASH EQUIVALENTS AND INVESTMENTS								
(in thousands of dollars)								
	June 30, 2010					June 30, 2009		
	Cash and Cash Equivalents	Short-Term and Long-Term Investments	Total	Total Return	Benchmark Index Return (A)	Total	Total Return	
General Pool								
Short-Term Funds	\$ 210,630	\$ 809,096	\$ 1,019,726	3.7%	3.2%	\$ 592,723	5.4%	
Balanced Pool	24,687	228,397	253,084	11.4%	11.1%	239,916	-17.5%	
Treasury TIPs	203	130,584	130,787	7.7%	7.5%	123,998	-0.5%	
Endowment Funds								
Balanced Pool	84,125	778,306	862,431	11.4%	11.1%	780,793	-17.5%	
Fixed Income Pool	5,073	67,191	72,264	6.9%	9.6%	68,131	6.1%	
Other	2,595	120,378	122,973	N/A	N/A	117,965	N/A	
Total	\$ 327,313	\$ 2,133,952	\$ 2,461,265			\$ 1,923,526		

(A) Benchmark index returns are calculated by independent investment consultants based on returns of market indices.

At June 30, 2010, the University's investment in **Capital Assets** totaled \$2.5 billion compared to \$2.4 billion at June 30, 2009. The University added \$293.6 million in capital assets, net of retirements, during FY 2010,

offset by depreciation and transfers of \$152.1 million for the year. FY 2009 capital asset additions of \$296.6 million, net of retirements, were offset by \$131.2 million in depreciation.

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June 30, 2010 and 2009 (unaudited)

Note 6 presents additional information on changes by asset classification; major capital projects either substantially completed in FY 2010 or ongoing are shown in the following table:

SELECTED CAPITAL PROJECTS			
(Fiscal Year Ended June 30, 2010)			
Campus	Project Budget	Expenditures Through June 30, 2010	Source of Funding
Columbia:			
Mid Campus / Defoe Graham Housing	\$ 58,500,000	\$ 56,404,000	Revenue Bonds, Campus Reserves
Orthopaedics Institute (University Health System)	52,500,000	42,900,000	Revenue Bonds, Campus Reserves
Renovation of Hudson, Gillett and Rollins Halls	42,000,000	24,818,000	Revenue Bonds, Campus Reserves
Lafferre Hall - Reconstruct 1922 Addition	25,500,000	24,210,000	Revenue Bonds, Campus Reserves
Power Plant Projects	21,000,000	18,863,000	Revenue Bonds, Campus Reserves
Maryland Avenue Utility Tunnel	22,200,000	18,791,000	Revenue Bonds, Campus Reserves
Patient Care Tower (University Health System)	203,000,000	18,269,000	Revenue Bonds, Campus Reserves, Gifts
Brady Commons Student Center Renovation	28,100,000	17,830,000	Revenue Bonds, Campus Reserves
Switzer and Tate Halls - Renovations / Addition	16,700,000	1,810,000	Revenue Bonds, Campus Reserves
Kansas City:			
Miller Nichols Renovation / Interactive Learning Center	\$ 17,100,000	\$ 16,600,000	Revenue Bonds, Gifts
Durwood Soccer Stadium / Recreation Field	9,000,000	8,134,000	Revenue Bonds, Gifts
Missouri S&T:			
Thomas Jefferson South Tower Renovation	\$ 11,700,000	\$ 9,920,000	Revenue Bonds
Thomas Jefferson North Tower West Wing Renovation	7,100,000	313,000	Revenue Bonds

Total Liabilities were \$384.1 million higher at June 30, 2010 as compared to June 30, 2009, but \$64.6 million lower at June 30, 2009 as compared to June 30, 2008. Significant changes in **Current Liabilities** at June 30, 2010 include a \$29.3 million increase in Accounts Payable; a \$13.1 million decrease in Funds Held for Others; and an \$8.4 million decrease in **Investment Settlements Payable** for purchases of investments occurring on or before June 30, but settling after June 30. Issuance of new bonds in FY 2010, discussed below, represented the largest factor in increased liabilities at June 30, 2010.

Current Liabilities include long-term variable rate demand bonds subject to remarketing totaling \$223.7 million, \$224.9 million and \$226.1 million at June 30, 2010, 2009 and 2008, respectively, with final contractual maturities ranging from fiscal years 2031 to 2036. Despite contractual maturities beyond one year, these variable rate demand bonds are classified as current liabilities because the University is ultimately the sole source of liquidity should the option to tender be exercised by the bondholder.

In July 2009, the University issued \$332.1 million of System Facilities Revenue Bonds, consisting of \$256.3 million in taxable Series 2009A Bonds designated as "Build America Bonds" under the Internal Revenue Code of 1986, as amended, and \$75.8 million in traditional tax exempt Series 2009B Bonds. With respect to the Series 2009A bonds, the University will receive a cash subsidy payment from the United States Treasury in an amount equal to 35% of the interest payable on each interest payment date. Proceeds from issuance of the Series 2009A and 2009B bonds are being used to finance construction or renovation of housing facilities on the Columbia, Kansas City, and Missouri Science and Technology (Missouri S&T) campuses, renovation of power plant and other energy management improvements on the Columbia campus, construction of a new student union facility on the Kansas City campus, Research Park office facility on the Missouri S&T campus, new patient care tower and Missouri Orthopaedic Institute at the Health System, and renovation, furnishing and equipping various other facilities, and to finance capitalized interest and certain costs of issuance.

UNIVERSITY OF MISSOURI SYSTEM
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The following is a summary of long-term debt by type of debt instrument:

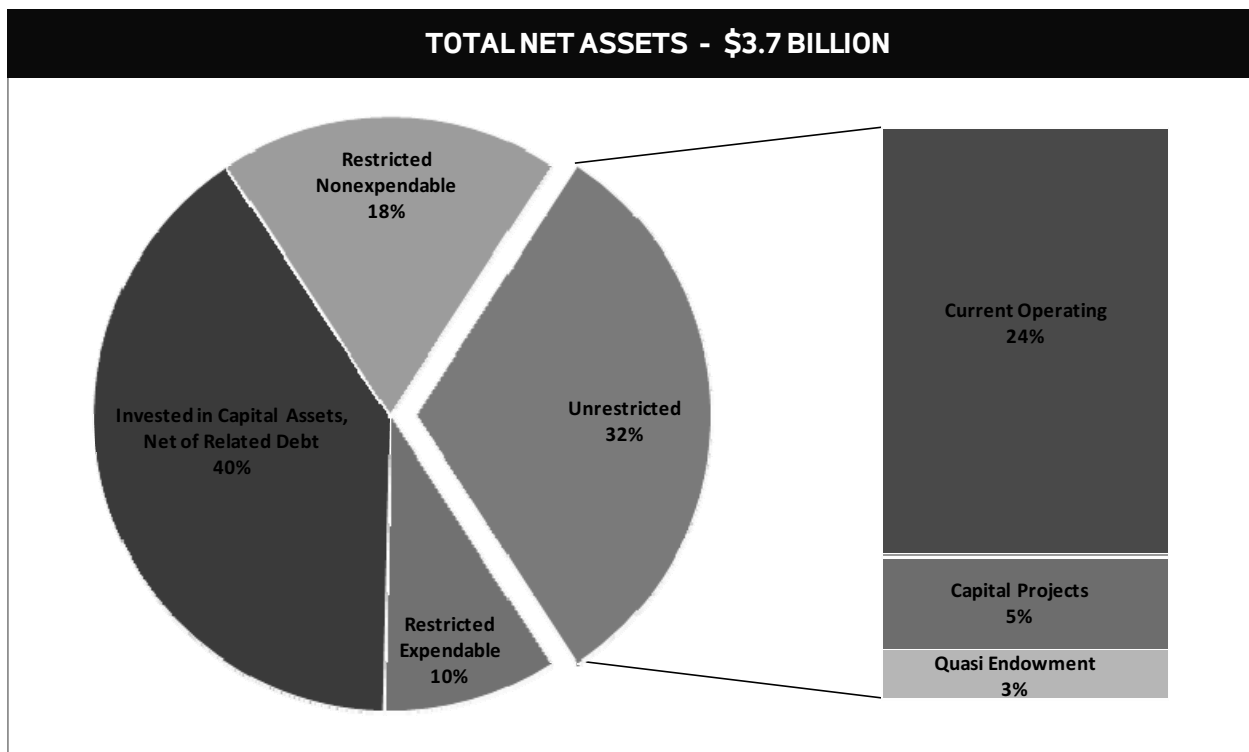
LONG-TERM DEBT (in thousands of dollars)			
As of June 30,	2010	2009	2008
System Facilities Revenue Bonds	\$ 1,144,650	\$ 836,305	\$ 857,105
Unamortized Premium and Loss on Defeasance	15,245	10,619	11,102
Total Bonds Payable	1,159,895	846,924	868,207
Capital Lease Obligations	8,144	8,973	8,892
Notes Payable	1,686	2,064	2,460
Total Long-Term Debt	\$ 1,169,725	\$ 857,961	\$ 879,559

NET ASSETS

Net Assets represent the value of the University's assets after liabilities are deducted. The University's total **Net Assets** increased by \$316.0 million during the year ended June 30, 2010, after decreasing by \$65.7 million in the year ended June 30, 2009. Changes in total **Net Assets** include the effects of changes in

accounting principles as follows: a decrease of \$6.2 million in FY 2010 (GASB Statement No. 53 Implementation); an increase of \$13.3 million in FY 2009 (GASB Statement No. 52 Implementation); and an increase of \$19.9 million in FY 2008 (GASB Statement Nos. 43 and 45 Implementations).

The distribution of the Net Asset balances, including additional details on unrestricted net assets by fund type, as of June 30, 2010, are as follows:



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June 30, 2010 and 2009 (unaudited)

Total **Net Assets** are reflected in the four component categories as follows:

Invested in Capital Assets, Net of Related Debt, represents the University's investment in capital assets, net of accumulated depreciation and outstanding debt related to acquisition, construction or improvement of those assets. This category decreased by \$55.6 million to \$1.49 billion in FY 2010 after increasing by \$100.9 million in FY 2009. Such changes are largely driven by the timing of debt issuance and the completion of associated construction projects.

Restricted Nonexpendable Net Assets include endowment and similar assets that are subject to externally imposed stipulations for the principal to be maintained in perpetuity by the University. Realized and unrealized market gains contributed to a \$67.4 million, or 11.0%, increase in Restricted Non-expendable Net Assets during FY 2010. Realized and unrealized market losses were largely responsible for a \$106.2, or 14.8%, decrease during FY 2009.

Restricted Expendable Net Assets are resources that are subject to externally imposed stipulations regarding their use, but are not required to be maintained in perpetuity. During FY 2010, this category increased by \$8.4 million, or 2.5%, after a decrease of \$23.7 million, or 6.5%, in FY 2009. As of June 30, 2010, this category includes:

- \$244.2 million of net assets restricted for operations and endowment purposes compared to \$235.4 million at June 30, 2009;
- \$75.6 million for student loan programs compared to \$78.4 million at June 30, 2009; and
- \$32.4 million for facilities compared to \$30.0 million at June 30, 2009.

Unrestricted Net Assets are not subject to externally imposed stipulations although these resources may be designated for specific purposes by the University's management or Board of Curators. This category increased by \$295.7 million, or 34.1%, to \$1.164 billion at June 30, 2010 after decreasing by \$36.7 million, or 4.1%, in FY 2009. Maintaining adequate levels of unrestricted net assets is one of several key factors that have enabled the University to maintain its Aa1 credit rating. As of June 30, 2010 and 2009, University Health System designated funds totaled \$319.2 million and \$245.2 million, respectively; capital project-designated funds totaled \$188.5 million and \$99.3 million, respectively; student loan program-designated funds totaled \$8.0 million and \$3.8 million, respectively; and unrestricted funds functioning as endowments totaled \$100.8 million and \$90.9 million, respectively. The remaining Unrestricted Net Assets which are available for the University's instructional and public service missions and its general operations totaled \$547.4 million and \$429.0 million at June 30, 2010 and 2009, respectively.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009 (unaudited)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets presents the University's results of operations. The Statement distinguishes revenues and expenses between operating and non-operating categories, and provides a view of the University's operating margin.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS			
(in thousands of dollars)			
Fiscal Year Ended June 30,	2010	2009	2008
Operating Revenues			
Net Tuition and Fees	\$ 466,311	\$ 453,164	\$ 417,205
Grants and Contracts	318,123	296,745	299,148
Patient Medical Services, Net	736,799	702,424	681,312
Other Auxiliary Enterprises	347,779	318,695	301,156
Other Operating Revenues	71,810	91,441	81,200
Total Operating Revenues	1,940,822	1,862,469	1,780,021
Operating Expenses			
Salaries, Wages and Benefits	1,540,265	1,513,423	1,464,051
Supplies, Services and Other Operating Expenses	676,362	672,711	662,331
Other Operating Expenses	202,222	179,623	165,481
Total Operating Expenses	2,418,849	2,365,757	2,291,863
Operating Loss Before State Appropriations	(478,027)	(503,288)	(511,842)
State Appropriations	498,358	479,478	462,281
Income (Loss) after State Appropriations, before			
Nonoperating Revenues (Expenses)	20,331	(23,810)	(49,561)
Nonoperating Revenues (Expenses)			
Investment and Endowment Income (Losses), Net of Fees	172,833	(173,355)	45,629
Private Gifts	48,695	52,552	51,680
Interest Expense	(46,103)	(31,432)	(43,055)
Other Nonoperating Revenues, Net	68,077	42,577	36,759
Net Nonoperating Revenues (Expenses)	243,502	(109,658)	91,013
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item	263,833	(133,468)	41,452
State Capital Appropriations	14,205	17,817	15,532
Capital Gifts and Grants	19,381	13,009	17,341
Private Gifts for Endowment Purposes	24,703	21,093	32,995
Extraordinary Item	-	2,550	-
Increase (Decrease) in Net Assets	322,122	(78,999)	107,320
Net Assets, Beginning of Year	3,364,777	3,430,442	3,303,206
Cumulative Effect of Change in Accounting Principles	(6,163)	13,334	19,916
Net Assets, Beginning of Year, as Adjusted	3,358,614	3,443,776	3,323,122
Net Assets, End of Year	\$ 3,680,736	\$ 3,364,777	\$ 3,430,442

REVENUES

Operating Revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Total **Operating Revenues** increased by \$78.4 million, or 4.2% in FY 2010, and by \$82.4 million, or 4.6% in FY 2009. **Grants and Contracts**

and **Patient Medical Services** contributed most significantly to the operating revenue gain in FY 2010 while **Net Tuition and Fees**, **Patient Medical Services**, and **Housing and Dining Services** had the largest gains in the previous year. **Nonoperating Revenues** are those not generated by the University's core missions

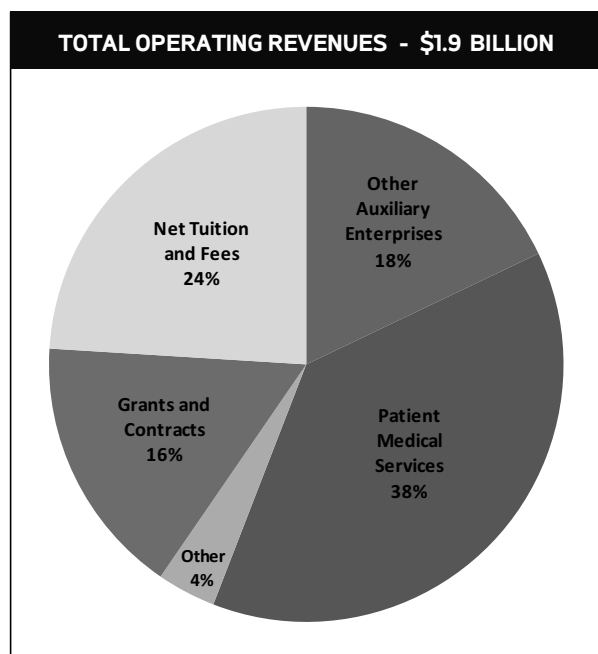
UNIVERSITY OF MISSOURI SYSTEM

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and include such funding sources as State and Federal Appropriations, Pell Grants, Private Gifts and Investment and Endowment Income.

The following is a graphic illustration of operating revenues by source for FY 2010:



Operating Revenues

Tuition and Fees, net of **Scholarship Allowances**, increased by \$13.1 million, or 2.9%, in FY 2010 and by \$36.0 million, or 8.6%, in FY 2009. The increases in both FY 2010 and FY 2009 were driven primarily by increases in student enrollment.

As a research institution, the University receives a substantial amount of funding through **Federal, State and Private Grants and Contracts**. Overall, sponsored funding increased by \$21.4 million, or 7.2%, in FY 2010 compared to a slight decrease of 0.8% in FY 2009. Increases in Federal, State, and Local grants offset a slight decline in **Private Grants and Contracts** in FY 2010.

The University's auxiliary enterprises include the University Health System, Housing and Dining Services, campus Bookstores, and other such supplemental activities. Total operating revenues generated by these auxiliary enterprises increased by \$63.5 million, or 6.2%, in FY 2010 as compared to an increase of \$38.7 million, or 3.9%, in FY 2009. **Patient Medical Services**,

which includes fees for services provided by the University Health System, had the largest increase in both fiscal year 2010 and 2009 at \$34.4 million, or 4.9%, and \$21.1 million, or 3.1%, respectively.

Nonoperating Revenues

Total **State Appropriations** received for University operations, University Health System operations, and other special programs increased by \$18.9 million, or 3.9%, in FY 2010, and by \$17.2 million, or 3.7%, in FY 2009. Continuing general operating appropriations were held flat in FY 2010 as compared to FY 2009. New general operating funding of \$23.5 million was received in FY 2010 for the Caring for Missourians initiative, but was offset by reductions in funding for several other programs such as MOREnet and the University Health System.

As one of the more volatile sources of nonoperating revenues, **Investment and Endowment Income** includes interest and dividend income as well as realized and unrealized gains and losses. Realized and unrealized market value gains, losses and other activity affecting **Investment and Endowment Income** contributed to a net gain of \$172.8 million in FY 2010 as compared to a net loss of \$173.4 million in FY 2009. This represents an increase in Investment and Endowment Income of \$346.2 million for the year ended June 30, 2010, as compared to a \$219.0 million decrease for the year ended June 30, 2009.

Gift income is reflected in three categories: **Private Gifts, Capital Gifts and Grants** (which are restricted for adding or improving capital assets) and **Private Gifts for Endowments** (which are restricted for establishing endowments). Private Gifts and Grants can fluctuate significantly from year to year due to the voluntary nature of donors' gifts. In FY 2010, the University received gifts totaling \$92.8 million, as compared to \$86.7 million and \$102.0 million for FY 2009 and FY 2008, respectively.

In FY 2010, **State Capital Appropriations** of \$14.2 million represented a decrease of \$3.6 million from FY 2009. FY 2010 State Capital Appropriations included \$4.3 million for the Thompson Center for Autism (Columbia campus), \$3.7 million for Missouri Psychiatric Center (Columbia campus), and \$2.8 million for Pharmacy and Nursing shell space (Kansas City campus).

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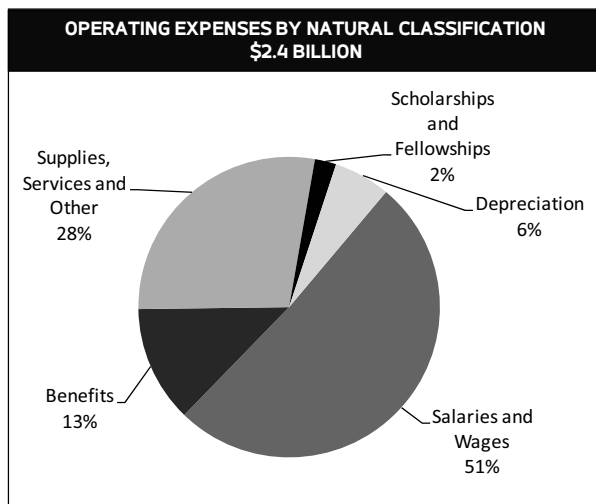
MANAGEMENT'S DISCUSSION AND ANALYSIS

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In FY 2009, the University received additional proceeds of \$2.6 million related to the 2007 sale of Missouri Care L.C., which had been a component unit of the University. The additional proceeds received in FY 2009 and the initial proceeds of \$19.3 million received in FY 2007 were recorded as an extraordinary item in the Statement of Revenues, Expenses and Changes in Net Assets for the respective fiscal years.

OPERATING EXPENSES

Total Operating Expenses increased by \$53.1 million, or 2.2%, in FY 2010 compared to an increase of \$73.9 million or 3.2% in FY 2009. The following graph illustrates the University's operating expenses by natural classification for FY 2010:

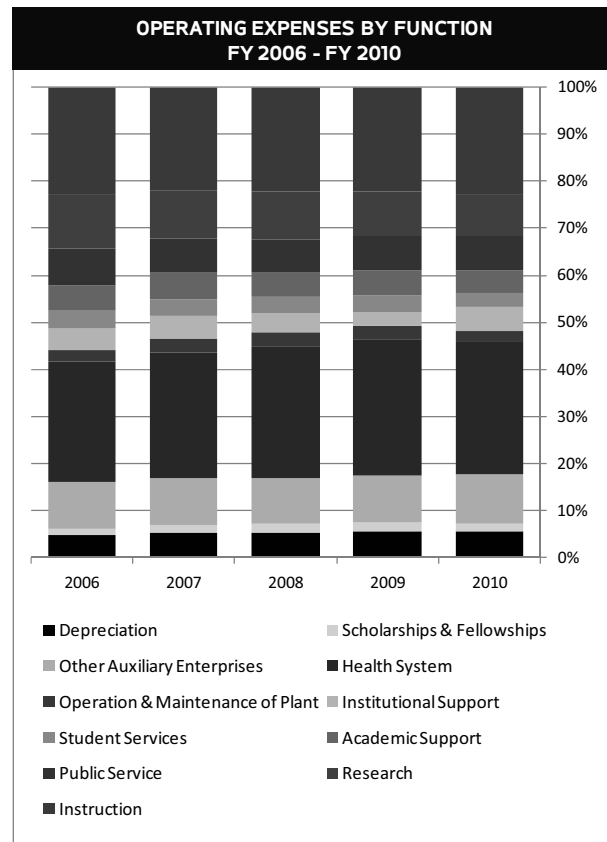


During FY 2010 and FY 2009, **Salaries, Wages and Benefits** increased approximately 1.8% and 3.4%, respectively, over the prior fiscal year. Beyond a small pool for faculty and staff promotions, these increases were primarily attributable to salaries funded by increased grant support and associated activities, as well as auxiliary enterprise growth driven by increased enrollment.

In FY 2010 and FY 2009, the University's **Supplies, Services, and Other Operating** expenses of \$676.4 million and \$672.7 million increased by just \$3.7 million, or 0.5%, and \$10.4 million, or 1.6%,

respectively, over the prior fiscal year. These minimal increases year over year have been due to tight controls over expenses in response to budgetary constraints caused by the downturn in the economy.

The following illustrates the University's operating expenses by function for FY 2006 through FY 2010:



The core missions of instruction, research, and public service account for the largest proportion of Operating Expenses at 37.2% for FY 2010. The University Health System constitutes the next highest proportion at 28.2% of expenses for FY 2010. Institutional support, which represents the core administrative operations of the University, was only 4 to 5 cents of each dollar spent during this 5-year period.

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STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the University's sources and uses of cash and cash equivalents during the fiscal year. The following summarizes sources and uses of cash and cash equivalents for the three years ended June 30, 2010, 2009 and 2008:

CONDENSED STATEMENT OF CASH FLOWS (in thousands of dollars)			
Fiscal Year Ended June 30,	2010	2009	2008
Net Cash Used in Operating Activities	\$ (264,857)	\$ (326,968)	\$ (371,631)
Net Cash Provided by Noncapital Financing Activities	622,421	595,306	583,387
Net Cash Provided by (Used in) Capital and Related Financing Activities	5,733	(306,200)	(110,046)
Net Cash Provided by (Used in) Investing Activities	(288,925)	123,794	(204,410)
Net Increase (Decrease) in Cash and Cash Equivalents	74,372	85,932	(102,700)
Cash and Cash Equivalents, Beginning of Year	252,941	167,009	269,709
Cash and Cash Equivalents, End of Year	\$ 327,313	\$ 252,941	\$ 167,009

Net Cash Used in Operating Activities reflects the continued need for funding from the state of Missouri, as funding received from tuition and fees and related sales and services of auxiliary and educational activities are not sufficient to cover operational needs. In FY 2010, \$62.1 million less cash was used in operating activities as compared to FY 2009 due primarily to increased cash inflows from tuition and fees, sales and services of educational activities and other auxiliaries, student housing fees, and patient revenues, combined with a reduction in payments to suppliers. In FY 2009, cash used in operating activities decreased by \$44.7 million from FY 2008.

The University's most significant source of cash, **Net Cash Provided by Noncapital Financing Activities**, includes funding from State and Federal appropriations, Pell grants and noncapital private gifts. Cash from these sources totaling \$622.4 million, \$595.3 million and \$583.4 million in FY 2010, FY 2009

and FY 2008, respectively, directly offset the additional cash needs resulting from operations.

Net Cash Provided by Capital and Related Financing Activities was \$5.7 million in FY 2010 due largely to the bond issue in July 2009 and related unspent bond proceeds associated with capital projects still under construction at June 30, 2010. Net Cash Used in Capital and Related Financing Activities of \$306.2 million in FY 2009 was due to the completion of capital projects funded by the previous bond issue in FY 2008.

Net Cash Provided by Investing Activities reflects net cash outflows of \$288.9 million in FY 2010, consistent with growth in the University's investments, which includes the temporary investment of unspent bond proceeds. In FY 2009, the University had net cash inflows of \$123.8 million, primarily driven by a shift in investment balances to cash equivalent largely as a result of uncertainties that existed in the markets.

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010 and 2009 (unaudited)

ECONOMIC OUTLOOK

The University of Missouri continues to provide quality service to students, patients and citizens across the state of Missouri while successfully facing significant financial challenges stemming from the general economic climate and uncertainties surrounding the state's financial circumstances. Higher education in Missouri has suffered smaller reductions in state support than in many other states. The University's state appropriations for operations remained flat in FY 2010 and will decline 5.2% in FY 2011. This was accomplished in part by the state using approximately \$48 million in federal budget stabilization funding for FY 2010 and \$19 million in FY 2011. However, the University anticipates declining state support in FY 2012 due to slow growth in the state's revenues and the end of federal stimulus funding. Without significant increases in general revenues, the state will be challenged to maintain or increase funding for higher education in the future.

Historically, there has been a direct relationship between the reduction of state support and the University's ability to control tuition increases, as reduced growth in state appropriations generally necessitates increased tuition levels. In 2007, the state of Missouri passed legislation that limits increases in Missouri resident undergraduate tuition to the state's rate of inflation unless a waiver is granted by the Department of Higher Education. Tuition for Missouri resident undergraduates did not increase in FY 2010 or FY 2011, as a result of an agreement with the Governor. However, based on the state revenue forecasts, the University expects a further reduction in funding from the state in FY 2012 that will most likely necessitate future increases in tuition.

Flat to declining state support and increasing costs, in conjunction with rising enrollments and the need to maintain affordability, pose a budgetary challenge for the University. Student demand at all four campuses continues to be strong with historically high enrollments in FY 2010 and projected again for FY 2011. Although the growth places additional demands on facilities, faculty and staff, it is also a source of additional revenue to support the operating budget.

The University is also continuing to strengthen and diversify its funding sources to meet future budget needs. In spite of the challenging economy and

financial markets, private giving across the University increased during FY 2010. The University is focused on sustaining and increasing the level of giving in FY 2011. In addition, the recovery in the financial markets during FY 2010 and continuing into FY 2011 and the strong return on the University's investments bode well for providing additional resources for University initiatives in the future.

Cognizant of our responsibility to use resources wisely and keep education at the University of Missouri affordable, the University must continue to control expenditures through administrative efficiencies. A shared services project, initiated in FY 2010, began by benchmarking administrative process. The results of the benchmarking will drive business process redesign with a goal of achieving improvements in operating efficiency and effectiveness.

For fiscal year 2010, the University Health System continued to see increasing revenues, even during a time of economic instability. As in prior years, the University Health System is focusing on improving patient care, customer service and quality. The State appropriation funding approved for fiscal year 2011 is slightly below fiscal year 2010. In April 2010, a 5% fee increase was implemented and continues into fiscal year 2011 with pricing revisions made throughout the year as needed. For the future, the University Health System continues to pursue growth and its academic mission. During fiscal year 2010, the University Health System successfully expanded services including the operation of a 61-bed inpatient Missouri Psychiatric Center, and placed in service a \$48 million Missouri Orthopedic Institute. Currently under construction is a \$203 million patient care tower, which includes a replacement of the Ellis Fischel Cancer Center. The patient tower is scheduled to be completed in fiscal year 2013. These capital investments will assist in providing quality care to patients and enhanced facilities for physician recruitments with the University of Missouri-Columbia School of Medicine.

In March 2010, the federal government passed the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act, collectively referred to as "Health Care Reform." This legislation will significantly impact the future of health care. As the final regulations and requirements of the Acts are prepared, University Health System management continues to review and monitor the

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010 and 2009 (unaudited)

effect that the legislation will have on the organization. The University Health System has not determined the full financial statement effect of this new Health Care Reform legislation.

The University is investing in its researchers and their ability to move innovations from the laboratory into the marketplace. During FY 2010, the University announced the Enterprise Investment Program that will provide up to \$5 million over three years in seed capital for start-up companies to further develop and commercialize university technologies in bringing intellectual property to the marketplace. This program will merge the best minds in the University system with entrepreneurs at start-up companies across the state, which will create quality jobs for Missourians in the cutting-edge industries of its future.

In benchmarking against best practice, the University will be adopting a streamlined approach to intellectual property ownership and equity investments. With more than \$10 million in licensing revenues in FY 2010, there is the potential to ramp up those revenues to \$50 million annually by 2014, ultimately having a \$1 billion impact annually on the global marketplace.

The national and state economy will continue to pose budgetary challenges for the University in the future. However, strong demand demonstrated by growing enrollments, highly successful capital campaigns, robust research funding, a developing technology transfer operation, and financially stable and growing healthcare system are all factors in the positive outlook for the University of Missouri.

INDEPENDENT AUDITORS' REPORT



KPMG LLP
Suite 900
10 South Broadway
St. Louis, MO 63102-1761

The Board of Curators
University of Missouri System:

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Missouri System, a component unit of the State of Missouri, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the University of Missouri System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University of Missouri System's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University of Missouri System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Missouri System as of June 30, 2010 and 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2010 on our consideration of the University of Missouri System'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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("KPMG International"), a Swiss entity.



INDEPENDENT AUDITORS' REPORT

The management's discussion and analysis on pages 15 through 27 and the schedules of employer contributions and the schedules of funding progress on pages 66 and 67 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Missouri System's basic financial statements. The statistical section on pages 70 through 84 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

KPMG LLP

St. Louis, Missouri

October 14, 2010

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF NET ASSETS

As of June 30, 2010 and 2009 (in thousands)

	University		Discretely Presented Component Unit	
	2010	2009	2010	2009
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 149,515	\$ 115,919	\$ 7,318	\$ 7,961
Restricted Cash and Cash Equivalents	177,798	137,022	-	-
Short-Term Investments	40,268	124,609	-	-
Restricted Short-Term Investments	30,619	25,882	-	-
Investment of Cash Collateral	111,557	111,719	-	-
Accounts Receivable, Net	249,460	241,325	16,927	16,846
Pledges Receivable, Net	14,505	13,382	-	-
Investment Settlements Receivable	6,200	15,800	-	-
Notes Receivable, Net	9,046	12,564	-	-
Due From (To) Component Units	(5,285)	(3,900)	5,285	3,900
Inventories	28,401	33,009	3,058	2,538
Prepaid Expenses and Other Current Assets	25,604	21,618	1,541	1,550
Total Current Assets	837,688	848,949	34,129	32,795
Noncurrent Assets				
Restricted Cash and Cash Equivalents	-	-	3,838	4,301
Pledges Receivable, Net	16,256	17,231	-	-
Notes Receivable, Net	50,635	47,524	-	-
Deferred Charges and Other Assets	12,374	9,836	1,798	1,470
Restricted Other Assets	-	-	3,563	3,974
Long-Term Investments	1,171,998	778,538	48,229	35,783
Restricted Long-Term Investments	891,067	741,556	-	-
Capital Assets, Net	2,534,365	2,392,852	73,684	77,479
Total Noncurrent Assets	4,676,695	3,987,537	131,112	123,007
Deferred Outflow of Resources	22,192	-	-	-
Total Assets and Deferred Outflow of Resources	\$5,536,575	\$4,836,486	\$ 165,241	\$ 155,802
Liabilities				
Current Liabilities				
Accounts Payable	\$ 123,809	\$ 94,531	\$ 3,974	\$ 4,624
Accrued Liabilities	138,309	130,837	12,707	11,700
Deferred Revenue	78,200	80,703	-	-
Funds Held for Others	53,245	66,403	-	-
Investment Settlements Payable	41,931	50,318	-	-
Collateral Held for Securities Lending	111,557	115,291	-	-
Current Portion of Long-Term Debt	30,139	24,922	2,154	2,071
Long-Term Debt Subject to Remarketing Agreements	223,680	224,925	-	-
Total Current Liabilities	800,870	787,930	18,835	18,395

(continued)

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF NET ASSETS

As of June 30, 2010 and 2009 (in thousands)

	University		Discretely Presented Component Unit	
	2010	2009	2010	2009
Liabilities, Continued				
Noncurrent Liabilities				
Long-Term Debt	915,906	608,114	36,679	38,851
Deferred Revenue	1,925	1,603	-	-
Derivative Instrument Liability	30,680	-	-	-
Other Postemployment Benefits Liability	52,613	23,639	-	-
Other Noncurrent Liabilities	53,845	50,423	959	738
Total Noncurrent Liabilities	1,054,969	683,779	37,638	39,589
Total Liabilities	1,855,839	1,471,709	56,473	57,984
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,485,090	1,540,654	35,209	36,969
Restricted				
Nonexpendable -				
Endowment	679,494	612,119	-	-
Expendable -				
Scholarship, Research, Instruction and Other	244,226	235,405	3,562	4,409
Loans	75,637	78,357	-	-
Capital Projects	32,373	30,043	-	-
Unrestricted	1,163,916	868,199	69,997	56,440
Total Net Assets	3,680,736	3,364,777	108,768	97,818
Total Liabilities and Net Assets	\$5,536,575	\$4,836,486	\$ 165,241	\$ 155,802

See notes to the financial statements.

UNIVERSITY OF MISSOURI SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2010 and 2009 (in thousands)

	University		Discretely Presented Component Unit	
	2010	2009	2010	2009
Operating Revenues				
Tuition and Fees (Net of Provision for Doubtful Accounts of \$6,459 in 2010 and \$6,165 in 2009)	\$ 630,498	\$ 601,742	\$ -	\$ -
Less Scholarship Allowances	164,187	148,578	-	-
Net Tuition and Fees	466,311	453,164	-	-
Federal Grants and Contracts	183,885	172,669	-	-
State and Local Grants and Contracts	66,194	53,042	-	-
Private Grants and Contracts	68,044	71,034	-	-
Sales and Services of Educational Activities	22,560	22,088	-	-
Auxiliary Enterprises -				
Patient Medical Services, Net	736,799	702,424	164,746	158,724
Housing and Dining Services (Net of Scholarship Allowance of \$542 in 2010 and \$522 in 2009)	89,743	81,939	-	-
Bookstores	59,288	62,113	-	-
Other Auxiliary Enterprises (Net of Scholarship Allowance of \$7,466 in 2010 and \$7,426 in 2009)	198,748	190,315	-	-
Other Operating Revenues	49,250	53,681	-	-
Total Operating Revenues	1,940,822	1,862,469	164,746	158,724
Operating Expenses				
Salaries and Wages	1,236,965	1,213,837	64,048	65,170
Benefits	303,300	299,586	15,115	13,169
Supplies, Services and Other Operating Expenses	676,362	672,711	63,156	61,193
Scholarships and Fellowships	55,469	48,456	-	-
Depreciation	146,753	131,167	11,098	11,059
Total Operating Expenses	2,418,849	2,365,757	153,417	150,591
Operating Income (Loss) before State Appropriations	(478,027)	(503,288)	11,329	8,133
State Appropriations	498,358	479,478	-	-
Operating Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)	20,331	(23,810)	11,329	8,133
Nonoperating Revenues (Expenses)				
Federal Appropriations	21,455	14,858	-	-
Federal Pell Grants	48,281	31,649	-	-
Investment and Endowment Income (Losses), Net of Fees	172,833	(173,355)	789	911
Private Gifts	48,695	52,552	21	76
Interest Expense	(46,103)	(31,432)	(1,950)	(1,991)
Other Nonoperating Revenues (Expenses)	(1,659)	(3,930)	761	1,327
Net Nonoperating Revenues (Expenses)	243,502	(109,658)	(379)	323

(continued)

UNIVERSITY OF MISSOURI SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2010 and 2009 (in thousands)

	University		Discretely Presented Component Unit	
	2010	2009	2010	2009
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item	263,833	(133,468)	10,950	8,456
State Capital Appropriations	14,205	17,817	-	-
Capital Gifts and Grants	19,381	13,009	-	-
Private Gifts for Endowment Purposes	24,703	21,093	-	-
Extraordinary Item:				
Net Proceeds from Sale of Missouri Care	-	2,550	-	-
Increase (Decrease) in Net Assets	322,122	(78,999)	10,950	8,456
Net Assets, Beginning of Year	3,364,777	3,430,442	97,818	89,362
Cumulative Effect of Change in Accounting Principles	(6,163)	13,334	-	-
Net Assets, Beginning of Year, as Adjusted	3,358,614	3,443,776	97,818	89,362
Net Assets, End of Year	\$3,680,736	\$3,364,777	\$ 108,768	\$ 97,818

See notes to the financial statements.

UNIVERSITY OF MISSOURI SYSTEM
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2010 and 2009 (in thousands)

	2010	2009
Cash Flows from Operating Activities		
Tuition and Fees	\$ 467,230	\$ 448,253
Federal, State and Private Grants and Contracts	316,720	306,820
Sales and Services of Educational Activities and Other Auxiliaries	216,403	199,264
Patient Care Revenues	739,231	716,777
Student Housing Fees	89,585	82,219
Bookstore Collections	59,300	62,003
Payments to Suppliers	(639,376)	(680,494)
Payments to Employees	(1,233,160)	(1,206,587)
Payments for Benefits	(274,326)	(275,797)
Payments for Scholarships and Fellowships	(55,469)	(48,456)
Student Loans Issued	(8,190)	(8,269)
Student Loans Collected	7,848	8,074
Student Loan Interest and Fees	1,657	1,251
Other Receipts, Net	47,690	67,974
Net Cash Used in Operating Activities	(264,857)	(326,968)
Cash Flows from Noncapital Financing Activities		
State Appropriations	498,358	479,478
Federal Appropriations and Pell Grants	65,473	45,636
Private Gifts	48,547	52,512
Endowment and Similar Funds Gifts	24,703	21,093
Direct Lending Receipts	225,429	114,126
Direct Lending Disbursements	(225,429)	(114,126)
PLUS Loan Receipts	56,246	37,631
PLUS Loan Disbursements	(56,246)	(37,631)
Other Receipts (Payments), Net	(1,502)	928
Deposits of Affiliates	(13,158)	(4,341)
Net Cash Provided by Noncapital Financing Activities	622,421	595,306
Cash Flows from Capital and Related Financing Activities		
Capital State Appropriations	11,569	18,312
Capital Gifts and Grants	19,381	13,009
Proceeds from Sales of Capital Assets	589	1,554
Purchase of Capital Assets	(289,012)	(286,156)
Proceeds from Issuance of Capital Debt, Net	337,604	-
Principal Payments on Capital Debt	(24,093)	(21,196)
Proceeds from Capital Project Notes	122,500	100,500
Payments on Capital Project Notes	(125,000)	(100,000)
Payments on Capital Lease	(829)	(785)
Payments of Bond Issuance Costs	(3,344)	-
Interest Payments on Capital Debt	(43,632)	(31,438)
Net Cash Provided by (Used in) Capital and Related Financing Activities	5,733	(306,200)

(continued)

UNIVERSITY OF MISSOURI SYSTEM
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2010 and 2009 (in thousands)

	2010	2009
Cash Flows from Investing Activities		
Interest and Dividends on Investments, Net	56,028	66,315
Purchase of Investments, Net of Sales and Maturities	(346,338)	57,934
Other Investing Activities	1,385	(455)
Net Cash Provided by (Used in) Investing Activities	(288,925)	123,794
Net Increase in Cash and Cash Equivalents	74,372	85,932
Cash and Cash Equivalents, Beginning of Year	252,941	167,009
Cash and Cash Equivalents, End of Year	\$ 327,313	\$ 252,941
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	\$ (478,027)	\$ (503,288)
Adjustments to Net Cash Used in Operating Activities		
Depreciation Expense	146,753	131,167
Changes in Assets and Liabilities:		
Accounts Receivable, Net	(1,236)	8,705
Inventory, Prepaid Expenses and Other Assets	894	(2,928)
Notes Receivable	407	557
Accounts Payable	31,778	(10,993)
Accrued Liabilities	37,013	36,917
Deferred Revenue	(2,439)	12,895
Net Cash Used in Operating Activities	\$ (264,857)	\$ (326,968)
 Supplemental Disclosure of Noncash Activities		
Net Increase (Decrease) in Fair Value of Investments	\$ 93,912	\$ (139,199)
Noncash Gifts	20,103	7,503

See notes to the financial statements.

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF PLAN NET ASSETS

As of June 30, 2010 and 2009 (in thousands)

	2010	2009
Assets		
Cash and Cash Equivalents	\$ 88,450	\$ 88,235
Investment of Cash Collateral	277,747	216,645
Investment Settlements Receivable	13,935	35,397
Investments:		
Debt Securities	906,562	792,680
Equity Securities	471,853	955,353
Commingled Funds	806,264	307,362
Nonmarketable Alternative Investments	136,502	138,158
Other	19,442	2,977
Total Assets	2,720,755	2,536,807
Liabilities		
Accounts Payable and Accrued Liabilities	1,758	1,816
Collateral Held for Securities Lending	277,747	221,242
Investment Settlements Payable	63,134	148,043
Total Liabilities	342,639	371,101
Net Assets Held in Trust for Retirement and OPEB	\$2,378,116	\$2,165,706

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF CHANGES IN PLAN NET ASSETS

For the Years Ended June 30, 2010 and 2009 (in thousands)

	2010	2009
Net Revenues and Other Additions		
Investment Income (Loss):		
Interest & Dividend Income, Net of Fees	\$ 54,988	\$ 65,103
Net Appreciation (Depreciation) in Fair Value of Investments	228,528	(583,606)
Net Investment Income (Loss)	283,516	(518,503)
Contributions:		
University	71,829	80,452
Members	22,734	12,144
Other	-	1,924
Total Contributions	94,563	94,520
Total Net Revenues and Other Additions (Deductions)	378,079	(423,983)
Expenses and Other Deductions		
Administrative Expenses	2,722	2,752
Payments to Retirees and Beneficiaries	162,947	157,460
Total Expenses and Other Deductions	165,669	160,212
Increase (Decrease) in Net Assets Held in Trust for Retirement and OPEB	212,410	(584,195)
Net Assets Held in Trust for Retirement and OPEB, Beginning of Year	2,165,706	2,749,901
Net Assets Held in Trust for Retirement and OPEB, End of Year	\$2,378,116	\$2,165,706

See notes to the financial statements

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

UNIVERSITY OF MISSOURI SYSTEM

Organization – The University of Missouri System (the “University”), a Federal land grant institution, conducts education, research, public service, and related activities, which include the University Health System and related health care facilities, principally at its four campuses in Columbia, Kansas City, Rolla and St. Louis. The University also administers a statewide cooperative extension service with centers located in each county in the State. The University is a component unit of the state of Missouri (the “State”) and is governed by a nine-member Board of Curators appointed by the state’s Governor.

The income generated by the University, as an instrumentality unit of the State, is generally excluded from federal income taxes under Section 115 of the Internal Revenue Code. However, the University remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it is exempt. No income tax provision has been recorded as the net income, if any, from unrelated trade or business income, is not material to the financial statements.

Reporting Entity – As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (“GASB”), the financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or the nature and significance of their relationships with the primary government are such that exclusion would cause the primary government’s financial statements to be misleading or incomplete.

The University of Missouri-Columbia Medical Alliance (the “Medical Alliance”) is considered a component unit of the University according to the criteria in GASB Statement No. 14, *The Financial Reporting Entity*, and is discretely presented in the University’s financial statements. The Medical Alliance, a not-for-profit corporation, provides an integrated health care delivery system for mid-Missouri by establishing affiliations with various medical facilities. The purpose

of the Medical Alliance is to develop a network of health care providers to support the missions of the University Health System. The Capital Region Medical Center (“CRMC”) in Jefferson City, Missouri, operates as an affiliate of the Medical Alliance and provides inpatient, outpatient, and emergency care services to the surrounding community. CRMC, a not-for-profit organization that follows generally accepted accounting principles under the Financial Accounting Standards Board (“FASB”), is a discretely presented component unit of the Medical Alliance. The University appoints the Board of Directors of the Medical Alliance and can impose its will on the organization. Financial statements for the Medical Alliance are not available.

The University operates the University of Missouri Retirement, Disability, and Death Benefit Plan (the “Retirement Plan”) and the University of Missouri Other Postemployment Benefits Plan (the “OPEB Plan,” which collectively with the Retirement Plan represent the “Pension Trust Funds”), which are single employer, defined benefit plans. The assets of the Retirement Plan and OPEB Plan are held in the Retirement Trust and OPEB Trust, respectively.

Financial Statement Presentation – In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University follows all applicable GASB pronouncements. In addition, the University applies all applicable FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

Pursuant to GASB Statement No. 35, *Basic Financial Statement-and Management’s Discussion and Analysis-for Public Colleges and Universities*, the University’s activities are considered to be a single business-type activity and accordingly, are reported in a single column in the financial statements. Business-type activities are those that are financed in whole or part by funds received by external parties for goods or services.

Basis of Accounting – The University’s financial statements have been prepared using the economic

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of cash flows.

On the Statement of Revenues, Expenses and Changes in Net Assets, the University defines operating activities as those generally resulting from an exchange transaction. Nearly all of the University's expenses are from exchange transactions, which involve the exchange of equivalent values such as payments for goods or services. Nonoperating revenues or expenses are those in which the University receives or gives value without directly giving or receiving equal value, such as State and Federal appropriations, Federal Pell grants, private gifts, and investment income.

The financial statements for the Pension Trust Funds have been prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable. Investments are reported at fair value. Combining financial statements for these funds are presented in Note 16.

Cash, Cash Equivalents and Investments – Cash and cash equivalents consist of the University's bank deposits, repurchase agreements, money market funds, and other investments with original maturities of three months or less. Cash equivalents also include variable rate demand notes, which are debt securities with an original maturity beyond three months, but with a demand feature that allows for liquidity with advance notice of no more than seven days. Investment assets are carried at fair value based primarily on market quotations. Purchases and sales of investments are accounted for on the trade date basis. Investment settlements receivable and investment settlements payable represent investment transactions occurring on or before June 30, which settle after that date. Investment income is recorded on the accrual basis. Net unrealized gains (losses) are included in investment and endowment income in the Statement of Revenues, Expenses and Changes in Net Assets.

Nonmarketable alternative investments and certain commingled funds are recorded based on valuations provided by the general partners of the respective partnerships. The University believes that the carrying value of these investments is a reasonable estimate of

fair value. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for investments existed.

Derivative instruments such as forward foreign currency contracts are recorded at fair value. The University enters into forward foreign currency contracts to reduce the foreign exchange rate exposure of its international investments. These contracts are marked to market, with the changes in market value being reported in investment and endowment income on the Statement of Revenues, Expenses, and Changes in Net Assets.

Pledges Receivable – The University receives unconditional promises to give through private donations (pledges) from corporations, alumni and various other supporters of the University. Revenue is recognized when a pledge is received and all eligibility requirements, including time requirements, are met. These pledges have been recorded as pledges receivable on the Statement of Net Assets and as private or capital gift revenues on the Statement of Revenues, Expenses, and Changes in Net Assets, at the present value of the estimated future cash flows. An allowance of \$5,761,000 and \$5,130,000 as of June 30, 2010 and 2009, respectively, has been made for uncollectible pledges based upon management's expectations regarding the collection of the pledges and the University's historical collection experience.

Inventories – These assets are stated at the lower of cost or market. Cost is determined on an average cost basis except for University Health System's inventories, for which cost is determined using the first-in, first-out method.

Capital Assets – If purchased, these assets are carried at cost or, if donated, at fair value at the date of gift. Depreciation expense is computed using the straight-line method over the assets' estimated useful lives – generally ten to forty years for buildings and improvements, eight to twenty-five years for infrastructure, three to fifteen years for equipment and twenty years for library materials. Net interest expense incurred during the construction of debt-financed facilities is included when capitalizing resulting assets. The University capitalizes works of art as these collections generally consist of historical

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artifacts and artworks, they are considered inexhaustible and not subject to depreciation. The University does not capitalize collections of historical treasures held for public exhibition, education, research, and public service. These collections are not disposed of for financial gain and, accordingly, are not capitalized for financial statement purposes. Proceeds from the sale, exchange, or other disposal of such items must be used to acquire additional items for the same collection. Land is considered inexhaustible and is not subject to depreciation.

Deferred Revenue – Deferred revenues are recognized for amounts received prior to the end of the fiscal year but related to the subsequent period, including certain tuition, fees, and auxiliary revenues. Deferred revenues also include grant and contract amounts that have been received but not yet earned.

Net Assets – The University's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt represents capital assets, net of accumulated depreciation and outstanding principal debt balances related to the acquisition, construction or improvement of those assets.

Restricted Nonexpendable net assets are subject to externally imposed stipulations that the principal be maintained in perpetuity, such as the University's permanent endowment funds. The University's policy permits any realized and unrealized appreciation to remain with these endowments after the spending distribution discussed in Note 3.

Restricted Expendable net assets are subject to externally imposed stipulations on the University's use of the resources.

Unrestricted net assets are not subject to externally imposed stipulations, but may be designated for specific purposes by the University's management or the Board of Curators. Unrestricted net assets are derived from tuition and fees, sales and services, unrestricted gifts, investment income, and other such

sources, and are used for academics and the general operation of the University. When both restricted and unrestricted resources are available for expenditure, the University's policy is to first apply restricted resources, and then the unrestricted resources.

Tuition and Fees, Net of Scholarship Allowances – Student tuition and fees, housing, dining, and other similar auxiliary revenues are reported net of any related scholarships and fellowships applied to student accounts. However, scholarships and fellowships paid directly to students are separately reported as scholarship and fellowship expenses.

Patient Medical Services, Net – Patient medical services revenues are reported net of contractual allowances and bad debt allowances. Patient medical services are primarily provided through University of Missouri Hospitals and Clinics, Ellis Fischel Cancer Research Center, Columbia Regional Hospital, Missouri Rehabilitation Center and University Physicians (collectively, the "University Health System").

The University Health System has agreements with third-party payors that provide for payments that differ from the entity's established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discount charges, and per diem payments. Patient medical services revenue is reported at net amounts estimated to be realizable from patients, third-party payors, and others. These estimated amounts include retroactive adjustments for reimbursement agreements with third-party payors. Retroactive adjustments are estimated and accrued in the period that related services are provided, and then adjusted in future periods as estimates are refined and final settlements are determined.

Amounts receivable under Medicare and Medicaid reimbursements agreements are subject to examination and certain retroactive adjustments by the related programs. These adjustments increased net patient medical services revenue by \$560,000 and \$1,977,000 for the years ended June 30, 2010 and 2009, respectively.

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For the Years Ended June 30, 2010 and 2009

For the years ended June 30, 2010 and 2009, the University Health System's percentage of gross patient accounts receivable classified by major payor is as follows:

Table 1.1 - Percentage of Gross Patient Accounts Receivable (by Major Payor)

	2010	2009
Medicare	23%	26%
Commercial Insurance	4%	10%
Medicaid	25%	20%
Self Pay & Other	17%	17%
Managed Care Agreements	31%	27%
	100%	100%

The Statement of Revenues, Expenses and Changes in Net Assets reflect the gross to net patient medical services revenue as follows:

Table 1.2 - Gross to Net Patient Medical Services Revenue (in thousands)

	2010	2009
Patient Medical Services		
Revenue, Gross	\$1,561,797	\$1,466,437
Deductions for Contractuals	(773,731)	(720,759)
Deductions for Bad Debt	(51,267)	(43,254)
Patient Medical Services Revenue, Net	\$ 736,799	\$ 702,424

New Accounting Pronouncements – Effective for fiscal year 2010, the University adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which requires all intangible assets not specifically excluded by its scope provisions be classified as capital assets and establishes guidance specific to their amortization. The statement also requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable and establishes a specified-conditions approach to recognizing intangible assets that are internally generated. Adoption of GASB Statement No. 51 did not have a material effect on the University's financial statements.

Effective for fiscal year 2010, the University adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The statement requires derivative instruments to be measured at fair value at the reporting date, with changes in fair value generally being reported as investment gains or losses. However, changes in fair value of hedging derivative

instruments would be deferred until the related instrument ends or ceases to significantly reduce risk. In adopting this standard, the University recognized the effect of a change in accounting principle, which decreased net assets by \$6,163,000. See Note 9 for additional information.

In June 2010, GASB issued GASB Statement No. 59, *Financial Instruments Omnibus*, effective for fiscal years beginning after June 15, 2010. The statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The University has not yet determined the effect that adoption of GASB Statement No. 59 may have on its financial statements.

Effective for fiscal year 2009, the University adopted GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. In adopting this standard, the University recognized the effect of a change in accounting principle, which increased net assets by \$13,334,000 for the increase in fair value of the land holdings over historic cost. Changes in fair value in reporting periods subsequent to fiscal year 2009 are reported as current year investment income.

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

Use of 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.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Nature of Operations – The Curators of the University of Missouri, for and on behalf of the University Health System, and the Capital Region Medical Center (CRMC) entered into an Affiliation Agreement dated August 5, 1997. Pursuant to the Affiliation Agreement, the University created the Medical Alliance. The Medical Alliance then became the sole member of CRMC. The

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Medical Alliance's purpose is to develop a network of healthcare providers to support the missions of the University Health System.

CRMC operates as a two-hospital system, which consists of the Southwest Campus and Madison Campus complemented by community medical clinics. CRMC primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in Jefferson City, Missouri. It also operates medical clinics in the surrounding communities. The operating results of the facilities and clinics are included in these financial statements. CRMC is served by a group of admitting physicians that account for a significant portion of CRMC's net revenues. Additionally, CRMC is also associated with the Capital Region Medical Foundation, which is intended to support the interest of CRMC through its fundraising activities.

Net Assets – As a not-for-profit organization, the Medical Alliance records its net assets in accordance with Financial Accounting Standards Board Statement No. 117, Financial Statements of Not-for-Profit Organizations. For presentation within the accompanying basic financial statements, the net assets are redistributed amongst the net asset components defined by GASB Statement No. 34.

Capital Assets – Capital Assets are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset following guidelines of the American Hospital Association. Equipment under capital lease obligations is amortized on the straight-line basis over the shorter period of the lease term or the estimated useful life of the equipment. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a cost of acquiring those assets.

Net Patient Medical Service Revenue – Net patient medical service revenue is reported at the net amounts to be realized from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments for reimbursement agreements with third-party payers. Retroactive adjustments are estimated and accrued in the period the related services are provided, and these amounts are adjusted in future periods as final settlements are determined.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the University's bank deposits, repurchase agreements, money market funds, and other investments with original maturities of three months or less. Cash equivalents also include variable rate demand notes, which are debt securities with an original maturity beyond three months, but with a demand feature that allows for liquidity with advance notice of no more than seven days.

Custodial Credit Risk – The custodial credit risk for deposits is the risk that in the event of bank failure, the University's deposits may not be recovered. State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. Agencies and instrumentalities of the state of Missouri; bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The University's cash deposits were fully insured or collateralized at June 30, 2010 and 2009, respectively.

3. INVESTMENTS

Investment policies are established by the Board of Curators ("the Board"). The policies ensure that funds are managed in accordance with Section 105.688 of the Revised Statutes of Missouri and prudent investment practices. Additionally, investment policies established by the Board with respect to the Retirement Trust and Other Postemployment Benefit ("OPEB") Trust (collectively referred to as "Pension Trust Funds") and the Endowment Funds specifically recognize the fiduciary duties set forth in Section 105.688 of the Revised Statutes of Missouri. The use of external investment managers has been authorized by the Board.

Substantially all University cash and investments are managed centrally, generally in the following investment pools:

General Pool (Short-Term Funds) – The General Pool contains short-term University funds, including but not limited to cash and reserves, operating funds, bond funds, and plant funds. Subject to various limitations contained within the corresponding investment policy, the University's internally managed General Pool may

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be invested in the following instruments: U.S. Government securities; U.S. Government Agency securities; U.S. Government guaranteed securities; investment grade corporate bonds; certificates of deposit; repurchase agreements; commercial paper; and other similar short-term investment instruments of like or better quality. A limited component of the General Pool may be invested in the University's Balanced Pool; at June 30, 2010 and 2009, 18.0% and 25.0%, respectively, of General Pool funds were invested in the Balanced Pool (refer to "Endowment Funds" below). The General Pool's total return, including unrealized gains and losses, was 5.19% and 0.39% for the years ended June 30, 2010 and 2009, respectively.

Endowment Funds – When appropriate and permissible, endowment and similar funds are pooled for investment purposes, with the objective of achieving long-term returns sufficient to preserve principal by protecting against inflation and to meet endowment spending targets.

The Balanced Pool, which is externally managed, is the primary investment vehicle for endowment funds. Subject to various limitations contained within the corresponding investment policy, the Balanced Pool is allowed to invest in the following asset sectors: U.S. and international equity, emerging markets debt and equity, absolute return strategies, private equity, real estate, global fixed income, high yield fixed income, bank loans, and Treasury inflation-protected securities. The Balanced Pool's total return, including unrealized gains and losses, was 11.4% and (17.5)% for the years ended June 30, 2010 and 2009, respectively.

The Fixed Income Pool, which is internally managed, is an additional investment vehicle for endowment funds. Fixed Income Pool asset sectors include debt securities issued by the U.S. government and its agencies, corporate bonds, commercial paper, and repurchase agreements. The Fixed Income Pool's total return, including unrealized gains and losses, was 6.9% and 6.1% for the years ended June 30, 2010 and 2009, respectively.

If a donor has not provided specific restrictions, state law permits the Board to appropriate an amount of the

Endowment Funds' net appreciation, realized and unrealized, as the Board considers to be prudent. In establishing this amount, the Board is required to consider the University's long- and short-term needs, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. Further, any expenditure of net appreciation is required to be for the purposes for which the endowment was established. Inclusive of both realized and unrealized gains and losses on investments, donor-restricted endowments experienced net appreciation of approximately \$52,142,000 in fiscal year 2010, as compared to net depreciation of approximately \$130,577,000 in fiscal year 2009.

The Board has adopted the total return concept (yield plus change in market value) in determining the spendable return for endowments and similar funds. Annually, the spending formula distributes 5% of a trailing 12-quarter average of the endowment's total market value, with the understanding that this spending rate over the long term will not exceed the total real return (net of inflation). However, to achieve uniformity from year to year, the actual amount made available in any given year will be not less than 96% or more than 106% of the prior year's expenditure.

PENSION TRUST FUNDS

The Retirement Trust and the OPEB Trust hold the assets of the Retirement Plan and OPEB Plan, respectively. Subject to various limitations contained within the corresponding investment policy, the externally-managed Retirement Trust is allowed to invest in the following asset sectors: U.S. and international equity, emerging markets debt and equity, absolute return strategies, private equity, real estate, global fixed income, high yield fixed income, bank loans, and Treasury inflation-protected securities. The Retirement Trust's total return, including unrealized gains and losses, was 12.7% and (18.4)% for the years ended June 30, 2010 and 2009, respectively.

The OPEB Trust held \$39,063,000 and \$37,167,000 at June 30, 2010 and 2009, respectively, in a money market mutual fund rated AAA at both June 30, 2010 and 2009. The OPEB Trust has no other investments.

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For the Years Ended June 30, 2010 and 2009

At June 30, 2010 and 2009, the University and Pension Trust Funds held the following types of investments:

Table 3.1 - Investments by Type (in thousands)

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2010	2009	2010	2009
Debt Securities:				
U.S. Treasury Obligations	\$ 282,345	\$ 289,428	\$ 408,769	\$ 284,534
U.S. Agency Obligations	688,890	343,779	1,030	5,754
Asset-Backed Securities	21,029	65,779	43,899	143,891
Government - Foreign	68,633	71,812	145,515	186,018
Corporate - Domestic	253,453	191,796	174,629	63,806
Corporate - Foreign	57,539	50,295	132,720	108,677
Equity Securities:				
Domestic	161,762	270,965	226,780	579,714
Foreign	154,454	164,269	245,073	375,639
Commingled Funds:				
Absolute Return	56,984	50,368	127,788	115,811
Debt Securities - Domestic	33,568	-	139,757	-
Debt Securities - Foreign	55,745	-	124,241	-
Equity Securities - Domestic	73,118	13,344	140,390	-
Equity Securities - Foreign	127,763	62,376	228,139	133,394
Real Estate	13,933	17,365	45,949	58,157
Nonmarketable Alternative Investments:				
Real Estate	21,465	26,816	60,766	76,084
Private Equity	31,160	24,875	75,736	62,074
Other	32,111	27,318	19,442	2,977
Total Investments	2,133,952	1,670,585	2,340,623	2,196,530
Money Market Funds	124,216	110,182	76,768	67,675
Commercial Paper	160,275	90,568	-	-
Variable Rate Demand Notes	29,700	39,650	-	-
Other	13,122	12,541	11,682	20,560
Total Cash and Cash Equivalents	327,313	252,941	88,450	88,235
Total Investments and Cash and Cash Equivalents	\$ 2,461,265	\$ 1,923,526	\$ 2,429,073	\$ 2,284,765

Custodial Credit Risk - For investments, custodial credit risk is the risk that in the event of failure of the counterparty to a transaction, the University will not be able to recover the value of the investments held by an outside party. In accordance with its policy, the University minimizes custodial credit risk by establishing limitations on the types of instruments held with qualifying institutions. Repurchase agreements must be collateralized by U.S. Government issues and/or U.S. Government Agency issues. All University and Pension Trust Fund investments are insured or registered and are held by the University, the Pension Trust Funds or an agent in its name.

Concentration of Credit Risk - Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments. The investment policies for the General Pool, Endowment Funds, and Retirement Trust all specify diversification requirements across asset sectors. The investment policy for the General Pool has specific single issuer limits in place for corporate bonds and commercial paper.

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As of June 30, 2010, of the University's total investments and cash and cash equivalents, 15.3% are issues of the Federal Home Loan Bank (FHLB) and 10.2% are issues of Federal National Mortgage Association (FNMA). As of June 30, 2009, of the University's total investments and cash and cash equivalents, 7.0% are issues of FHLB and 8.0% are issues of FNMA.

At June 30, 2010 and 2009, the Pension Trust Funds did not contain investments from any single issuer that exceeded 5% of the total portfolio.

Investments issued or guaranteed by the U.S. government as well as investments in mutual funds and other pooled investments are excluded from consideration when evaluating concentration risk.

Credit Risk – Debt securities are subject to credit risk, which is the chance that an issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain debt securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

Nationally recognized statistical rating organizations, such as Moody's and Standard & Poor's (S&P), assign credit ratings to security issues and issuers that indicate a measure of potential credit risk to investors. Debt securities considered investment grade are those rated at least Baa by Moody's and BBB by S&P. For General Pool investments, the following minimum credit ratings have been established to manage credit risk: minimum long-term rating of A or better by S&P, with minimum rating of A-1/P-1 for commercial paper and other short-term securities. For Endowment Funds and Retirement Trust investments, the respective investment policies allow for a blend of different credit ratings, subject to certain restrictions by asset sector. In all cases, disposition of securities whose ratings have been downgraded after purchase is generally left to the discretion of the respective investment manager after consideration of individual facts and circumstances.

All holdings of commercial paper and variable rate demand notes were rated A-1/P-1 or better at June 30, 2010 and 2009, respectively. All holdings of money market funds were rated AAA at June 30, 2010 and 2009, respectively.

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Based on investment ratings provided by Moody's or S&P, the University's and Pension Trust Funds' credit risk exposure as of June 30, 2010 and 2009, is as follows:

Table 3.2 - Debt Securities by Type and Credit Rating (in thousands)

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2010	2009	2010	2009
U.S. Treasury Obligations	\$ 282,345	\$ 289,428	\$ 408,769	\$ 284,534
U.S. Agency Obligations	688,890	343,779	1,030	5,754
Asset-Backed Securities				
Mortgage Backed Securities				
Guaranteed by U.S. Agencies				
Aaa/AAA	10,942	53,832	18,663	109,736
Aa/AA	4,520	8,799	15,213	23,687
A/A	796	835	3,438	3,523
Baa/BBB	1,714	526	3,076	2,098
Ba/BB and lower	251	178	1,018	1,191
Unrated	953	1,609	2,491	3,656
Unrated	1,853	-	-	-
Government - Foreign				
Aaa/AAA	35,674	47,914	83,679	117,300
Aa/AA	13,836	20,602	22,290	62,109
A/A	10,108	2,193	19,793	4,534
Baa/BBB	1,989	1,103	2,383	2,075
Unrated	7,026	-	17,370	-
Corporate - Domestic				
Aaa/AAA	7,737	2,336	2,970	4,738
Aa/AA	67,545	46,005	6,833	9,711
A/A	145,028	135,424	25,966	38,605
Baa/BBB	991	5,787	5,953	9,892
Ba/BB and lower	28,554	-	124,740	-
Unrated	3,598	2,244	8,167	860
Corporate - Foreign				
Aaa/AAA	30,864	28,635	65,990	60,749
Aa/AA	5,682	10,935	14,247	26,456
A/A	12,797	6,663	24,198	15,057
Baa/BBB	923	2,036	3,025	5,538
Ba/BB and lower	2,160	-	9,466	578
Unrated	5,113	2,026	15,794	299
Total	\$ 1,371,889	\$ 1,012,889	\$ 906,562	\$ 792,680

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Debt securities with longer maturities are likely to be subject to more variability in their fair values as a result of future changes in interest rates. Neither the University nor the Pension Trust Funds have a formal policy that addresses interest rate risk; rather, such risk is managed by each individual investment manager, as applicable.

The University and Pension Trust Funds have investments in asset-backed securities, which consist primarily of mortgage-backed securities guaranteed by U.S. agencies and corporate collateralized mortgage obligations. These securities are based on cash flows from principal and interest payments on the underlying securities. An asset-backed security may have repayments that vary significantly with changes in market interest rates.

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Table 3.3 presents the contractual final maturities of the University's and Pension Trust Funds' debt securities, which are not intended to reflect actual projected cash flows, as of June 30, 2010 and 2009, respectively:

Table 3.3 - Debt Securities by Type and Maturity (in thousands)

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2010	2009	2010	2009
U.S. Treasury Obligations				
Less than 1 Year	\$ 3,822	\$ 10,175	\$ 2,151	\$ 8,752
1-5 Years	119,210	68,568	135,475	105,556
6-10 Years	116,229	82,993	137,655	85,128
More than 10 Years	43,084	127,692	133,488	85,098
Total U.S Treasury Obligations	282,345	289,428	408,769	284,534
U.S. Agency Obligations				
Less than 1 Year	30,023	107,416	-	2,740
1-5 Years	342,720	95,783	51	2,069
6-10 Years	214,343	38,953	979	945
More than 10 Years	101,804	101,627	-	-
Total U.S. Agency Obligations	688,890	343,779	1,030	5,754
Asset-Backed Securities				
Less than 1 Year	-	-	-	-
1-5 Years	1,091	1,496	3,174	9,122
6-10 Years	1,018	1,534	2,376	3,292
More than 10 Years	18,920	62,749	38,349	131,477
Total Asset-Backed Securities	21,029	65,779	43,899	143,891
Government - Foreign				
Less than 1 Year	3,306	1,325	17,139	2,188
1-5 Years	23,377	13,283	43,132	36,852
6-10 Years	28,376	42,051	56,595	116,626
More than 10 Years	13,574	15,153	28,649	30,352
Total Government - Foreign	68,633	71,812	145,515	186,018
Corporate - Domestic				
Less than 1 Year	28,620	28,892	4,277	14,854
1-5 Years	172,229	112,794	51,460	19,802
6-10 Years	48,272	47,389	105,798	25,093
More than 10 Years	4,332	2,721	13,094	4,057
Total Corporate - Domestic	253,453	191,796	174,629	63,806
Corporate - Foreign				
Less than 1 Year	5,116	2,682	13,867	8,221
1-5 Years	37,319	26,488	82,328	49,327
6-10 Years	9,614	12,953	25,131	33,578
More than 10 Years	5,490	8,172	11,394	17,551
Total Corporate - Foreign	57,539	50,295	132,720	108,677
Total Debt Securities	\$ 1,371,889	\$ 1,012,889	\$ 906,562	\$ 792,680

Foreign Exchange Risk –Foreign exchange risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. University and Retirement Trust

investment policies allow for exposure to non-U.S. dollar denominated equities and fixed income securities, which may be fully or partially hedged using forward foreign currency exchange contracts.

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At June 30, 2010 and 2009, 17.3% and 16.5%, respectively, of the University's total investments and cash and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling \$138,042,000 and \$120,576,000 were in place at June 30, 2010 and 2009, respectively. At June 30, 2010 and 2009, 32.7% and

32.4%, respectively, of the Pension Trust Funds' total investments and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling \$310,673,000 and \$313,321,000 were in place at June 30, 2010 and 2009, respectively.

The University's and Pension Trust Funds' exposure to foreign exchange risk as of June 30, 2010 and 2009:

Table 3.4 - Foreign Exchange Risk (in thousands)

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2010	2009	2010	2009
Debt Securities				
Euro	\$ 51,625	\$ 59,275	\$ 123,658	\$ 146,509
Australian Dollar	9,840	6,736	19,940	13,206
Canadian Dollar	6,126	4,330	17,631	10,432
British Pound Sterling	6,528	9,737	13,724	18,881
Japanese Yen	8,587	19,897	11,019	61,312
Danish Krone	2,900	519	5,356	1,398
Malaysian Ringgit	2,603	517	4,517	943
South Korean Won	2,240	531	3,942	1,257
Singapore Dollar	2,201	1,118	3,652	2,275
Mexican New Peso	2,145	1,103	3,486	2,074
Other	4,796	1,916	8,106	3,514
	99,591	105,679	215,031	261,801
Equity Securities				
Euro	49,195	56,592	75,677	130,969
Japanese Yen	30,136	29,248	47,141	68,315
British Pound Sterling	26,514	24,295	41,599	58,323
Australian Dollar	7,078	5,504	10,501	27,533
Canadian Dollar	5,210	7,221	8,733	12,451
Swiss Franc	10,868	11,489	19,256	14,255
Hong Kong Dollar	4,891	5,011	8,459	11,011
Swedish Krona	1,321	2,230	3,135	4,921
Other	3,064	2,094	5,936	4,492
	138,277	143,684	220,437	332,270
Commingled Funds				
Various currency denominations:				
Debt Securities - Foreign	55,745	-	124,241	-
Equity Securities - Foreign	127,763	62,376	228,139	133,394
	183,508	62,376	352,380	133,394
Cash and Cash Equivalents				
Euro	4,311	4,590	5,357	9,118
Japanese Yen	147	250	365	493
British Pound Sterling	179	760	477	1,605
Other	223	320	708	693
	4,860	5,920	6,907	11,909
Total Exposure to Foreign Exchange Risk	\$ 426,236	\$ 317,659	\$ 794,755	\$ 739,374

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For the Years Ended June 30, 2010 and 2009

Commingled Funds - Includes Securities and Exchange Commission regulated mutual funds and externally managed funds, limited partnerships, and corporate structures which are generally unrated and unregulated. Certain commingled funds may use derivatives, short positions and leverage as part of their investment strategy. These investments are structured to limit risk exposure to the amount of invested capital. Commingled funds have liquidity (redemption) provisions, which enable the University and Pension Trust Funds to make full or partial withdrawals with notice, subject to restrictions on the timing and amount.

Of the University's and Pension Trust Funds' commingled funds at June 30, 2010, approximately 85% and 83%, respectively, are redeemable within 90 days, with the remaining redeemable within one year.

Nonmarketable Alternative Investments - Consists of limited partnerships involving an advance commitment of capital called by the general partner as needed and distributions of capital and return on invested capital as underlying strategies are concluded during the life of the partnership. The committed but unpaid obligation to these limited partnerships is further discussed in Note 12.

Securities Lending Transactions – The University and Pension Trust Funds each participate in an external investment pool securities lending program to augment income. The program is administered by the custodial agent bank, which lends equity, government and corporate securities for a predetermined period of time to an independent broker/dealer (borrower) in exchange for collateral. Collateral may be cash, U.S. Government securities, defined letters of credit or other collateral approved by the University or Pension Trust Funds. Loaned domestic securities are initially collateralized at 102% of their fair value, while loaned international securities are collateralized at 105% of fair value. Exposure to credit risk from borrower default has been minimized by having the custodial agent bank determine daily that required collateral meets a minimum of 100% of the fair value of loaned domestic securities and 105% for loaned international securities.

For the University, at June 30, 2010 and 2009, there were a total of \$120,792,000 and \$114,610,000, respectively, of securities out on loan to borrowers.

The value of collateral received from the borrower for these securities consisted of \$111,557,000 cash and \$12,553,000 noncash collateral at June 30, 2010 and \$115,291,000 cash and \$2,212,000 noncash collateral at June 30, 2009.

For the Pension Trust Funds, at June 30, 2010 and 2009, there were a total of \$302,918,000 and \$232,477,000, respectively, of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of \$277,747,000 cash and \$31,925,000 noncash collateral at June 30, 2010 and \$221,242,000 cash and \$16,745,000 noncash collateral at June 30, 2009.

Cash collateral received from the borrower is invested by the custodial agent bank in investment pools in the name of the University and Pension Trust Funds, with guidelines approved by each. These investments are shown as Investment of Cash Collateral in the Statement of Net Assets and reported at fair value, with changes in market value recorded in Investment and Endowment Income on the Statement of Revenues, Expenses, and Changes in Net Assets. Noncash collateral received for securities lending activities is not recorded as an asset because the University and Pension Trust Funds do not have the ability to pledge or sell such collateral unless the borrower defaults.

The University and Pension Trust Funds continue to receive interest and dividends during the loan period. The maturities of the investments made with the cash collateral generally match the maturities of the securities lent. At June 30, 2010 and 2009, neither the University nor the Pension Trust Funds have any credit risk exposure arising from the actual securities lending transactions since the collateral received from the borrower exceeds the value of the securities lent. Further, the University and Pension Trust Funds are fully indemnified by the custodial bank against any losses incurred as a result of borrower default.

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DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Investments – The investment policies of Medical Alliance are established by its board of directors. The policies are established to ensure that Medical Alliance funds are managed in accordance with the “Prudent Man Rule.”

Medical Alliance investments are presented at fair value in accordance with FASB Accounting Standards Update 820, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to measurements involving significant unobservable inputs. The three levels of the fair value hierarchy are as follows: Level 1 - Quoted prices in active markets for identical assets that the Medical Alliance has the ability to access at the measurement date; Level 2 - Inputs other than quoted market prices included in Level 1, that are observable for the asset, either directly or indirectly; and, Level 3 - Inputs that are unobservable for the asset. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

At June 30, 2010 and 2009, Medical Alliance held the following investments:

Table 3.5 - Medical Alliance Cash, Cash Equivalents, and Investments

As of June 30, (in thousands)	2010	2009
Fair Value - Level 1		
Money Market Accounts	\$ 21,982	\$ 20,962
Certificates of Deposit	10,641	20,387
Corporate Bonds	3,173	-
U.S. Treasury Obligations	74	74
Cash and Other Cash Equivalents	5,944	6,622
Total Fair Value - Level 1	41,814	48,045
Fair Value - Level 2		
Mortgage-Backed Securities	14,500	-
Repurchase Agreements	3,071	-
Total Fair Value - Level 2	17,571	-
Total Cash, Cash Equivalents, and Investments	\$ 59,385	\$ 48,045

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010 and 2009, are summarized as follows:

Table 4.1 - Accounts Receivable (in thousands)

	2010	2009
Grants and Contracts	\$ 68,687	\$ 70,206
Federal Appropriations	7,152	2,889
State Appropriations and State Bond Funds	7,221	4,585
Student Fees and Other Academic Charges	93,850	88,514
University Health System Patient Services, Net of Contractual Allowances	103,110	108,005
Subtotal	280,020	274,199
Less Provisions for Loss:		
Grants & Contracts	445	583
University Health System Patient Services	23,656	26,126
Student Fees and Other Academic Charges	6,459	6,165
Subtotal	30,560	32,874
Total Accounts Receivable, Net	\$ 249,460	\$ 241,325

5. NOTES RECEIVABLE

Notes receivable consist of resources available for financial loans to students. These resources are provided through Federal loan programs and University loan programs generally funded by external sources. Notes receivable at June 30, 2010 and 2009, are summarized as follows:

Table 5.1 - Notes Receivable (in thousands)

	2010	2009
Federal Health Profession Loans	\$ 14,643	\$ 14,212
Carl D. Perkins National Loans	30,381	31,011
University Loan Programs	18,225	18,353
Subtotal	63,249	63,576
Less Provisions for Loss	3,568	3,488
Total Notes Receivable, Net	\$ 59,681	\$ 60,088

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6. CAPITAL ASSETS

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Capital assets activity for the years ended June 30, 2010 and 2009, is summarized as follows:

Table 6.1 - Capital Assets (in thousands)

	2010 Beginning Balance	Additions/ Transfers	Retirements	2010 Ending Balance
Capital Assets, Nondepreciable:				
Land	\$ 69,325	\$ 3,758	\$ (226)	\$ 72,857
Artwork and Historical Artifacts	11,854	775	(5)	12,624
Construction in Progress	118,895	37,706	-	156,601
Total Capital Assets, Nondepreciable	200,074	42,239	(231)	242,082
Capital Assets, Depreciable:				
Buildings and Improvements	2,587,249	168,782	(1,412)	2,754,619
Infrastructure	252,454	14,622	(13)	267,063
Equipment	592,429	64,890	(22,959)	634,360
Library Materials	235,517	5,073	-	240,590
Total Capital Assets, Depreciable	3,667,649	253,367	(24,384)	3,896,632
Less Accumulated Depreciation:				
Buildings and Improvements	858,606	80,053	(1,118)	937,541
Infrastructure	102,703	11,287	-	113,990
Equipment	369,360	54,290	(21,485)	402,165
Library Materials	144,202	6,451	-	150,653
Total Accumulated Depreciation	1,474,871	152,081	(22,603)	1,604,349
Total Capital Assets, Depreciable, Net	2,192,778	101,286	(1,781)	2,292,283
Total Capital Assets, Net	\$ 2,392,852	\$ 143,525	\$ (2,012)	\$ 2,534,365

	2009 Beginning Balance	Additions/ Transfers	Retirements	2009 Ending Balance
Capital Assets, Nondepreciable:				
Land	\$ 66,030	\$ 3,654	\$ (359)	\$ 69,325
Artwork and Historical Artifacts	11,663	191	-	11,854
Construction in Progress	180,386	(61,491)	-	118,895
Total Capital Assets, Nondepreciable	258,079	(57,646)	(359)	200,074
Capital Assets, Depreciable:				
Buildings and Improvements	2,322,026	267,713	(2,490)	2,587,249
Infrastructure	227,752	24,702	-	252,454
Equipment	557,275	57,880	(22,726)	592,429
Library Materials	227,712	7,805	-	235,517
Total Capital Assets, Depreciable	3,334,765	358,100	(25,216)	3,667,649
Less Accumulated Depreciation:				
Buildings and Improvements	795,529	63,982	(905)	858,606
Infrastructure	93,171	9,532	-	102,703
Equipment	339,401	50,767	(20,808)	369,360
Library Materials	137,316	6,886	-	144,202
Total Accumulated Depreciation	1,365,417	131,167	(21,713)	1,474,871
Total Capital Assets, Depreciable, Net	1,969,348	226,933	(3,503)	2,192,778
Total Capital Assets, Net	\$ 2,227,427	\$ 169,287	\$ (3,862)	\$ 2,392,852

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The estimated cost to complete construction in progress at June 30, 2010, is \$536,742,000 of which \$196,694,000 is available from unrestricted net assets. The remaining costs are expected to be funded from \$65,282,000 of State appropriations, \$20,400,000 of gifts, \$17,437,000 of grants, and \$236,929,000 of bond proceeds.

Capital assets include a building facility under a capital lease of \$8,332,000 and related accumulated depreciation of \$4,478,000 and \$4,062,000 at June 30, 2010 and 2009, respectively, and equipment under a capital lease of \$964,000 and related accumulated depreciation of \$164,000 and \$0 at June 30, 2010 and 2009, respectively.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Capital assets at June 30, 2010 and 2009 are summarized as follows:

Table 6.2 - Medical Alliance - Capital Assets

<i>(in thousands)</i>	2010	2009
Land & Improvements	\$ 6,482	\$ 6,219
Buildings	112,740	109,496
Movable Equipment	72,899	73,577
Construction in Progress	702	1,627
	192,823	190,919
Less Accumulated Depreciation	119,139	113,440
Total Capital Assets, Net	\$ 73,684	\$ 77,479

7. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2010 and 2009, are summarized as follows:

Table 7.1 - Accrued Liabilities *(in thousands)*

	2010	2009
Accrued Salaries, Wages & Benefits	\$ 51,095	\$ 48,045
Accrued Vacation	42,393	42,775
Accrued Self Insurance Claims	37,004	35,054
Accrued Interest Payable	7,817	4,963
Total Accrued Liabilities	\$ 138,309	\$ 130,837

8. OTHER NONCURRENT LIABILITIES

Table 8.1 - Other Noncurrent Liabilities *(in thousands)*

Fiscal Year 2010	Beginning of Year	Additions	Payments	Total End of Year	Less Current Portion	Noncurrent End of Year
Accrued Vacation	\$ 54,986	\$ 39,602	\$ (38,847)	\$ 55,741	\$ (42,393)	\$ 13,348
Accrued Self-Insurance Claims	73,266	191,350	(187,115)	77,501	(37,004)	40,497
	\$ 128,252	\$ 230,952	\$ (225,962)	\$ 133,242	\$ (79,397)	\$ 53,845

Fiscal Year 2009	Beginning of Year	Additions	Payments	Total End of Year	Less Current Portion	Noncurrent End of Year
Accrued Vacation	\$ 51,327	\$ 40,750	\$ (37,091)	\$ 54,986	\$ (42,775)	\$ 12,211
Accrued Self-Insurance Claims	67,328	177,386	(171,358)	73,266	(35,054)	38,212
	\$ 118,655	\$ 218,136	\$ (208,449)	\$ 128,252	\$ (77,829)	\$ 50,423

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For the Years Ended June 30, 2010 and 2009

9. LONG-TERM DEBT

The University's outstanding debt at June 30, 2010 and 2009, with corresponding activity, is as follows:

Table 9.1 - Long-Term Debt (in thousands)

	Beginning			Ending	Current
As of June 30, 2010	Balance	Additions	Reductions	Balance	Portion
System Facilities Revenue Bonds - Fixed	\$ 610,185	\$ 332,060	\$ (22,520)	\$ 919,725	\$ 27,765
System Facilities Revenue Bonds - Variable	226,120	-	(1,195)	224,925	1,245
Unamortized Premium	20,967	5,544	(1,511)	25,000	-
Unamortized Loss on Defeasance	(10,348)	-	593	(9,755)	-
Net System Facilities Revenue Bonds	846,924	337,604	(24,633)	1,159,895	29,010
Capital Project Notes	-	125,000	(125,000)	-	-
Notes Payable	2,064	-	(378)	1,686	390
Capital Lease Obligations	8,973	-	(829)	8,144	739
Total Long-Term Debt	\$ 857,961	\$ 462,604	\$ (150,840)	\$ 1,169,725	\$ 30,139

	Beginning			Ending	Current
As of June 30, 2009	Balance	Additions	Reductions	Balance	Portion
System Facilities Revenue Bonds - Fixed	\$ 629,865	\$ -	\$ (19,680)	\$ 610,185	\$ 22,520
System Facilities Revenue Bonds - Variable	227,240	-	(1,120)	226,120	1,195
Unamortized Premium	22,043	-	(1,076)	20,967	-
Unamortized Loss on Defeasance	(10,941)	-	593	(10,348)	-
Net System Facilities Revenue Bonds	868,207	-	(21,283)	846,924	23,715
Capital Project Notes	-	100,000	(100,000)	-	-
Notes Payable	2,460	-	(396)	2,064	378
Capital Lease Obligations	8,892	867	(786)	8,973	829
Total Long-Term Debt	\$ 879,559	\$ 100,867	\$ (122,465)	\$ 857,961	\$ 24,922

System Facilities Revenue Bonds

System Facilities Revenue Bonds have provided financing for capital expansion or renovation of various University facilities. The principal and interest of the bonds are payable from, and secured by a first lien on and pledge of, designated revenues which include the following: a portion of tuition and fees, sales and services from the financed facilities, such as bookstore collections, housing and dining charges, patient services, and parking collections, as well as certain assessed fees, such as the recreational facility fees, stadium surcharges, and student center fees. For fiscal years 2010 and 2009, available related operating revenues totaled \$921,667,000 and \$880,993,000, respectively, while annual debt service, including net payments on associated interest rate swaps, totaled \$76,142,000 and \$56,977,000, respectively. The ratio of annual debt service to available operating revenues was 8.3% and 6.5% for fiscal years 2010 and 2009, respectively.

On July 23, 2009, the University issued \$332,060,000 of System Facilities Revenue Bonds, consisting of

\$256,300,000 in taxable Series 2009A Bonds designated as "Build America Bonds" under the Internal Revenue Code of 1986, as amended, and \$75,760,000 in traditional tax exempt Series 2009B Bonds. With respect to the Series 2009A bonds, the University will receive a cash subsidy payment from the United States Treasury in an amount equal to 35% of the interest payable on each interest payment date. Proceeds from issuance of the Series 2009A and 2009B bonds are being used to finance construction or renovation of housing facilities on the Columbia, Kansas City, and Missouri Science and Technology (Missouri S&T) campuses, renovation of power plant and other energy management improvements on the Columbia campus, construction of a new student union facility on the Kansas City campus, Research Park office facility on the Missouri S&T campus, new patient care tower and Missouri Orthopaedic Institute at the Health System, and renovation, furnishing and equipping various other facilities, and to finance capitalized interest and certain costs of issuance.

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For the year ended June 30, 2010, the University earned cash subsidy payments from the United States Treasury totaling \$5,020,000 for designated Build

America Bonds outstanding, which was recorded as Federal Appropriations on the Statement of Revenues, Expenses, and Changes in Net Assets.

Table 9.2 - System Facilities Revenue Bonds (in thousands)

Series	Type	Current Coupon	Final Maturity	Original Issue	Balance June 30,	
					2010	2009
1998	Fixed	4.60% - 5.10%	11/1/2017	\$ 65,010	\$ 11,155	\$ 13,130
2000A	Fixed	5.20%	11/1/2010	28,950	3,620	7,055
2001B	Fixed	5.13% - 5.50%	11/1/2027	44,975	42,060	43,405
2003A	Fixed	3.75% - 5.25%	11/1/2014	118,080	11,620	13,615
2003B	Fixed	3.00% - 5.00%	11/1/2023	37,085	28,575	30,075
2006A	Fixed	3.40% - 5.00%	11/1/2028	260,975	235,195	242,675
2007A	Fixed	4.00% - 5.00%	11/1/2037	262,970	255,440	260,230
2009A (1)	Fixed	5.96%	11/1/2039	256,300	256,300	-
2009B	Fixed	3.00% - 5.00%	11/1/2021	75,760	75,760	-
Total Fixed Rate Bonds				1,150,105	919,725	610,185
2000B	Variable	0.14% (2)	11/1/2030	50,000	50,000	50,000
2001A	Variable	0.14% (2)	11/1/2031	39,225	33,685	34,505
2006B	Variable	0.13% (2)	11/1/2035	39,705	39,705	39,705
2007B	Variable	0.25% (2)	11/1/2031	102,250	101,535	101,910
Total Variable Rate Demand Bonds				231,180	224,925	226,120
Total System Facilities Revenue Bonds				\$ 1,381,285	\$ 1,144,650	\$ 836,305

(1) Taxable issue designated as Build America Bonds under the Internal Revenue Code of 1986, as amended.

(2) As of June 30, 2010; rates are determined daily or weekly by the remarketing agents. The rate is usually within a range at or near the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA Index) rate, which resets weekly.

System Facilities Revenue Bonds, Series 2000B, Series 2001A, Series 2006B, and Series 2007B are variable rate demand bonds with remarketing features which allow bondholders to put debt back to the University. Because the University is the sole source of liquidity should the option to tender be exercised by the bondholder, these variable rate demand bonds are classified in their entirety as current liabilities on the Statement of Net Assets, with the balance in excess of actual current principal maturities reported as Long-Term Debt Subject to Remarketing.

In-substance defeased bonds aggregating \$96,965,000 are outstanding at both June 30, 2010 and 2009.

Interest Rate Swap Agreements

With an objective of lowering the University's borrowing costs, when compared against fixed-rate bonds at the time of issuance, the University entered into interest rate swap agreements in connection with certain variable-rate System Facilities Revenue Bonds. Under each of the swap agreements, the University pays the swap counterparty a fixed interest rate payment and receives a variable rate interest rate payment that effectively changes a component of the University's variable interest rate bonds to fixed rate debt. Table 9.3 presents the terms of the outstanding swaps and their fair values at June 30, 2010.

Table 9.3 - Interest Rate Swaps (in thousands)

Type	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value	Counterparty Credit Rating
Pay fixed; receive variable	\$ 40,000	7/18/2002	11/1/2032	Pay 3.950%; receive SIFMA Index	\$ (8,488)	Aa1 / AA-
Pay fixed; receive variable	101,535	7/26/2007	11/1/2031	Pay 3.798%; receive 68% of 1-Month LIBOR	(22,192)	Aa1 / AA-
Total	\$ 141,535				\$ (30,680)	

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The 2002 swap does not specifically hedge any currently outstanding bond issue; rather, it serves to reduce the overall exposure to interest rate risk on the University's variable bonds not otherwise specifically hedged. The notional amount is fixed at \$40,000,000 over the life of the agreement. The 2007 swap specifically hedges System Facilities Revenue Bond Series 2007B, the effectiveness of which has been determined using the synthetic instrument method. The notional amount of the 2007 swap is equal to the outstanding balance of the Series 2007B bonds.

With the adoption of GASB Statement No. 53, *Accounting and Reporting for Derivative Instruments*, in fiscal year 2010, the University now recognizes the fair value and corresponding changes in fair value of the outstanding swaps in the University's financial statements.

Changes in fair value of the outstanding swaps, including impact of adoption of GASB Statement No. 53 in the current fiscal year, with respective financial statement presentation, is presented in Table 9.4:

Table 9.4 - Interest Rate Swaps - Change in Fair Value (in thousands)

Type	Fair Value at June 30,		Change in	
	2010	2009	Fair Value	Presentation of Change in Fair Value
2002 Swap - Investment Derivative	\$ (8,488)	\$ (6,163)	\$ (2,325)	Investment and Endowment Income, Net
Effect due to adoption of GASB No.53	-	-	(6,163)	Cumulative Effect of Change in Accounting Principles
				Statement of Changes in Revenues, Expenses, and
				Changes in Net Assets
2007 Swap - Cash Flow Hedge	(22,192)	(17,441)	(4,751)	Deferred Outflow of Resources
Effect due to adoption of GASB No.53	-	-	(17,441)	Deferred Outflow of Resources
				Statement of Net Assets
Total	\$ (30,680)	\$ (23,604)	\$ (30,680)	

Fair Value. There is a risk that the fair value of a swap could be adversely affected by changing market conditions. The fair values, developed using the zero coupon method with proprietary models, were prepared by the counterparty, JPMorgan Chase Bank, N.A., a major U.S. financial institution. The zero coupon method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each net settlement of the swap. The fair value of the interest rate swaps is the estimated amount the University would have either (paid) or received if the swap agreements were terminated on June 30, 2010.

Credit Risk. Although the University has entered into the interest rate swaps with a creditworthy financial institution, there is credit risk for losses in the event of non-performance by the counterparty. Subject to applicable netting arrangements, swap contracts with positive fair values are exposed to credit risk. The University faces a maximum possible loss equivalent to the amount of the derivative's fair value. Subject to applicable netting arrangements, swaps with negative

fair values are not exposed to credit risk. Collateral requirements apply to both parties and are determined by a combination of credit ratings and the aggregate fair value of all outstanding swap agreements as presented in Table 9.5:

Table 9.5 - Swap Collateral Requirements

Credit Rating (S&P / Moody's)	Fair Value	
	Threshold	
	(in thousands)	
AAA/Aaa	\$	50,000
AA+/Aa1		30,000
AA/Aa2		30,000
AA-/Aa3		20,000
A+/A1		20,000
A/A2		10,000
A-/A3		10,000
BBB+/Baa1		5,000

If the aggregate fair value is positive and exceeds the fair value threshold for the applicable credit rating, the counterparty is required to post collateral. If the aggregate fair value is negative and exceeds the fair value threshold for the applicable credit rating, the University is required to post collateral. Permitted collateral for either party includes U.S. Treasuries, U.S. government agencies, cash, and commercial paper rated A1/P1 by S&P or Moody's, respectively. On June

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29, 2010, the negative aggregate fair value first exceeded \$30,000,000, which is the current fair value threshold for the University given a Moody's rating of Aa1. Per the terms of the agreement with the counterparty, the University was given notice of the collateral requirement on June 30, 2010 and subsequently posted collateral with the counterparty on July 1, 2010 as required.

Basis Risk. The variable-rate payments received by the University on the 2007 swap are determined by 68% of one month LIBOR, whereas the interest rates paid by the University on its variable-rate bonds correspond to the SIFMA Index. The University is exposed to basis risk only to the extent that the historical relationship between these variable market rates changes going forward, resulting in a variable-rate payment received on the 2007 swap that is significantly less than the variable-rate interest payment on the bonds.

Termination Risk. The University is exposed to termination risk for both interest rate swaps as the

counterparty has the right to terminate the agreements in certain circumstances. For the 2002 swap, the counterparty has a contractual right to terminate the agreement if the daily weighted average of the SIFMA Index for the preceding 30 calendar day period is greater than 7.00%. With regard to the 2007 swap, the counterparty has a contractual right to terminate the agreement if the daily weighted average of the SIFMA Index for the preceding 180 days is greater than 6.00%. The SIFMA Index was 0.25% at June 30, 2010.

Table 9.6 provides future debt service requirements for the System Facilities Revenue Bonds, including the impact of both interest rate swap agreements. With respect to the inclusion of variable rate bond interest payments and net payments on swaps, the following data was based upon variable rates in effect at June 30, 2010. As market rates vary, variable rate bond interest payments and net swap payments will vary.

Table 9.6 - Future Debt Service - System Facilities Revenue Bonds (in thousands)

Fiscal Year	Principal	Interest	Hedging Derivatives, Net	Total Before		Total
				Investment Derivatives	Investment Derivatives, Net	
2011	\$ 29,010	\$ 46,530	\$ 3,604	\$ 79,144	\$ 1,456	\$ 80,600
2012	27,990	45,370	3,589	76,949	1,456	78,405
2013	29,510	44,240	3,574	77,324	1,456	78,780
2014	30,825	43,027	3,559	77,411	1,456	78,867
2015	31,805	41,766	3,544	77,115	1,456	78,571
2016-2020	180,685	188,434	16,027	385,146	7,280	392,426
2021-2025	224,705	148,219	12,731	385,655	7,280	392,935
2026-2030	259,575	97,968	6,793	364,336	7,280	371,616
2031-2035	190,220	56,712	562	247,494	3,397	250,891
2036-2040	140,325	16,960	-	157,285	-	157,285
	\$ 1,144,650	\$ 729,226	\$ 53,983	\$ 1,927,859	\$ 32,517	\$ 1,960,376

Capital Project Notes

During the years ended June 30, 2010 and 2009, the University sold \$125,000,000 and \$100,000,000 of capital project notes at effective interest rates of 0.4% and 1.7%, respectively. The maximum amount of notes outstanding was \$125,000,000 and \$100,000,000 and all were repaid in full by June 30, 2010 and 2009, respectively. Proceeds from the issuance of the capital project notes were used to fund various construction projects.

Capital Projects Notes are secured by the University's unrestricted revenues (generally state appropriations for general operations, student fee revenue, and other operating revenues), plus unencumbered balances from prior fiscal years. These balances totaled approximately \$1,800,000,000 by the end of fiscal year 2010. Excluded are revenues from auxiliary enterprises (such as bookstore and housing operations), the Health System, and other such facilities pledged to repay System Facilities Revenue Bonds.

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Notes Payable

Notes payable consist of two loans from the state Department of Natural Resources Energy Efficiency Leveraged Loan Program. Interest is payable semiannually and ranges from 3.0% to 3.2%. One of these loans matures in February 2012, while the second loan matures in February 2016.

Capital Lease Obligations

The University leases various facilities and equipment through capital leases. Facilities and equipment under capitalized leases are recorded at the present value of future minimum lease payments.

The future minimum payments on all capital leases at June 30, 2010, are as follows:

Table 9.7 - Future Capital Lease Payments

Year Ending June 30	Amount <i>(in thousands)</i>
2011	\$ 1,712
2012	1,711
2013	1,563
2014	1,563
2015	1,563
2016-2020	6,642
Total Future Minimum Payments	14,754
Less: Amount Representing Interest	(6,610)
Present Value of Future Minimum Lease Payments	\$ 8,144

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

The Medical Alliance's outstanding debt at June 30, 2010 and 2009, with corresponding activity, is as follows:

Table 9.8 - Long-Term Debt - Medical Alliance *(in thousands)*

As of June 30, 2010	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Health Facilities Revenue Bonds Series 1998	\$ 20,110	\$ -	\$ (600)	\$ 19,510	\$ 635
Health Facilities Revenue Bonds Series 2004	15,980	-	(410)	15,570	420
Total Bonds Payable	36,090	-	(1,010)	35,080	1,055
Capital Lease Obligations	4,832	-	(1,079)	3,753	1,099
Total Long-Term Debt	\$ 40,922	\$ -	\$ (2,089)	\$ 38,833	\$ 2,154

As of June 30, 2009	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Health Facilities Revenue Bonds Series 1998	\$ 20,685	\$ -	\$ (575)	\$ 20,110	\$ 600
Health Facilities Revenue Bonds Series 2004	16,375	-	(395)	15,980	410
Total Bonds Payable	37,060	-	(970)	36,090	1,010
Capital Lease Obligations	71	5,584	(823)	4,832	1,061
Total Long-Term Debt	\$ 37,131	\$ 5,584	\$ (1,793)	\$ 40,922	\$ 2,071

Bonds Payable

In June 2004, the Medical Alliance issued \$17,500,000 of tax-exempt Health Facilities Revenue Bonds Series 2004 through the Health and Educational Facilities Authority of the state of Missouri. The bonds proceeds were used primarily to pay or reimburse the costs of acquiring, constructing and equipping certain health facilities of Medical Alliance.

Similar to the Series 1998 bonds, the Series 2004 bonds were issued pursuant to the Master Trust Indenture dated December 1, 1998, as supplemented on June 1, 2004. Under the terms of the Master Trust

Indenture (the "Master Indenture"), Medical Alliance is required to make payments of principal, premium, if any, and interest on the bonds. The Series 1998 and 2004 bonds are secured by the unrestricted receivables of Medical Alliance. In addition, the Master Indenture contains certain restrictions on the operations and activities of Medical Alliance, including, among other things, covenants restricting the incurrence of additional indebtedness and the creation of liens on property, except as permitted by the Master Indenture.

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The Master Indenture has mandatory sinking fund redemption requirements in which funds are required to be set aside beginning in 2014 and 2025 for the Series 1998 bonds and Series 2004 bonds, respectively.

Interest expense incurred on the bonds during the years ended June 30, 2010 and 2009 was \$1,867,000 and \$1,910,000, respectively, of which \$93,000 and \$100,000 were capitalized during the years ended June 30, 2010 and 2009, respectively.

As of June 30, 2010, the total of principal and interest due on bonds during the next five years and in subsequent five-year periods is as follows:

Table 9.9 - Future Debt Service - Medical Alliance (in thousands)

Fiscal Year	Principal	Interest	Total
2011	\$ 1,055	\$ 1,828	\$ 2,883
2012	1,105	1,779	2,884
2013	1,155	1,725	2,880
2014	1,210	1,669	2,879
2015	1,270	1,607	2,877
2016-2020	7,375	6,971	14,346
2021-2025	9,520	4,766	14,286
2026-2030	12,390	1,803	14,193
	\$ 35,080	\$ 22,148	\$ 57,228

Capital Leases

The Medical Alliance leases certain equipment through capital leases. Equipment under capitalized leases is recorded at the present value of future minimum lease payments.

The future minimum payments on all capital leases at June 30, 2010, are as follows:

Table 9.10 - Future Capital Lease Payments Medical Alliance (in thousands)

Year Ending June 30	Amount
2011	\$ 1,225
2012	1,225
2013	1,225
2014	329
Total Future Minimum Payments	4,004
Less: Amount Representing Interest	(251)
Present Value of Future Minimum Lease Payments	\$ 3,753

10. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; natural disasters; and various medically related benefit programs for employees. The University funds these losses through a combination of self-insured retentions and commercially purchased insurance. The amount of self-insurance funds and commercial insurance maintained are based upon analysis of historical information and actuarial estimates. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The liability for self-insurance claims at June 30, 2010 and 2009 of \$77,501,000 and \$73,266,000, respectively, represents the present value of amounts estimated to have been incurred by those dates, using discount rates ranging from 2.5% to 3.6% for fiscal year 2010 and 3.7% to 4.5% for fiscal year 2009, based on expected future investment yield assumptions.

Changes in the self-insurance liability during fiscal years 2010, 2009, and 2008 were as follows:

Table 10.1 - Self-Insurance Claims Liability (in thousands)

Fiscal Year	New Claims		Claim Payments	End of Year
	Beginning of Year	and Changes in Estimates		
2010	\$ 73,266	\$ 191,350	\$ (187,115)	\$ 77,501
2009	67,238	177,386	(171,358)	73,266
2008	79,799	136,343	(148,904)	67,238

11. COMMITMENTS AND CONTINGENCIES

The University and Pension Trust Funds have made commitments to make investments in certain investment partnerships pursuant to provisions in the various partnership agreements. These commitments totaled \$16,040,000 and \$43,071,000 for the University and the Pension Trust Funds, respectively, at June 30, 2010.

The University leases various facilities and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2010 and 2009 were \$19,162,000 and \$19,503,000, respectively.

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Future minimum payments on all significant operating leases with initial or remaining terms of one year or more at June 30, 2010, are as follows:

Table 11.1 - Future Operating Lease Payments

Fiscal Year	Amount
2011	\$ 7,676
2012	3,187
2013	2,218
2014	1,750
2015	831
2016-2020	926
Total Future Lease Payments	\$ 16,588

In addition to the above lease obligations, the University has outstanding commitments for the usage and ongoing support of University Health System's information technology environment. As of January 2010, the University Health System began contracting for software usage and maintenance fees, as well as, labor costs for approximately 100 full-time equivalent employees, with the Cerner Corporation. This agreement, called IT Works, represents the labor and software component of a cooperative relationship between the University Health System and Cerner Corporation referred to as the Tiger Institute for Health Innovation (the Tiger Institute). The Tiger Institute provides continued development of information technology within the clinical areas, as well as developing new technology initiatives in health information systems.

As of June 30, 2010, these commitments totaled \$147,726,000 and will be paid in the following amounts: \$11,080,000 in 2011, \$13,002,000 in 2012, \$14,938,000 in 2013, \$15,386,000 in 2014, \$15,847,000 in 2015 and \$77,473,000 thereafter.

The University does not have any contingencies that are probable and estimable as of June 30, 2010.

12. RETIREMENT, DISABILITY AND DEATH BENEFIT PLAN

Basis of Accounting – The Retirement Plan's accounting records are prepared using the accrual basis of accounting. Employer contributions to the Retirement Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized

when due and payable in accordance with terms of the Retirement Plan. The Retirement Plan does not issue a separate financial report.

Investment Valuation – Investments are reported at fair value.

Plan Description – the Retirement Plan is a single employer, defined benefit plan for all qualified employees. As authorized by Section 172.300, Revised Statutes of Missouri, the University's Board of Curators administers the Retirement Plan and establishes its terms. Full-time employees vest in the Retirement Plan after five years of credited service and become eligible for benefits based on age and years of service. A vested employee who retires at age 65 or older is eligible for a lifetime annuity calculated at 2.2% times the credited service years times the compensation base. The employee's average compensation for the five highest consecutive salary years determines the compensation base. Academic members who provide summer teaching and research service receive additional summer service credit. At times, the Board of Curators may approve pension adjustments that increase the benefits paid to existing pensioners. However, vested members who leave the University prior to eligibility for retirement are not eligible for these pension increases.

Table 12.1 - Retirement Plan Membership

	2010	2009
Active Members		
Vested	10,538	10,302
Nonvested	7,688	7,758
Pensioners	7,092	6,866
Former Employees with		
Deferred Pensions	3,158	3,091
Total Active Members	28,476	28,017

Vested employees who are at least age 55 and have ten years or more of credited service or age 60 with at least five years of service may choose early retirement with a reduced benefit. However, if the employee retires at age 62 and has at least 25 years of credited service, the benefit is not reduced. Up to 30% of the retirement annuity can be taken in a lump sum payment. In addition, the standard annuity can be exchanged for an actuarially-equivalent annuity selected from an array of options with joint and survivor, period certain, and guaranteed annual increase features.

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Vested employees who terminate prior to retirement eligibility may elect to transfer the actuarial equivalent of their benefit to an Individual Retirement Account or into another employer's qualified plan that accepts such rollovers. If the actuarial equivalent is less than \$20,000, it may instead be taken in the form of a lump sum payment.

The Retirement Plan allows vested employees who become disabled to continue accruing service credit until they retire. It also provides a pre-retirement death benefit for vested employees.

The Retirement Plan provides a minimum value feature for vested employees who terminate or retire. The member receives the greater of a benefit equal to the actuarial equivalent of 5% of the employee's eligible compensation invested at 7.5% per credited service year or the regularly calculated benefit.

Contributions – The University's contributions to the Retirement Plan are equal to the actuarially determined employer contribution requirement, as a percent of payroll, which averaged 4.9% and 5.9% of payroll for the years ended June 30, 2010 and 2009, respectively. Effective July 1, 2009, employees are required to contribute 1% of their salary up to \$50,000 in a calendar year and 2% of their salary in excess of \$50,000. The University's contribution rate is updated annually at the beginning of the University's fiscal year on July 1, to reflect the actuarially determined funding requirement from the most recent valuation, as of the preceding October 1. This actuarial valuation reflects the adoption of any Retirement Plan amendments during the previous fiscal year.

The University's annual pension cost and net pension obligation to the Retirement Plan for the current year, excluding the impact of employee contributions, along with three-year trend information, were as follows:

Table 12.2 - Three-Year Trend Information (in thousands)

Fiscal Year Ending	Annual Required		Contributions Made	Percentage of	
	Contribution (ARC)	Annual Pension Cost (APC)		APC Contributed	Net Pension Obligation
6/30/2008	\$ 72,284	\$ 72,284	\$ 72,284	100%	-
6/30/2009	56,663	56,663	56,663	100%	-
6/30/2010	48,040	48,040	48,040	100%	-

Funded Status – As of the most recent actuarial valuation date, October 1, 2009, the Retirement Plan was 100.9% funded. The actuarial accrued liability for benefits was \$2,819,524,000 and the actuarial value of the assets was \$2,843,422,000, resulting in excess funding of \$23,898,000. The covered payroll (annual payroll of active employees covered by the plan) was \$970,060,000, and the ratio of excess funding to covered payroll was 2.5%.

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – In the October 1, 2009 actuarial valuation, the entry age actuarial cost method was used. Actuarial assumptions included (1) an 8% rate of investment return net of administrative

expenses, and (2) projected salary increases ranging from 4.5% to 5.3% per year. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that spread effects of short-term volatility in the market value of investments over a 5-year period. The overfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 20 years from the October 1, 2009 valuation date.

13. OTHER POSTEMPLOYMENT BENEFITS

Plan Description – In addition to the pension benefits described in Note 12, the University operates a single-employer, defined benefit postemployment plan. The University's Other Postemployment Benefits (OPEB) Plan provides postretirement medical, dental, and life insurance benefits to employees who retire from the University after attaining age 55 and before reaching age 60 with ten or more years of service, or after attaining age 60 with five or more years of service. As

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of June 30, 2010 and 2009, 5,881 and 5,738 retirees, respectively, were receiving benefits, and an estimated 18,226 active University employees may become eligible to receive future benefits under the plan. Postemployment medical, dental and life insurance benefits are also provided to long-term disability claimants who were vested in the University's Retirement Plan at the date the disability began, provided the onset date of the disability was on or after September 1, 1990. As of June 30, 2010 and 2009, 232 and 243 long-term disability claimants, respectively, met those eligibility requirements.

The terms and conditions governing the postemployment benefits to which employees are entitled are at the sole authority and discretion of the University's Board of Curators.

Basis of Accounting – The OPEB Plan's accounting records are prepared using the accrual basis of accounting, in accordance with GASB Statements No. 43 and No. 45, which established requirements for financial reporting for postemployment benefits other than pension plans. The assets of the OPEB Trust Fund are irrevocable and legally protected from creditors and dedicated to providing postemployment benefits in accordance with terms of the plan. The OPEB Plan does not issue a separate financial report.

Contributions and Reserves – Contribution requirements of employees and the University are established and may be amended by the University's Board of Curators. For employees retiring prior to September 1, 1990, the University contributes toward premiums at the same rate as for active employees, which is 2/3 of the medical benefits premium and 1/2 of the dental plan premium. For employees who retired on or after September 1, 1990, the University contributes toward premiums based on the employee's length of service and age at retirement.

The University makes available two group term life insurance options. Option A coverage is equal to the retiree's salary at the date of retirement, while Option B is equal to two times that amount. For each Option, graded decreases in coverage are made when the retiree attains specific age levels. The University pays the full cost of Option A and approximately 91% of the cost of Option B coverage. Coverage for group term life insurance ends on January 1 following the retiree's 70th birthday.

For the year ended June 30, 2010, participants contributed \$12,146,000 or approximately 47.2% of total premiums through their required contributions, which vary depending on the plan and coverage selection.

The University makes available two long-term disability options to its employees. Option A coverage is equal to 60% of the employee's salary on the date the disability began, when integrated with benefits from all other sources. Option B coverage is equal to 66-2/3% of the employee's salary, integrated so that benefits from all sources will not exceed 85% of the employee's salary. Both options have a 149-day waiting period and provide benefits until age 65. The University pays the full cost of the Option A premium, while employees enrolled in Option B pay the additional cost over the Optional A premium.

The Annual Required Contribution (ARC) represents a level of funding that an employer is projected to need in order to prefund its obligations for postemployment benefits over its employees' years of service. The University has no obligation to make contributions in advance of when insurance premiums or claims are due for payment and currently funds postemployment benefits at a level no less than the pay-as-you-go basis. In fiscal year 2010, the University contributed \$23,789,000, or 45.3% of the ARC, which was \$52,563,000 and represented 5.2% of annual covered payroll. In fiscal year 2009, the University contributed \$23,789,000, or 50% of the ARC, which was \$47,578,000 and represented 5.1% of annual covered payroll.

Table 13.1 presents the OPEB cost for the year, the amount contributed, and changes in the OPEB obligation for fiscal year 2010:

Table 13.1 - Changes in Net OPEB Obligation (in thousands)

Annual Required Contribution	\$ 52,563
Interest on Existing Net OPEB Obligation	1,359
ARC Adjustment	(1,159)
Annual OPEB Cost	52,763
Contributions Made	(23,789)
Increase in net OPEB obligation	28,974
Net OPEB obligation - beginning of year	23,639
Net OPEB obligation - June 30, 2010	\$ 52,613

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Funding Status and Funding Progress – As of July 1, 2009, the OPEB Plan was 5.7% funded. The actuarial accrued liability (AAL) for postemployment benefits was \$646,655,000, with \$37,171,000 in actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$609,484,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,009,800,000, and the ratio of UAAL to covered payroll was 60.4%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision of actual results, are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the

financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Benefit projections for financial reporting purposes are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and the historical pattern of cost sharing between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the University and plan members in the future.

The University's annual OPEB cost and net OPEB obligation to the OPEB Plan for the current year, along with three-year trend information, were as follows:

Table 13.2 - OPEB Plan Three-Year Trend Information *(in thousands)*

Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost (AOC)	Contributions Made	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
6/30/2008	\$ 53,310	\$ 53,310	\$ 53,461	100.3%	\$ (150)
6/30/2009	47,578	47,578	23,789	50.0%	23,639
6/30/2010	52,563	52,763	23,789	45.1%	52,613

Actuarial Methods and Assumptions - Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The projected unit credit actuarial cost method was used in the July 1, 2009 actuarial valuation. Actuarial assumptions included a 5.75% investment rate of return, net of administrative expenses. The projected annual healthcare trend rate is 6.0% to 10.0% initially, reduced by 0.5% decrements to an ultimate rate of 5.0%. The UAAL is being amortized as a level dollar amount on an open basis, level percent of pay, over a 30-year amortization period.

revenue bonds and has related expenses, gains and losses, assets and liabilities that are required by an external party to be accounted for separately. The University has one segment that meets the reporting requirements of GASB Statement No. 37.

As of June 30, 2010, the University's outstanding bond debt consists of System Facilities Revenue Bonds. The System Facilities Revenue Bonds are issued in accordance with a Resolution adopted by the Board of Curators in October 1993. The Resolution provides that the bonds are payable from the gross income and revenues derived from the related facilities including student fees, housing, dining, bookstore, parking, and various other revenues.

14. SEGMENT INFORMATION

A segment is an identifiable activity reported within a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of

Table 14.1 on the following page presents summary financial information for the System Facilities Revenue Bond Fund as of June 30, 2010 and 2009.

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Table 14.1 - System Facilities Revenue Bond Fund Condensed Financial Statements *(in thousands)*

Condensed Statement of Net Assets	2010	2009
Assets:		
Current Assets	\$ 248,295	\$ 235,559
Capital Assets, Net	1,272,200	1,059,664
Noncurrent Assets	490,998	289,716
Deferred Outflow of Resources	22,192	-
Total Assets and Deferred Outflow of Resources	\$ 2,033,685	\$ 1,584,939
Liabilities:		
Current Liabilities	\$ 400,376	\$ 376,393
Noncurrent Liabilities	947,065	607,734
Total Liabilities	1,347,441	984,127
Net Assets:		
Invested in Capital Assets, Net of Related Debt	221,599	210,864
Restricted -		
Nonexpendable	545	522
Expendable	24,942	13,687
Unrestricted	439,158	375,739
Total Net Assets	686,244	600,812
Total Liabilities and Net Assets	\$ 2,033,685	\$ 1,584,939
Condensed Statement of Revenues, Expenses and Changes in Net Assets	2010	2009
Operating Revenues:		
Net Patient Revenue	\$ 718,687	\$ 685,207
Housing and Related Food Service	89,744	81,724
Bookstores	59,288	61,640
Net Tuition and Fees	18,180	17,428
Other Operating Revenue	35,769	34,994
Total Operating Revenues	921,668	880,993
Operating Expenses:		
Depreciation	64,821	56,731
All Other Operating Expenses	810,404	788,873
Total Operating Expenses	875,225	845,604
Operating Income	46,443	35,389
Nonoperating Revenues (Expenses)	5,118	(3,841)
Income Before Capital Additions, Contributions and Transfers	51,561	31,548
State Capital Appropriations	4,042	-
Contributed Capital Assets, Capital and Endowment Gifts	4,055	33
Income Before Transfers	59,658	31,581
Transfer From Other University Units	31,937	28,788
Increase in Net Assets	91,595	60,369
Net Assets, Beginning of Year	600,812	540,443
Cumulative Effect of Change in Accounting Principle	(6,163)	-
Net Assets, Beginning of Year, as Adjusted	594,649	540,443
Net Assets, End of Year	\$ 686,244	\$ 600,812
Condensed Statement of Cash Flows	2010	2009
Net Cash Flows Provided by Operating Activities	\$ 116,785	\$ 96,804
Net Cash Flows Provided by (Used In) Investing Activities	(143,435)	74,865
Net Cash Flows Used in Capital and Related Financing Activities	(5,601)	(200,100)
Net Cash Flows Provided by Noncapital Financing Activities	62,274	52,531
Net Increase in Cash and Cash Equivalents	30,023	24,100
Cash and Cash Equivalents, Beginning of Year	71,739	47,639
Cash and Cash Equivalents, End of Year	\$ 101,762	\$ 71,739

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15. OPERATING EXPENSES BY FUNCTION

The operating expenses of the University are presented based on natural expenditure classifications. The University's operating expenses by functional classification are as follows:

Table 15.1 - Operating Expenses by Functional and Natural Classifications *(in thousands)*

Fiscal Year Ended June 30, 2010	Salaries and Wages	Benefits	Supplies, Services and Other	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 386,089	\$ 91,532	\$ 60,192	\$ -	\$ -	\$ 537,813
Research	111,710	23,648	79,182	-	-	214,540
Public Service	74,007	19,783	52,929	-	-	146,719
Academic Support	75,057	19,816	29,246	-	-	124,119
Student Services	39,795	9,742	21,134	-	-	70,671
Institutional Support	91,654	25,404	(7,565)	-	-	109,493
Operation and Maintenance of Plant	34,329	9,840	11,709	-	-	55,878
Auxiliary Enterprises	424,324	103,535	429,535	-	-	957,394
Scholarships and Fellowships	-	-	-	55,469	-	55,469
Depreciation	-	-	-	-	146,753	146,753
Total Operating Expenses	\$ 1,236,965	\$ 303,300	\$ 676,362	\$ 55,469	\$ 146,753	\$ 2,418,849

Fiscal Year Ended June 30, 2009	Salaries and Wages	Benefits	Supplies, Services and Other	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 383,438	\$ 100,339	\$ 60,248	\$ -	\$ -	\$ 544,025
Research	108,818	27,493	78,180	-	-	214,491
Public Service	84,964	24,749	63,914	-	-	173,627
Academic Support	74,556	2,062	32,008	-	-	108,626
Student Services	38,079	10,285	20,870	-	-	69,234
Institutional Support	91,828	27,288	(14,918)	-	-	104,198
Operation and Maintenance of Plant	34,970	10,839	24,193	-	-	70,002
Auxiliary Enterprises	397,184	96,531	408,216	-	-	901,931
Scholarships and Fellowships	-	-	-	48,456	-	48,456
Depreciation	-	-	-	-	131,167	131,167
Total Operating Expenses	\$ 1,213,837	\$ 299,586	\$ 672,711	\$ 48,456	\$ 131,167	\$ 2,365,757

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16. FIDUCIARY FUNDS – PENSION TRUST FUNDS COMBINING STATEMENTS

Combining financial statements for the Fiduciary Funds – Pension Trust Funds, which encompass the Retirement Trust and OPEB Trust, are as follows:

Table 16.1 - Statement of Plan Net Assets *(in thousands)*

	2010			2009		
	Retirement	OPEB	Total	Retirement	OPEB	Total
Assets						
Cash and Cash Equivalents	\$ 50,033	\$ 38,417	\$ 88,450	\$ 51,068	\$ 37,167	\$ 88,235
Investment of Cash Collateral	277,747	-	277,747	216,645	-	216,645
Investment Settlements Receivable	13,935	-	13,935	35,393	4	35,397
Investments:						
Debt Securities	906,562	-	906,562	792,680	-	792,680
Equity Securities	471,853	-	471,853	955,353	-	955,353
Commingled Funds	806,264	-	806,264	307,362	-	307,362
Nonmarketable Alternative Investments	136,502	-	136,502	138,158	-	138,158
Other	19,442	-	19,442	2,977	-	2,977
Total Assets	2,682,338	38,417	2,720,755	2,499,636	37,171	2,536,807
Liabilities						
Accounts Payable and						
Accrued Liabilities	1,758	-	1,758	1,816	-	1,816
Collateral Held for						
Securities Lending	277,747	-	277,747	221,242	-	221,242
Investment Settlements Payable	63,134	-	63,134	148,043	-	148,043
Total Liabilities	342,639	-	342,639	371,101	-	371,101
Net Assets Held in Trust for						
Retirement and OPEB	\$ 2,339,699	\$ 38,417	\$ 2,378,116	\$ 2,128,535	\$ 37,171	\$ 2,165,706

Table 16.2 - Statement of Changes in Plan Net Assets *(in thousands)*

	2010			2009		
	Retirement	OPEB	Total	Retirement	OPEB	Total
Net Revenues and Other Additions						
Investment Income (Loss):						
Interest and Dividend Income,						
Net of Fees	\$ 54,983	\$ 5	\$ 54,988	\$ 64,899	\$ 204	\$ 65,103
Net Appreciation (Depreciation) in						
Fair Value of Investments	228,528	-	228,528	(583,606)	-	(583,606)
Net Investment Income (Loss)	283,511	5	283,516	(518,707)	204	(518,503)
Contributions:						
University	48,040	23,789	71,829	56,663	23,789	80,452
Members	10,198	12,536	22,734	-	12,144	12,144
Other	-	-	-	-	1,924	1,924
Total Contributions	58,238	36,325	94,563	56,663	37,857	94,520
Total Net Revenues and						
Other Additions (Deductions)	341,749	36,330	378,079	(462,044)	38,061	(423,983)
Expenses and Other Deductions						
Administrative Expenses	2,391	331	2,722	2,456	296	2,752
Payments to Retirees and Beneficiaries	128,194	34,753	162,947	122,369	35,091	157,460
Total Expenses and						
Other Deductions	130,585	35,084	165,669	124,825	35,387	160,212
Increase (Decrease) in Net Assets Held						
in Trust for Retirement and OPEB	211,164	1,246	212,410	(586,869)	2,674	(584,195)
Net Assets Held in Trust for						
Retirement & OPEB, Beginning of Year	2,128,535	37,171	2,165,706	2,715,404	34,497	2,749,901
Net Assets Held in Trust for						
Retirement and OPEB, End of Year	\$ 2,339,699	\$ 38,417	\$ 2,378,116	\$ 2,128,535	\$ 37,171	\$ 2,165,706

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

17. SUBSEQUENT EVENT

In March 2010 the United States Internal Revenue Service accepted the position that medical residents are excepted from FICA taxes based upon the "student exception" for tax periods ending before April 1, 2005 when new regulations became effective. The University filed timely claims for the years ended 1995-2005 on behalf of the University for FICA for medical residents during the indicated years. The University is

in the process of preparing all information required to be provided to the Internal Revenue Service to support its claims. Once submitted and accepted, the Internal Revenue Service will make refund payments in the manner detailed in the administrative process. Since the University is still in the process of compiling the required claims information, the refund amount is not estimable. As a result, no amounts are recorded within the accompanying financial statements.

UNIVERSITY OF MISSOURI SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2010 and 2009 (unaudited)

Retirement Plan - Schedule of Funding Progress *(in thousands)*

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL/(Excess Funding) (b-a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL (Excess) as a % of Covered Payroll ([b-a] / c)
10/1/2004	\$2,075,032	\$2,144,738	\$ 69,706	96.7%	\$ 753,266	9.3%
10/1/2005	2,125,656	2,271,230	145,574	93.6%	795,758	18.3%
10/1/2006	2,325,264	2,400,807	75,543	96.9%	846,884	8.9%
10/1/2007	2,651,535	2,555,592	(95,943)	103.8%	891,648	-10.8%
10/1/2008	2,808,126	2,733,032	(75,094)	102.7%	954,430	-7.9%
10/1/2009	2,843,422	2,819,524	(23,898)	100.8%	970,060	-2.5%

Retirement Plan - Schedule of Employer Contributions *(in thousands)*

Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed	Net Pension Obligation (Asset)
6/30/2005	10/1/2003	\$ 49,075	100%	\$ -
6/30/2006	10/1/2004	64,399	100%	-
6/30/2007	10/1/2005	74,736	100%	-
6/30/2008	10/1/2006	72,284	100%	-
6/30/2009	10/1/2007	56,663	100%	-
6/30/2010	10/1/2008	48,040	100%	-

See independent auditors' report.

UNIVERSITY OF MISSOURI SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2010 and 2009 (unaudited)

OPEB Plan - Schedule of Funding Progress *(in thousands)*

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ([b-a] /c)
7/1/2006	\$ -	\$ 546,058	\$ 546,058	0.0%	\$ 883,614	61.8%
7/1/2007 (a)	-	560,340	560,340	0.0%	930,365	60.2%
7/1/2009	37,171	646,655	609,484	5.7%	1,009,800	60.4%

(a) The 7/1/2007 Actuarial Valuation was revised based on a change in the discount rate from 6.75% to 5.75%.

OPEB Plan - Schedule of Employer Contributions *(in thousands)*

Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed	Net Pension Obligation (Asset)
6/30/2008	7/1/2006	\$ 53,310	100%	\$ (150)
6/30/2009	7/1/2007	47,578	50%	23,639
6/30/2010	7/1/2007 (a)	52,563	45%	52,613

(a) The 7/1/2007 Actuarial Valuation was revised based on a change in the discount rate from 6.75% to 5.75%.

See independent auditors' report.

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STATISTICAL SECTION



University of Missouri System
COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

STATEMENT OF NET ASSETS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 149,515	\$ 115,919	\$ 57,987	\$ 164,919	\$ 146,169	\$ 131,614
Restricted Cash and Cash Equivalents	177,798	137,022	109,022	163,582	68,978	127,774
Short-Term Investments	40,268	124,609	172,294	104,032	75,830	95,309
Restricted Short-Term Investments	30,619	25,882	91,800	86,222	87,983	126,782
Investment of Cash Collateral	111,557	111,719	106,360	138,014	100,618	81,611
Accounts Receivable, Net	249,460	241,325	249,654	235,975	198,087	185,206
Pledges Receivable, Net	14,505	13,382	9,796	12,980	11,562	10,489
Investment Settlements Receivable	6,200	15,800	72,878	3,617	6,266	6,373
Notes Receivable, Net	9,046	12,564	13,747	14,599	14,848	10,301
Due To Component Units	(5,285)	(3,900)	(4,355)	(4,062)	(3,976)	(2,616)
Inventories	28,401	33,009	33,063	33,121	31,886	29,872
Prepaid Expenses and Other Current Assets	25,604	21,618	18,636	18,248	13,313	14,131
Total Current Assets	837,688	848,949	930,882	971,247	751,564	816,846
Noncurrent Assets						
Pledges Receivable, Net	16,256	17,231	21,147	23,000	29,437	28,983
Notes Receivable, Net	50,635	47,524	46,898	45,425	44,052	46,252
Deferred Charges and Other Assets	12,374	9,836	10,397	9,340	9,868	11,467
Long-Term Investments	1,171,998	778,538	810,655	707,333	708,052	485,917
Restricted Long-Term Investments	891,067	741,556	919,364	767,332	743,326	646,381
Capital Assets, Net	2,534,365	2,392,852	2,227,427	2,039,069	1,926,942	1,795,513
Total Noncurrent Assets	4,676,695	3,987,537	4,035,888	3,591,499	3,461,677	3,014,513
Deferred Outflow of Resources	22,192	-	-	-	-	-
Total Assets and Deferred Outflow of Resources	\$ 5,536,575	\$ 4,836,486	\$ 4,966,770	\$ 4,562,746	\$ 4,213,241	\$ 3,831,359
Liabilities						
Current Liabilities						
Accounts Payable	\$ 123,809	\$ 94,531	\$ 105,024	\$ 101,330	\$ 114,302	\$ 91,834
Accrued Liabilities	138,309	130,837	120,967	114,976	111,646	103,974
Deferred Revenue	78,200	80,703	67,821	64,030	60,814	35,179
Funds Held for Others	53,245	66,403	70,744	77,148	67,840	61,683
Investment Settlements Payable	41,931	50,318	136,606	41,021	19,582	16,170
Collateral Held for Securities Lending	111,557	115,291	106,360	138,014	100,618	81,611
Current Portion of Long-Term Debt	30,139	24,922	21,697	17,437	15,185	13,877
Long-Term Debt Subject to Remarketing	223,680	224,925	226,120	164,990	165,730	126,730
Total Current Liabilities	800,870	787,930	855,339	718,946	655,717	531,058
Noncurrent Liabilities						
Long-Term Debt	915,906	608,114	631,742	479,712	496,318	435,101
Deferred Revenue	1,925	1,603	1,876	2,162	2,460	2,908
Derivative Instrument Liability	30,680	-	-	-	-	-
Other Post Employment Benefits Liability	52,613	23,639	-	-	-	-
Other Noncurrent Liabilities	53,845	50,423	47,371	58,720	63,765	58,258
Total Noncurrent Liabilities	1,054,969	683,779	680,989	540,594	562,543	496,267
Total Liabilities	1,855,839	1,471,709	1,536,328	1,259,540	1,218,260	1,027,325
Net Assets						
Invested in Capital Assets, Net of Related Debt	\$ 1,485,090	\$ 1,540,654	\$ 1,439,753	\$ 1,379,098	\$ 1,263,187	\$ 1,226,962
Restricted						
Nonexpendable -						
Endowment	679,494	612,119	718,314	738,153	624,821	555,658
Expendable -						
Scholarship, Research, Instruction & Other	244,226	235,405	262,266	270,238	267,514	239,585
Loans	75,637	78,357	77,656	75,785	74,825	75,670
Capital Projects	32,373	30,043	27,597	24,593	23,697	20,214
Unrestricted	1,163,916	868,199	904,856	815,339	740,937	685,945
Total Net Assets	3,680,736	3,364,777	3,430,442	3,303,206	2,994,981	2,804,034
Total Liabilities & Net Assets	\$ 5,536,575	\$ 4,836,486	\$ 4,966,770	\$ 4,562,746	\$ 4,213,241	\$ 3,831,359

CHANGES IN NET ASSETS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Operating Revenues						
Tuition and Fees, Net	\$ 630,498	\$ 601,742	\$ 557,085	\$ 537,832	\$ 501,347	\$ 471,240
Less: Scholarship Allowances	164,187	148,578	139,880	136,527	126,421	115,724
Net Tuition and Fees	466,311	453,164	417,205	401,305	374,926	355,516
Federal Grants and Contracts	183,885	172,669	184,416	163,517	176,442	168,509
State and Local Grants and Contracts	66,194	53,042	54,414	47,045	41,255	43,638
Private Grants and Contracts	68,044	71,034	60,318	54,268	46,310	56,774
Sales and Services of Educational Activities	22,560	22,088	19,569	22,346	18,267	17,920
Auxiliary Enterprises -						
Patient Medical Services, Net	736,799	702,424	681,312	648,802	620,577	566,394
Housing and Dining Services, Net	89,743	81,939	72,503	66,828	61,548	57,730
Bookstores	59,288	62,113	61,423	56,930	54,308	50,422
Other Auxiliary Enterprises, Net	198,748	190,315	181,893	154,113	133,135	144,644
Other Operating Revenues	49,250	53,681	46,968	53,523	49,851	46,298
Total Operating Revenues	1,940,822	1,862,469	1,780,021	1,668,677	1,576,619	1,507,845
Operating Expenses						
Salaries and Wages	1,236,965	1,213,837	1,153,676	1,101,867	1,044,462	987,240
Benefits	303,300	299,586	310,375	272,923	248,688	226,969
Supplies, Services and Other Operating Expenses	676,362	672,711	662,331	608,134	606,617	591,956
Scholarships and Fellowships	55,469	48,456	39,485	38,602	35,090	30,783
Depreciation	146,753	131,167	125,996	119,069	110,924	102,414
Total Operating Expenses	2,418,849	2,365,757	2,291,863	2,140,595	2,045,781	1,939,362
Operating Loss before State Appropriations	(478,027)	(503,288)	(511,842)	(471,918)	(469,162)	(431,517)
State Appropriations	498,358	479,478	462,281	440,855	428,893	430,127
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)	20,331	(23,810)	(49,561)	(31,063)	(40,269)	(1,390)
Nonoperating Revenues (Expenses)						
Federal Appropriations	21,455	14,858	14,277	14,105	14,203	15,776
Federal Pell Grants	48,281	31,649	27,232	23,613	22,994	24,964
Investment and Endowment Income (Losses), Net	172,833	(173,355)	45,629	202,633	111,675	89,236
Private Gifts	48,695	52,552	51,680	53,268	64,483	76,293
Interest Expense	(46,103)	(31,432)	(43,055)	(29,497)	(28,563)	(23,497)
Other Nonoperating Revenues (Expenses)	(1,659)	(3,930)	(4,750)	(3,147)	(4,971)	(5,700)
Net Nonoperating Revenues (Expenses)	243,502	(109,658)	91,013	260,975	179,821	177,072
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item	263,833	(133,468)	41,452	229,912	139,552	175,682
State Capital Appropriations	14,205	17,817	15,532	18,138	8,503	4,686
Capital Gifts and Grants	19,381	13,009	17,341	12,941	16,285	13,056
Private Gifts for Endowment Purposes	24,703	21,093	32,995	27,917	26,607	31,562
Extraordinary Item:						
Net Proceeds from Sale of Missouri Care	-	2,550	-	19,317	-	-
Increase (Decrease) in Net Assets	322,122	(78,999)	107,320	308,225	190,947	224,986
Net Assets, Beginning of Year	3,364,777	3,430,442	3,303,206	2,994,981	2,804,034	2,579,048
Cumulative Effect of Change in Accounting Principles	(6,163)	13,334	19,916	-	-	-
Net Assets, Beginning of Year, as Adjusted	3,358,614	3,443,776	3,323,122	2,994,981	2,804,034	2,579,048
Net Assets, End of Year	\$ 3,680,736	\$ 3,364,777	\$ 3,430,442	\$ 3,303,206	\$ 2,994,981	\$ 2,804,034

CHANGES IN NET ASSETS (% increase / decrease from prior year)

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Operating Revenues						
Tuition and Fees, Net	4.8%	8.0%	3.6%	7.3%	6.4%	10.1%
Less: Scholarship Allowances	10.5%	6.2%	2.5%	8.0%	9.2%	-0.6%
Net Tuition and Fees	2.9%	1.8%	1.1%	-0.7%	-2.9%	10.6%
Federal Grants and Contracts	6.5%	-6.4%	12.8%	-7.3%	4.7%	-1.2%
State and Local Grants and Contracts	24.8%	-2.5%	15.7%	14.0%	-5.5%	23.2%
Private Grants and Contracts	-4.2%	17.8%	11.1%	17.2%	-18.4%	6.9%
Sales and Services of Educational Activities	2.1%	12.9%	-12.4%	22.3%	1.9%	7.7%
Auxiliary Enterprises -						
Patient Medical Services, Net	4.9%	3.1%	5.0%	4.5%	9.6%	15.1%
Housing and Dining Services, Net	9.5%	13.0%	8.5%	8.6%	6.6%	8.0%
Bookstores	-4.5%	1.1%	7.9%	4.8%	7.7%	13.6%
Other Auxiliary Enterprises, Net	4.4%	4.6%	18.0%	15.8%	-8.0%	23.9%
Other Operating Revenues	-8.3%	14.3%	-12.2%	7.4%	7.7%	-5.1%
Total Operating Revenues	4.2%	4.6%	6.7%	5.8%	4.6%	12.3%
Operating Expenses						
Salaries and Wages	1.9%	5.2%	4.7%	5.5%	5.8%	7.4%
Benefits	1.2%	-3.5%	13.7%	9.7%	9.6%	6.0%
Supplies, Services and Other Operating Expenses	0.5%	1.6%	8.9%	0.3%	2.5%	14.6%
Scholarships and Fellowships	14.5%	22.7%	2.3%	10.0%	14.0%	19.5%
Depreciation	11.9%	4.1%	5.8%	7.3%	8.3%	14.1%
Total Operating Expenses	2.2%	3.2%	7.1%	4.6%	5.5%	9.8%
Operating Loss before State Appropriations	-5.0%	-1.7%	8.5%	0.6%	8.7%	2.0%
State Appropriations	3.9%	3.7%	4.9%	2.8%	-0.3%	2.1%
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)	-185.4%	-52.0%	59.5%	-22.9%	2797.1%	-8.1%
Nonoperating Revenues (Expenses)						
Federal Appropriations	44.4%	4.1%	1.2%	-0.7%	-10.0%	8.0%
Investment and Endowment Income (Losses), Net	-199.7%	-479.9%	-77.5%	81.4%	25.1%	-14.6%
Private Gifts	-7.3%	1.7%	-3.0%	-17.4%	-15.5%	111.1%
Interest Expense	46.7%	-27.0%	46.0%	3.3%	21.6%	-1.2%
Other Nonoperating Revenues (Expenses)	-57.8%	-17.3%	50.9%	-36.7%	-12.8%	294.7%
Net Nonoperating Revenues (Expenses)	-322.1%	-220.5%	-65.1%	45.1%	1.6%	36.2%
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item	-297.7%	-422.0%	-82.0%	64.8%	-20.6%	36.7%
State Capital Appropriations	-20.3%	14.7%	-14.4%	113.3%	81.5%	-91.4%
Capital Gifts and Grants	49.0%	-25.0%	34.0%	-20.5%	24.7%	-40.0%
Private Gifts for Endowment Purposes	17.1%	-36.1%	18.2%	4.9%	-15.7%	70.6%
Extraordinary Item:						
Net Proceeds from Sale of Missouri Care	-	-	-	-	-	-
Increase (Decrease) in Net Assets	-507.8%	-173.6%	-65.2%	61.4%	-15.1%	0.9%
Net Assets, Beginning of Year	-1.9%	3.9%	10.3%	6.8%	8.7%	9.5%
Cumulative Effect of Change in Accounting Principles	-146.2%	-33.0%	100.0%	0.0%	0.0%	0.0%
Net Assets, Beginning of Year, as Adjusted	-2.5%	3.6%	11.0%	6.8%	8.7%	9.5%
Net Assets, End of Year	9.4%	-1.9%	3.9%	10.3%	6.8%	8.7%

COMPOSITE FINANCIAL INDEX

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
+ Primary Reserve Ratio	0.62	0.50	0.54	0.54	0.53	0.52
/ Conversion Factor	0.133	0.133	0.133	0.133	0.133	0.133
= Strength Factor	4.63	3.78	4.08	4.10	3.99	3.90
x Weighting Factor	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	1.62	1.32	1.43	1.43	1.40	1.36

Primary Reserve Ratio - measures the financial strength of the institution by indicating how long the institution could function using its expendable reserves to cover operations should additional net assets not be available. A positive ratio and an increasing amount over time denotes strength.

+ Return on Assets Ratio	9.2%	-2.3%	3.2%	9.8%	6.6%	8.4%
/ Conversion Factor	0.020	0.020	0.020	0.020	0.020	0.020
= Strength Factor	4.58	(1.16)	1.59	4.89	3.29	4.18
x Weighting Factor	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.92	(0.23)	0.32	0.98	0.66	0.84

Return on Assets Ratio - measures total economic return. While an increasing trend reflects strength, a decline may be appropriate and even warranted if it represents a strategy on the part of the institution to fulfill its mission.

+ Net Operating Revenues Ratio	7.7%	6.0%	4.0%	5.2%	5.1%	7.8%
/ Conversion Factor	0.013	0.013	0.013	0.013	0.013	0.013
= Strength Factor	5.89	4.60	3.10	4.00	3.95	6.02
x Weighting Factor	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.59	0.46	0.31	0.40	0.40	0.60

Net Operating Revenues Ratio - measures whether the institution is living within available resources. A positive ratio and an increasing amount over time generally reflects strength.

+ Viability Ratio	1.27	1.38	1.42	1.75	1.60	1.74
/ Conversion Factor	0.417	0.417	0.417	0.417	0.417	0.417
= Strength Factor	3.04	3.30	3.39	4.21	3.84	4.17
x Weighting Factor	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	1.06	1.16	1.19	1.47	1.34	1.46

Viability Ratio - measures the ability of the institution to cover its debt as of the balance sheet date, should the institution need to do so. A positive ratio greater than 1.00 generally denotes strength.

Composite Financial Index	4.19	2.71	3.24	4.28	3.79	4.26
Composite Financial Index - Three Year Average	3.38	3.41	3.77	4.11	4.06	4.13

Composite Financial Index (CFI) - provides a methodology for a single overall financial measurement of the institution's health based on the four core ratios. The CFI uses a reasonable weighting plan and allows for a weakness or strength in a specific ratio to be offset by another ratio result, which provides a more balanced measure. The CFI provides a more holistic approach to understanding the financial health of the institution. The CFI scores are not intended to be precise measures; they are indicators of ranges of financial health that can be indicators of overall institutional well-being when combined with non-financial indicators.

MARKET RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Net Tuition per Student

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Gross Tuition and Fees	\$ 630,498	\$ 601,742	\$ 557,085	\$ 537,832	\$ 501,347	\$ 471,240
Less: Scholarship Discounts / Allowances	(164,187)	(148,578)	(139,880)	(136,527)	(126,421)	(115,724)
Less: Scholarship / Fellowship Expenses	(55,469)	(48,456)	(39,485)	(38,602)	(35,090)	(30,783)
Net Tuition	\$ 410,842	\$ 404,708	\$ 377,720	\$ 362,703	\$ 339,836	\$ 324,733
Net Tuition	\$ 410,842	\$ 404,708	\$ 377,720	\$ 362,703	\$ 339,836	\$ 324,733
Number of Students - Fall Semester (FTEs)	53,292	51,025	48,994	48,431	47,752	46,364
Net Tuition per Student	\$ 7,709	\$ 7,932	\$ 7,710	\$ 7,489	\$ 7,117	\$ 7,004

State Appropriations per Student

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
State Appropriations	\$ 498,358	\$ 479,478	\$ 462,281	\$ 440,855	\$ 428,893	\$ 430,127
Number of Students - Fall Semester (FTEs)	53,292	51,025	48,994	48,431	47,752	46,364
State Appropriations per Student	\$ 9,351	\$ 9,397	\$ 9,435	\$ 9,103	\$ 8,982	\$ 9,277

Educational Expenses per Student

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Total Operating Expenses	\$ 2,418,849	\$ 2,365,757	\$ 2,291,863	\$ 2,140,595	\$ 2,045,781	\$ 1,939,362
Less: Scholarships / Fellowships Expense	(55,469)	(48,456)	(39,485)	(38,602)	(35,090)	(30,783)
Less: Auxiliary Operating Expenses	(956,455)	(901,089)	(886,774)	(829,830)	(771,976)	(716,003)
Interest Expense	46,103	31,432	43,055	29,497	28,563	23,497
Less: Auxiliary Interest Expense	(9,197)	(7,437)	(7,905)	(8,380)	(9,307)	(10,104)
Net Educational Expenses	\$ 1,443,831	\$ 1,440,207	\$ 1,400,754	\$ 1,293,280	\$ 1,257,971	\$ 1,205,969
Net Educational Expenses	\$ 1,443,831	\$ 1,440,207	\$ 1,400,754	\$ 1,293,280	\$ 1,257,971	\$ 1,205,969
Number of Students - Fall Semester (FTEs)	53,292	51,025	48,994	48,431	47,752	46,364
Educational Expenses per Student	\$ 27,093	\$ 28,226	\$ 28,590	\$ 26,704	\$ 26,344	\$ 26,011

Total Tuition Discount

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Scholarship Allowances	\$ 164,187	\$ 148,578	\$ 139,880	\$ 136,527	\$ 126,421	\$ 115,724
Scholarships / Fellowships Expense	55,469	48,456	39,485	38,602	35,090	30,783
Total Tuition Discounts (\$)	\$ 219,656	\$ 197,034	\$ 179,365	\$ 175,129	\$ 161,511	\$ 146,507
Total Tuition Discounts (\$)	\$ 219,656	\$ 197,034	\$ 179,365	\$ 175,129	\$ 161,511	\$ 146,507
Tuition and Fees, Net	\$ 630,498	\$ 601,742	\$ 557,085	\$ 537,832	\$ 501,347	\$ 471,240
Total Tuition Discount (%)	34.8%	32.7%	32.2%	32.6%	32.2%	31.1%

CAPITAL RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Unrestricted Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Current Portion of Long-Term Debt	\$ 30,139	\$ 24,922	\$ 21,697	\$ 17,437	\$ 15,185	\$ 13,877
Long-Term Debt Subject to Remarketing	223,680	224,925	226,120	164,990	165,730	126,730
Long-Term Debt	915,906	608,114	631,742	479,712	496,318	435,101
Total Direct Debt	\$ 1,169,725	\$ 857,961	\$ 879,559	\$ 662,139	\$ 677,233	\$ 575,708
Net Assets - Unrestricted	\$ 1,163,916	\$ 868,199	\$ 904,856	\$ 815,339	\$ 740,937	\$ 685,945
Total Direct Debt	\$ 1,169,725	\$ 857,961	\$ 879,559	\$ 662,139	\$ 677,233	\$ 575,708

Unrestricted Financial Resources to Direct Debt

1.00	1.01	1.03	1.23	1.09	1.19
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Expendable Financial Resources to Direct Debt (Viability Ratio)

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Net Assets - Unrestricted	\$ 1,163,916	\$ 868,199	\$ 904,856	\$ 815,339	\$ 740,937	\$ 685,945
Net Assets - Restricted Expendable - Scholarships, Research, Instruction and Other	244,226	235,405	262,266	270,238	267,514	239,585
Net Assets - Restricted Expendable - Loans	75,637	78,357	77,656	75,785	74,825	75,670
Expendable Net Assets	\$ 1,483,779	\$ 1,181,961	\$ 1,244,778	\$ 1,161,362	\$ 1,083,276	\$ 1,001,200
Expendable Net Assets	\$ 1,483,779	\$ 1,181,961	\$ 1,244,778	\$ 1,161,362	\$ 1,083,276	\$ 1,001,200
Total Direct Debt	\$ 1,169,725	\$ 857,961	\$ 879,559	\$ 662,139	\$ 677,233	\$ 575,708

Viability Ratio

1.27	1.38	1.42	1.75	1.60	1.74
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Total Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Net Assets - Unrestricted	\$ 1,163,916	\$ 868,199	\$ 904,856	\$ 815,339	\$ 740,937	\$ 685,945
Net Assets - Restricted Expendable - Scholarships, Research, Instruction and Other	244,226	235,405	262,266	270,238	267,514	239,585
Net Assets - Restricted Expendable - Loans	75,637	78,357	77,656	75,785	74,825	75,670
Net Assets - Restricted Nonexpendable	679,494	612,119	718,314	738,153	624,821	555,658
Total Financial Resources	\$ 2,163,273	\$ 1,794,080	\$ 1,963,092	\$ 1,899,515	\$ 1,708,097	\$ 1,556,858
Total Financial Resources	\$ 2,163,273	\$ 1,794,080	\$ 1,963,092	\$ 1,899,515	\$ 1,708,097	\$ 1,556,858
Total Direct Debt	\$ 1,169,725	\$ 857,961	\$ 879,559	\$ 662,139	\$ 677,233	\$ 575,708

Total Financial Resources to Direct Debt

1.85	2.09	2.23	2.87	2.52	2.70
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Direct Debt per Student

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Total Direct Debt	\$ 1,169,725	\$ 857,961	\$ 879,559	\$ 662,139	\$ 677,233	\$ 575,708
Number of Students - End of Fiscal Year (FTEs)	55,272	53,292	51,025	48,994	48,431	47,752
Direct Debt per Student	\$ 21,163	\$ 16,099	\$ 17,238	\$ 13,515	\$ 13,983	\$ 12,056

CAPITAL RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Actual Debt Service to Operations

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Debt Service - Principal	\$ 24,922	\$ 21,987	\$ 17,437	\$ 15,185	\$ 13,877	\$ 11,981
Debt Service - Interest	46,103	31,432	43,055	29,497	28,563	23,497
Total Debt Service	\$ 71,025	\$ 53,419	\$ 60,492	\$ 44,682	\$ 42,440	\$ 35,478
Operating Expenses	\$ 2,418,849	\$ 2,365,757	\$ 2,291,863	\$ 2,140,595	\$ 2,045,781	\$ 1,939,362
Less: Scholarships & Fellowships Expense	(55,469)	(48,456)	(39,485)	(38,602)	(35,090)	(30,783)
Interest Expense	46,103	31,432	43,055	29,497	28,563	23,497
Adjusted Total Operating Expense	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433	\$ 2,131,490	\$ 2,039,254	\$ 1,932,076
Total Debt Service	\$ 71,025	\$ 53,419	\$ 60,492	\$ 44,682	\$ 42,440	\$ 35,478
Adjusted Total Operating Expense	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433	\$ 2,131,490	\$ 2,039,254	\$ 1,932,076
Actual Debt Service to Operations	2.9%	2.3%	2.6%	2.1%	2.1%	1.8%

Capital Expense to Operations

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Depreciation Expense	\$ 146,753	\$ 131,167	\$ 125,996	\$ 119,069	\$ 110,924	\$ 102,414
Interest Expense	46,103	31,432	43,055	29,497	28,563	23,497
Total Capital Expense	\$ 192,856	\$ 162,599	\$ 169,051	\$ 148,566	\$ 139,487	\$ 125,911
Operating Expenses	\$ 2,418,849	\$ 2,365,757	\$ 2,291,863	\$ 2,140,595	\$ 2,045,781	\$ 1,939,362
Less: Scholarships & Fellowships Expense	(55,469)	(48,456)	(39,485)	(38,602)	(35,090)	(30,783)
Interest Expense	46,103	31,432	43,055	29,497	28,563	23,497
Adjusted Total Operating Expense	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433	\$ 2,131,490	\$ 2,039,254	\$ 1,932,076
Total Capital Expense	\$ 192,856	\$ 162,599	\$ 169,051	\$ 148,566	\$ 139,487	\$ 125,911
Adjusted Total Operating Expense	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433	\$ 2,131,490	\$ 2,039,254	\$ 1,932,076
Capital Expense to Operations	8.0%	6.9%	7.4%	7.0%	6.8%	6.5%

BALANCE SHEET RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Unrestricted Financial Resources to Operations

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Net Assets - Unrestricted	\$ 1,163,916	\$ 868,199	\$ 904,856	\$ 815,339	\$ 740,937	\$ 685,945
Operating Expenses	\$ 2,418,849	\$ 2,365,757	\$ 2,291,863	\$ 2,140,595	\$ 2,045,781	\$ 1,939,362
Less: Scholarships & Fellowships Expense	(55,469)	(48,456)	(39,485)	(38,602)	(35,090)	(30,783)
Interest Expense	46,103	31,432	43,055	29,497	28,563	23,497
Adjusted Total Operating Expense	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433	\$ 2,131,490	\$ 2,039,254	\$ 1,932,076
Net Assets - Unrestricted	\$ 1,163,916	\$ 868,199	\$ 904,856	\$ 815,339	\$ 740,937	\$ 685,945
Adjusted Total Operating Expense	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433	\$ 2,131,490	\$ 2,039,254	\$ 1,932,076

Unrestricted Financial Resources to Operations

0.48 0.37 0.39 0.38 0.36 0.36

Expendable Financial Resources to Operations (Primary Reserve Ratio)

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Net Assets - Unrestricted	\$ 1,163,916	\$ 868,199	\$ 904,856	\$ 815,339	\$ 740,937	\$ 685,945
Net Assets - Restricted Expendable - Scholarships, Research, Instruction and Other	244,226	235,405	262,266	270,238	267,514	239,585
Net Assets - Restricted Expendable - Loans	75,637	78,357	77,656	75,785	74,825	75,670
Expendable Net Assets	\$ 1,483,779	\$ 1,181,961	\$ 1,244,778	\$ 1,161,362	\$ 1,083,276	\$ 1,001,200
Operating Expenses	\$ 2,418,849	\$ 2,365,757	\$ 2,291,863	\$ 2,140,595	\$ 2,045,781	\$ 1,939,362
Less: Scholarships & Fellowships Expense	(55,469)	(48,456)	(39,485)	(38,602)	(35,090)	(30,783)
Interest Expense	46,103	31,432	43,055	29,497	28,563	23,497
Adjusted Total Operating Expense	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433	\$ 2,131,490	\$ 2,039,254	\$ 1,932,076
Expendable Net Assets	\$ 1,483,779	\$ 1,181,961	\$ 1,244,778	\$ 1,161,362	\$ 1,083,276	\$ 1,001,200
Adjusted Total Operating Expense	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433	\$ 2,131,490	\$ 2,039,254	\$ 1,932,076

Primary Reserve Ratio

0.62 0.50 0.54 0.54 0.53 0.52

Total Financial Resources per Student

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Net Assets - Unrestricted	\$ 1,163,916	\$ 868,199	\$ 904,856	\$ 815,339	\$ 740,937	\$ 685,945
Net Assets - Restricted Expendable - Scholarships, Research, Instruction and Other	244,226	235,405	262,266	270,238	267,514	239,585
Net Assets - Restricted Expendable - Loans	75,637	78,357	77,656	75,785	74,825	75,670
Net Assets - Restricted Nonexpendable	679,494	612,119	718,314	738,153	624,821	555,658
Total Financial Resources	\$ 2,163,273	\$ 1,794,080	\$ 1,963,092	\$ 1,899,515	\$ 1,708,097	\$ 1,556,858
Total Financial Resources	\$ 2,163,273	\$ 1,794,080	\$ 1,963,092	\$ 1,899,515	\$ 1,708,097	\$ 1,556,858
Number of Students - End of Fiscal Year (FTE)	55,272	53,292	51,025	48,994	48,431	47,752
Total Financial Resources per Student	\$ 39,139	\$ 33,665	\$ 38,473	\$ 38,770	\$ 35,269	\$ 32,603

OPERATING RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Annual Operating Margin (Net Operating Revenues Ratio)

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Operating Inc (Loss) After State Appropriations	\$ 20,331	\$ (23,810)	\$ (49,561)	\$ (31,063)	\$ (40,269)	\$ (1,390)
Federal Appropriations	21,455	14,858	14,277	14,105	14,203	15,776
Federal Pell Grants	48,281	31,649	27,232	23,613	22,994	24,964
Normalized Investment Income	107,236	105,498	95,963	86,504	77,538	71,770
Private Gifts	48,695	52,552	51,680	53,268	64,483	76,293
Interest Expense	(46,103)	(31,432)	(43,055)	(29,497)	(28,563)	(23,497)
Net Operating Surplus (Deficit)	\$ 199,895	\$ 149,315	\$ 96,536	\$ 116,930	\$ 110,386	\$ 163,916
Total Operating Revenues	\$ 1,940,822	\$ 1,862,469	\$ 1,780,021	\$ 1,668,677	\$ 1,576,619	\$ 1,507,845
Less: Scholarship & Fellowships Expense	(55,469)	(48,456)	(39,485)	(38,602)	(35,090)	(30,783)
State Appropriations	498,358	479,478	462,281	440,855	428,893	430,127
Federal Appropriations	21,455	14,858	14,277	14,105	14,203	15,776
Federal Pell Grants	48,281	31,649	27,232	23,613	22,994	24,964
Normalized Investment Income (a)	107,236	105,498	95,963	86,504	77,538	71,770
Private Gifts	48,695	52,552	51,680	53,268	64,483	76,293
Total Operating Revenues	\$ 2,609,378	\$ 2,498,048	\$ 2,391,969	\$ 2,248,420	\$ 2,149,640	\$ 2,095,992

(a) Normalized investment income is equal to 5% of the rolling average balance of total cash and investments over the previous three fiscal years.

Net Operating Surplus (Deficit)	\$ 199,895	\$ 149,315	\$ 96,536	\$ 116,930	\$ 110,386	\$ 163,916
Total Operating Revenues	\$ 2,609,378	\$ 2,498,048	\$ 2,391,969	\$ 2,248,420	\$ 2,149,640	\$ 2,095,992

Net Operating Revenues Ratio	7.7%	6.0%	4.0%	5.2%	5.1%	7.8%
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Debt Service Coverage

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Total Debt Service	\$ 71,025	\$ 53,419	\$ 60,492	\$ 44,682	\$ 42,440	\$ 35,478
Net Operating Surplus (Deficit)	\$ 199,895	\$ 149,315	\$ 96,536	\$ 116,930	\$ 110,386	\$ 163,916
Add Back: Interest Expense	46,103	31,432	43,055	29,497	28,563	23,497
Add Back: Depreciation Expense	146,753	131,167	125,996	119,069	110,924	102,414
Adjusted Net Operating Surplus (Deficit)	\$ 392,751	\$ 311,914	\$ 265,587	\$ 265,496	\$ 249,873	\$ 289,827
Adjusted Net Operating Surplus (Deficit)	\$ 392,751	\$ 311,914	\$ 265,587	\$ 265,496	\$ 249,873	\$ 289,827
Total Debt Service	\$ 71,025	\$ 53,419	\$ 60,492	\$ 44,682	\$ 42,440	\$ 35,478
Debt Service Coverage	5.53	5.84	4.39	5.94	5.89	8.17

Return on Net Assets

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Change in Net Assets	\$ 322,122	\$ (78,999)	\$ 107,320	\$ 308,225	\$ 190,947	\$ 224,986
Average Net Assets	\$ 3,519,675	\$ 3,404,277	\$ 3,376,782	\$ 3,149,094	\$ 2,899,508	\$ 2,691,541
Return on Net Assets Ratio	9.2%	-2.3%	3.2%	9.8%	6.6%	8.4%

CONTRIBUTION RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Contribution Ratios

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
State Appropriations	\$ 498,358	\$ 479,478	\$ 462,281	\$ 440,855	\$ 428,893	\$ 430,127
Tuition and Fees, Net of Scholarship Allow/Exp	410,842	404,708	377,720	362,703	339,836	324,733
Auxiliary Enterprises	347,779	334,367	315,819	277,871	248,991	252,796
Grants and Contracts	318,123	296,745	299,148	264,830	264,007	268,921
Federal Pell Grants	48,281	31,649	27,232	23,613	22,994	24,964
Gifts	48,695	52,552	51,680	53,268	64,483	76,293
Normalized Investment Income (a)	107,236	105,498	95,963	86,504	77,538	71,770
Patient Care	736,799	702,424	681,312	648,802	620,577	566,394
Other	93,265	90,627	80,814	89,974	82,321	79,994
Total	\$ 2,609,378	\$ 2,498,048	\$ 2,391,969	\$ 2,248,420	\$ 2,149,640	\$ 2,095,992
State Appropriations	19.1%	19.2%	19.3%	19.6%	20.0%	20.5%
Tuition and Fees, Net of Scholarship Allow/Exp	15.7%	16.2%	15.8%	16.1%	15.8%	15.5%
Auxiliary Enterprises	13.3%	13.4%	13.2%	12.4%	11.6%	12.1%
Grants and Contracts	12.2%	11.9%	12.5%	11.8%	12.3%	12.8%
Federal Pell Grants	1.9%	1.3%	1.1%	1.1%	1.1%	1.2%
Gifts	1.9%	2.1%	2.2%	2.4%	3.0%	3.6%
Normalized Investment Income (a)	4.1%	4.2%	4.0%	3.8%	3.6%	3.4%
Patient Care	28.2%	28.1%	28.5%	28.9%	28.9%	27.0%
Other	3.6%	3.6%	3.4%	4.0%	3.8%	3.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Normalized investment income is equal to 5% of the rolling average balance of total cash and investments over the previous three fiscal years.

Operating Expenses by Functional Classifications

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Instruction	\$ 537,613	\$ 544,025	\$ 513,970	\$ 475,366	\$ 455,134	\$ 425,076
Research	214,540	214,491	206,803	204,421	207,504	200,038
Public Service	146,719	173,627	163,203	151,735	145,257	141,441
Academic Support	124,119	108,626	120,071	116,275	107,041	110,220
Student Services	70,671	69,234	69,669	74,797	72,305	65,697
Institutional Support	109,493	104,198	116,672	65,382	74,778	90,300
Operation and Maintenance of Plant	55,878	70,002	47,796	63,432	62,100	57,390
Auxiliary Enterprises	957,394	901,931	888,198	831,516	775,648	716,003
Scholarships and Fellowships	55,469	48,456	39,485	38,602	35,090	30,783
Depreciation	146,753	131,167	125,996	119,069	110,924	102,414
Total Operating Expenses	\$ 2,418,649	\$ 2,365,757	\$ 2,291,863	\$ 2,140,595	\$ 2,045,781	\$ 1,939,362
Instruction	22.2%	23.0%	22.4%	22.2%	22.2%	21.9%
Research	8.9%	9.1%	9.0%	9.5%	10.1%	10.3%
Public Service	6.1%	7.3%	7.1%	7.1%	7.1%	7.3%
Academic Support	5.1%	4.6%	5.2%	5.4%	5.2%	5.7%
Student Services	2.9%	2.9%	3.0%	3.5%	3.5%	3.4%
Institutional Support	4.5%	4.4%	5.1%	3.1%	3.7%	4.7%
Operation and Maintenance of Plant	2.3%	3.0%	2.1%	3.0%	3.0%	3.0%
Auxiliary Enterprises	39.6%	38.1%	38.8%	38.8%	37.9%	36.9%
Scholarships and Fellowships	2.3%	2.0%	1.7%	1.8%	1.7%	1.6%
Depreciation	6.1%	5.5%	5.5%	5.6%	5.4%	5.3%
Total Operating Expenses	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

STUDENT INFORMATION - CONSOLIDATED

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2009	2008	2007	2006	2005	2004
Undergraduate Students (Head Count)	51,352	49,510	47,864	47,841	47,739	46,967
Graduate Students (Head Count)	15,080	14,336	13,846	13,158	12,875	12,466
Professional Students (Head Count)	2,952	2,873	2,830	2,784	2,770	2,728
Total Students (Head Count)	69,384	66,719	64,540	63,783	63,384	62,161
Undergraduate Students (FTE)	41,974	40,294	38,642	38,381	37,927	36,884
Graduate Students (FTE)	8,401	7,890	7,553	7,299	7,095	6,800
Professional Students (FTE)	2,917	2,841	2,799	2,751	2,730	2,681
Total Students (FTE)	53,292	51,025	48,994	48,431	47,752	46,365
Acceptance Rate - First-time Freshmen	80%	81%	80%	79%	81%	80%
Acceptance Rate - Undergraduate Transfers	72%	72%	70%	80%	86%	83%
Matriculation - First-time Freshmen	41%	46%	47%	45%	45%	46%
Matriculation - Undergraduate Transfers	68%	68%	64%	61%	60%	62%

Demographics

Fall Semester	2009	2008	2007	2006	2005	2004
Male	47%	46%	47%	47%	46%	46%
Female	53%	54%	53%	53%	54%	54%
Undergraduate Residence - Missouri	84%	84%	85%	86%	86%	86%
Undergraduate Residence - Out of State	16%	16%	15%	14%	14%	14%
Undergraduate Full-Time	77%	76%	76%	75%	74%	73%
Undergraduate Part-Time	23%	24%	24%	25%	26%	27%
Graduate Full-Time	40%	38%	39%	41%	40%	39%
Graduate Part-Time	60%	62%	61%	59%	60%	61%
White	77.1%	78.2%	78.6%	79.1%	79.5%	79.8%
Black or African American	9.9%	9.3%	9.3%	9.0%	9.0%	8.6%
Non-Resident Alien	6.1%	6.0%	5.6%	5.5%	5.2%	5.5%
Asian / Pacific Is.	3.5%	3.4%	3.6%	3.6%	3.5%	3.4%
Hispanic	2.6%	2.5%	2.3%	2.2%	2.3%	2.2%
Other	0.8%	0.6%	0.6%	0.6%	0.5%	0.5%

Degrees Awarded

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Baccalaureate	9,605	9,291	8,997	9,038	8,535	8,285
Graduate Certificate	520	438	321	293	259	257
Master's	3,608	3,620	3,432	3,193	3,227	3,215
Educational Specialist	123	148	102	106	91	77
Doctoral	519	487	510	479	470	439
First Professional Degree	800	763	749	771	741	711
Total	15,175	14,747	14,111	13,880	13,323	12,984

STUDENT INFORMATION - COLUMBIA

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2009	2008	2007	2006	2005	2004
Undergraduate Students (Head Count)	23,799	22,980	21,586	21,484	21,335	20,883
Graduate Students (Head Count)	6,288	6,024	5,708	5,598	5,512	5,051
Professional Students (Head Count)	1,150	1,126	1,111	1,102	1,083	1,069
Total Students (Head Count)	31,237	30,130	28,405	28,184	27,930	27,003
Undergraduate Students (FTE)	21,943	21,197	19,847	19,781	19,441	18,979
Graduate Students (FTE)	3,721	3,536	3,340	3,319	3,198	2,973
Professional Students (FTE)	1,134	1,108	1,094	1,083	1,066	1,048
Total Students (FTE)	26,798	25,841	24,281	24,183	23,705	23,000
Acceptance Rate - First-time Freshmen	83%	85%	85%	78%	83%	80%
Acceptance Rate - Undergraduate Transfers	69%	71%	67%	79%	91%	90%
Matriculation - First-time Freshmen	41%	47%	48%	47%	46%	46%
Matriculation - Undergraduate Transfers	66%	68%	71%	67%	70%	70%

Demographics

Fall Semester	2009	2008	2007	2006	2005	2004
Male	46%	46%	46%	47%	47%	48%
Female	54%	54%	54%	53%	53%	52%
Undergraduate Residence - Missouri	83%	84%	85%	86%	86%	86%
Undergraduate Residence - Out of State	17%	16%	15%	14%	14%	14%
Undergraduate Full-Time	94%	94%	94%	94%	94%	94%
Undergraduate Part-Time	6%	6%	6%	6%	6%	6%
Graduate Full-Time	48%	46%	48%	50%	48%	50%
Graduate Part-Time	52%	54%	52%	50%	52%	50%
White	82.9%	83.6%	83.8%	83.8%	84.2%	84.2%
Black or African American	6.4%	5.9%	5.8%	5.7%	5.6%	5.3%
Non-Resident Alien	5.4%	5.4%	5.3%	5.3%	5.1%	5.4%
Asian / Pacific Is.	2.5%	2.5%	2.7%	2.8%	2.8%	2.8%
Hispanic	2.2%	2.0%	1.8%	1.8%	1.8%	1.7%
Other	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%

Degrees Awarded

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Baccalaureate	4,963	4,855	4,779	4,736	4,461	4,259
Graduate Certificate	142	88	69	68	84	79
Master's	1,515	1,506	1,421	1,350	1,314	1,195
Educational Specialist	59	57	34	36	21	33
Doctoral	322	306	326	293	277	274
First Professional Degree	304	307	303	289	292	288
Total	7,305	7,119	6,932	6,772	6,449	6,128

STUDENT INFORMATION - KANSAS CITY

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2009	2008	2007	2006	2005	2004
Undergraduate Students (Head Count)	9,381	9,261	9,094	9,383	9,487	9,393
Graduate Students (Head Count)	3,795	3,651	3,800	3,321	3,296	3,369
Professional Students (Head Count)	1,623	1,569	1,548	1,509	1,523	1,494
Total Students (Head Count)	14,799	14,481	14,442	14,213	14,306	14,256
Undergraduate Students (FTE)	6,972	6,662	6,400	6,528	6,540	6,354
Graduate Students (FTE)	2,021	1,936	1,909	1,776	1,755	1,786
Professional Students (FTE)	1,604	1,555	1,535	1,495	1,500	1,468
Total Students (FTE)	10,597	10,153	9,844	9,799	9,795	9,608
Acceptance Rate - First-time Freshmen	72%	73%	66%	82%	81%	88%
Acceptance Rate - Undergraduate Transfers	70%	66%	61%	80%	86%	85%
Matriculation - First-time Freshmen	40%	42%	44%	36%	39%	48%
Matriculation - Undergraduate Transfers	68%	67%	67%	57%	57%	66%

Demographics

Fall Semester	2009	2008	2007	2006	2005	2004
Male	43%	43%	42%	42%	42%	41%
Female	57%	57%	58%	58%	58%	59%
Undergraduate Residence - Missouri	75%	77%	78%	77%	79%	80%
Undergraduate Residence - Out of State	25%	23%	22%	23%	21%	20%
Undergraduate Full-Time	67%	63%	61%	61%	60%	58%
Undergraduate Part-Time	33%	37%	39%	39%	40%	42%
Graduate Full-Time	33%	33%	30%	35%	34%	32%
Graduate Part-Time	67%	67%	70%	65%	66%	68%
White	67.6%	68.9%	71.1%	71.5%	72.0%	72.2%
Black or African American	12.7%	12.5%	12.0%	12.1%	12.1%	11.8%
Non-Resident Alien	7.4%	7.3%	6.3%	5.9%	5.5%	6.0%
Asian / Pacific Is.	6.5%	6.2%	6.2%	6.1%	5.8%	5.4%
Hispanic	4.3%	4.4%	3.8%	3.6%	3.9%	3.7%
Other	1.4%	0.7%	0.7%	0.7%	0.8%	0.9%

Degrees Awarded

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Baccalaureate	1,633	1,496	1,289	1,428	1,425	1,393
Graduate Certificate	18	20	24	19	23	19
Master's	911	917	852	769	791	794
Educational Specialist	33	49	40	39	41	41
Doctoral	83	68	59	71	61	48
First Professional Degree	455	412	408	438	415	377
Total	3,133	2,962	2,672	2,764	2,756	2,672

STUDENT INFORMATION - MISSOURI S&T

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2009	2008	2007	2006	2005	2004
Undergraduate Students (Head Count)	5,206	4,911	4,752	4,515	4,311	4,119
Graduate Students (Head Count)	1,608	1,456	1,414	1,343	1,289	1,285
Professional Students (Head Count)	-	-	-	-	-	-
Total Students (Head Count)	6,814	6,367	6,166	5,858	5,600	5,404
Undergraduate Students (FTE)	4,886	4,622	4,483	4,200	4,000	3,815
Graduate Students (FTE)	979	831	840	783	800	779
Professional Students (FTE)	-	-	-	-	-	-
Total Students (FTE)	5,865	5,453	5,323	4,983	4,800	4,594
Acceptance Rate - First-time Freshmen	89%	88%	90%	90%	92%	93%
Acceptance Rate - Undergraduate Transfers	74%	74%	76%	77%	80%	91%
Matriculation - First-time Freshmen	47%	49%	49%	49%	48%	50%
Matriculation - Undergraduate Transfers	71%	67%	73%	66%	81%	72%

Note: Rolla's pre-application advising process encourages unqualified students to apply elsewhere, thereby producing misleading acceptance rate figures.

Demographics

Fall Semester	2009	2008	2007	2006	2005	2004
Male	78%	78%	77%	77%	78%	78%
Female	22%	22%	23%	23%	22%	22%
Undergraduate Residence - Missouri	81%	81%	81%	81%	81%	81%
Undergraduate Residence - Out of State	19%	19%	19%	19%	19%	19%
Undergraduate Full-Time	92%	93%	92%	91%	90%	91%
Undergraduate Part-Time	8%	7%	8%	9%	10%	9%
Graduate Full-Time	59%	52%	54%	56%	60%	59%
Graduate Part-Time	41%	48%	46%	44%	40%	41%
White	76.4%	78.3%	78.7%	78.9%	79.3%	78.8%
Black or African American	5.4%	4.9%	4.6%	4.4%	4.4%	4.3%
Non-Resident Alien	12.6%	11.0%	10.4%	10.4%	10.6%	11.8%
Asian / Pacific Is.	2.7%	3.1%	3.3%	3.5%	3.0%	2.8%
Hispanic	2.3%	2.2%	2.3%	2.4%	2.4%	2.0%
Other	0.6%	0.5%	0.7%	0.4%	0.3%	0.3%

Degrees Awarded

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Baccalaureate	998	922	913	835	744	731
Graduate Certificate	278	250	164	127	75	83
Master's	411	426	430	356	392	440
Educational Specialist	-	-	-	-	-	-
Doctoral	51	50	63	63	74	66
First Professional Degree	-	-	-	-	-	-
Total	1,738	1,648	1,570	1,381	1,285	1,320

STUDENT INFORMATION - ST. LOUIS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2009	2008	2007	2006	2005	2004
Undergraduate Students (Head Count)	12,966	12,358	12,432	12,459	12,606	12,572
Graduate Students (Head Count)	3,389	3,205	2,924	2,896	2,778	2,761
Professional Students (Head Count)	179	178	171	173	164	165
Total Students (Head Count)	16,534	15,741	15,527	15,528	15,548	15,498
Undergraduate Students (FTE)	8,172	7,814	7,912	7,873	7,947	7,735
Graduate Students (FTE)	1,681	1,587	1,464	1,422	1,341	1,262
Professional Students (FTE)	179	178	171	173	164	165
Total Students (FTE)	10,032	9,579	9,547	9,468	9,452	9,162
Acceptance Rate - First-time Freshmen	60%	59%	62%	64%	62%	61%
Acceptance Rate - Undergraduate Transfers	77%	79%	78%	81%	84%	78%
Matriculation - First-time Freshmen	39%	38%	38%	39%	43%	32%
Matriculation - Undergraduate Transfers	69%	69%	57%	60%	54%	53%

Demographics

Fall Semester	2009	2008	2007	2006	2005	2004
Male	38%	35%	40%	39%	39%	38%
Female	62%	65%	60%	61%	61%	62%
Undergraduate Residence - Missouri	93%	93%	93%	93%	93%	94%
Undergraduate Residence - Out of State	7%	7%	7%	7%	7%	6%
Undergraduate Full-Time	46%	47%	48%	47%	47%	44%
Undergraduate Part-Time	54%	53%	52%	53%	53%	56%
Graduate Full-Time	23%	23%	26%	24%	24%	20%
Graduate Part-Time	77%	77%	74%	76%	76%	80%
White	74.2%	75.4%	75.1%	76.9%	77.5%	78.9%
Black or African American	16.6%	15.6%	15.8%	14.4%	14.3%	13.1%
Non-Resident Alien	3.6%	3.9%	3.7%	3.6%	3.1%	3.1%
Asian / Pacific Is.	3.2%	3.0%	3.3%	3.1%	3.2%	3.0%
Hispanic	1.9%	1.7%	1.8%	1.7%	1.7%	1.7%
Other	0.5%	0.4%	0.3%	0.3%	0.2%	0.2%

Degrees Awarded

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Baccalaureate	2,011	2,018	2,016	2,039	1,905	1,902
Graduate Certificate	82	80	64	79	77	76
Master's	771	771	729	718	730	786
Educational Specialist	31	42	28	31	29	3
Doctoral	63	63	62	52	58	51
First Professional Degree	41	44	38	44	34	46
Total	2,999	3,018	2,937	2,963	2,833	2,864



KPMG LLP
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**Independent Auditors' 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***

The Board of Curators
University of Missouri System:

We have audited the financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Missouri System, a component unit of the State of Missouri, as of and for the year ended June 30, 2010, which collectively comprise the University of Missouri System's basic financial statements, and have issued our report thereon dated October 14, 2010. 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.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters did not include Capital Region Medical Center that operates as an affiliate of the Medical Alliance, a discretely presented component unit of the University of Missouri System. We have issued a separate report, dated October 13, 2010, on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for this entity. The findings, if any, included in that report are not included herein.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the University of Missouri System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University of Missouri System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University of Missouri System's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University of Missouri System's basic financial statements are free of 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*.

We noted certain matters that we reported to management of the University of Missouri System in a separate letter dated October 14, 2010.

This report is intended solely for the information and use of the Board of Curators, management, others within the University of Missouri System, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

St. Louis, Missouri
October 14, 2010

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY OF MISSOURI SYSTEM
SYSTEM FACILITIES REVENUE BOND FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

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**UNIVERSITY OF MISSOURI SYSTEM
SYSTEM FACILITIES
REVENUE BOND FUND**

*Financial Statements as of and for the
Years Ended June 30, 2010, and 2009,
and Independent Auditors' Report*

**UNIVERSITY OF MISSOURI SYSTEM
SYSTEM FACILITIES REVENUE BOND FUND**

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For the Years Ended June 30, 2010 and 2009

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MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS



MISSOURI

November 5, 2010

The management of the University of Missouri System (the "University") is responsible for the preparation, integrity, and fair presentation of the financial statements of the System Facilities Revenue Bond Fund. The financial statements, presented on pages 12 to 15, have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on judgments and estimates by management.

The financial statements have been audited by the independent accounting firm KPMG LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Curators. The University believes that all representations made to the independent auditors during their audit were valid and appropriate. KPMG's audit opinion is presented on page 11.

The University maintains a system of internal controls over financial reporting, which is designed to provide reasonable assurance to the University's management and Board of Curators regarding the preparation of reliable published financial statements. Such controls are maintained by the establishment and communication of accounting and financial policies and procedures, by the selection and training of qualified personnel, and by an internal audit program designed to identify internal control weaknesses in order to permit management to take appropriate corrective action on a timely basis. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls.

The Board of Curators, through its Audit Committee, is responsible for engaging the independent auditors and meeting regularly with management, internal auditors, and the independent auditors to ensure that each is carrying out their responsibilities and to discuss auditing, internal control, and financial reporting matters. Both internal auditors and the independent auditors have full and free access to the Audit Committee.

Based on the above, I certify that the information contained in the accompanying financial statements fairly presents, in all material respects, the financial condition, changes in net assets and cash flows of the System Facilities Revenue Bond Fund.

Natalie "Nikki" Krawitz
Vice President for Finance and Administration

UNIVERSITY OF MISSOURI SYSTEM
SYSTEM FACILITIES REVENUE BOND FUND
MANAGEMENT’S DISCUSSION AND ANALYSIS
For Years Ended June 30, 2010 and 2009 (unaudited)

Management’s Discussion and Analysis provides an overview of the financial position and activities of the University of Missouri System – System Facilities Revenue Bond Fund (the “Fund”) for the fiscal years ended June 30, 2010 and 2009, and should be read in conjunction with the financial statements and notes. The University is a component unit of the State of Missouri and an integral part of the state’s Comprehensive Annual Financial Report. However, these bonds do not represent debt of the state of Missouri.

THE SYSTEM FACILITIES REVENUE BOND FUND

The Fund was established by the Board of Curators of the University of Missouri on October 29, 1993, to consolidate financing of certain University of Missouri System (the “University”) facilities. Since that time, the Fund has originated or in-substance defeased over \$1.5 billion in bonds to provide for capital expansion or renovation of housing, parking and other University facilities (the “bonded facilities”).

During fiscal year (FY) 2006, the University defeased the debt previously reported within the University Health System financial statements. This debt was defeased by issuance of the 2006 System Facilities Revenue Bonds which are secured by the revenues of the University Health System. As a result, beginning in FY 2006, the activities of the University Health System are included within the Fund. The University Health System consists of the University of Missouri Hospital and Clinics, a tertiary referral center located in Columbia, Missouri, comprised of University Hospital, Children’s Hospital, and Ellis Fischel Cancer Center; Columbia Regional Hospital; Missouri Rehabilitation Center in Mt. Vernon, Missouri; and, University Physicians Medical Practice Plan, the organized practice plan for the University of Missouri – Columbia School of Medicine.

The primary purposes of consolidating debt into the Fund are to lower costs and to increase borrowing flexibility. The University decreases borrowing costs by: (1) strengthening its long-term credit rating and achieving lower interest costs than it would by issuing debt under the University’s separate enterprises; (2) spreading fixed issuance costs across larger bond issues; and (3) reducing fixed costs by simplifying the debt structure. The University increases its borrowing flexibility through simplified marketing as a single borrowing entity and enhancing its debt-capacity on a system-wide basis.

ACCOUNTING AND FINANCIAL REPORTING

This report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. The Fund’s financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), and a summary of the Fund’s significant accounting policies is included in Note 1 to the financial statements.

UNIVERSITY OF MISSOURI SYSTEM
SYSTEM FACILITIES REVENUE BOND FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Years Ended June 30, 2010 and 2009 (unaudited)

CONDENSED STATEMENT OF NET ASSETS

The Statement of Net Assets presents the Fund's financial position at the end of the fiscal year, including all assets and liabilities of the Fund and segregating them into current and noncurrent components. Assets and liabilities are generally measured using current values, with certain exceptions such as capital assets, which are stated at cost less accumulated depreciation, and long-term debt, which is stated at cost.

The following table summarizes the Fund's assets, liabilities, and net assets at June 30, 2010, 2009 and 2008:

CONDENSED STATEMENT OF NET ASSETS (in thousands of dollars)			
As of June 30,	2010	2009	2008
Assets			
Current Assets	\$ 248,295	\$ 235,559	\$ 239,366
Noncurrent Assets			
Capital Assets, Net	1,272,200	1,059,664	966,244
Other Noncurrent Assets	490,998	289,716	351,557
Deferred Outflow of Resources	22,192	-	-
Total Assets and Deferred Outflow of Resources	\$ 2,033,685	\$ 1,584,939	\$ 1,557,167
Liabilities			
Current Liabilities			
Current Portion of Long-Term Debt	\$ 29,601	\$ 24,259	\$ 21,301
Long-Term Debt Subject to Remarketing	223,680	224,925	226,120
Other	147,095	127,209	137,748
Noncurrent Liabilities			
Long-Term Debt	914,461	606,131	629,678
Other	32,604	1,603	1,877
Total Liabilities	1,347,441	984,127	1,016,724
Net Assets			
Invested In Capital Assets, Net of Related Debt	221,599	210,864	181,352
Restricted Nonexpendable	545	522	595
Restricted Expendable	24,942	13,687	10,874
Unrestricted	439,158	375,739	347,622
Total Net Assets	686,244	600,812	540,443
Total Liabilities and Net Assets	\$ 2,033,685	\$ 1,584,939	\$ 1,557,167

Total Assets include assets with varying levels of liquidity, which are then classified into current and noncurrent portions. **Current Assets** contain **Cash, Cash Equivalents**, and **Short-Term Investments** totaling \$118.2 million, \$117.6 million, and \$106.9 million at June 30, 2010, 2009 and 2008, respectively. These balances have been relatively stable, are highly liquid and can be used to fund capital expansion and to meet the Fund's debt service requirements in the coming year. **Noncurrent Assets** contain **Long-Term Investments** totaling \$478.6 million, \$280.2 million, and \$335.3 million at June 30, 2010, 2009 and 2008, respectively. Unspent bond proceeds from the Series 2009 bond issuance totaled \$110.0 million at June 30, 2010, which contributed to the overall increase in liquidity.

**UNIVERSITY OF MISSOURI SYSTEM
SYSTEM FACILITIES REVENUE BOND FUND**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For Years Ended June 30, 2010 and 2009 (unaudited)

The other major component of Noncurrent Assets is the Fund's **Capital Assets**, which are reported net of accumulated depreciation. These assets represent facilities throughout the University's campuses which have been bought or constructed by the Fund, such as housing and dining facilities, student recreational centers, and educational facilities. At June 30, 2010, the Fund's Capital Assets of \$1.27 billion increased \$212.5 million from \$1.06 billion at June 30, 2009. This followed an increase of \$93.4 million during FY 2009. With the issuance of the Series 2009 bonds in July 2009, significant expenditures were made for several campus capital expansion projects, as shown by the examples listed in the following table. Note 5 provides additional information on Capital Assets.

SELECTED CAPITAL PROJECTS

(Fiscal Year Ended June 30, 2010)

Campus	Project Budget	Expenditures Through June 30, 2010	Source of Funding
Columbia:			
Mid Campus / Defoe Graham Housing	\$ 58,500,000	\$ 56,404,000	Revenue Bonds, Campus Reserves
Orthopaedics Institute (University Health System)	52,500,000	42,900,000	Revenue Bonds, Campus Reserves
Renovation of Hudson, Gillett and Rollins Halls	42,000,000	24,818,000	Revenue Bonds, Campus Reserves
Laffer Hall - Reconstruct 1922 Addition	25,500,000	24,210,000	Revenue Bonds, Campus Reserves
Power Plant Projects	21,000,000	18,863,000	Revenue Bonds, Campus Reserves
Maryland Avenue Utility Tunnel	22,200,000	18,791,000	Revenue Bonds, Campus Reserves
Patient Care Tower (University Health System)	203,000,000	18,269,000	Revenue Bonds, Campus Reserves, Gifts
Brady Commons Student Center Renovation	28,100,000	17,830,000	Revenue Bonds, Campus Reserves
Switzer and Tate Halls - Renovations / Addition	16,700,000	1,810,000	Revenue Bonds, Campus Reserves
Kansas City:			
Miller Nichols Renovation / Interactive Learning Center	\$ 17,100,000	\$ 16,600,000	Revenue Bonds, Gifts
Durwood Soccer Stadium / Recreation Field	9,000,000	8,134,000	Revenue Bonds, Gifts
Missouri S&T:			
Thomas Jefferson South Tower Renovation	\$ 11,700,000	\$ 9,920,000	Revenue Bonds
Thomas Jefferson North Tower West Wing Renovation	7,100,000	313,000	Revenue Bonds

The Fund's Capital Assets by campus, net of accumulated depreciation, are as follows:

CAPITAL ASSETS BY CAMPUS

(in thousands of dollars)

As of June 30,	2010	2009	2008
Columbia	\$ 628,604	\$ 561,997	\$ 482,166
Hospital	325,853	272,063	260,540
Kansas City	161,180	83,187	77,381
Missouri S&T	67,386	53,955	53,732
St. Louis	87,601	86,097	89,269
System Administration	1,576	2,365	3,156
Total Capital Assets, Net	\$ 1,272,200	\$ 1,059,664	\$ 966,244

UNIVERSITY OF MISSOURI SYSTEM
SYSTEM FACILITIES REVENUE BOND FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Years Ended June 30, 2010 and 2009 (unaudited)

The Fund's **Total Liabilities** consist primarily of **Long-Term Debt**, which is summarized as follows:

SUMMARY OF LONG-TERM DEBT (in thousands of dollars)				
As of June 30,	2010	2009	2008	
Bonds Payable				
Fixed Rate	\$ 919,725	\$ 610,185	\$ 629,865	
Variable Rate Demand	224,925	226,120	227,240	
Total	1,144,650	836,305	857,105	
Unamortized Premium	25,000	20,967	22,043	
Unamortized Loss on Defeasance	(9,755)	(10,348)	(10,941)	
Total Bonds Payable	1,159,895	846,924	868,207	
Capital Lease Obligations	7,847	8,391	8,892	
Total Long-Term Debt	\$ 1,167,742	\$ 855,315	\$ 877,099	
Contractual Maturities Within One Year				
Bonds Payable - Fixed Rate	\$ 27,765	\$ 22,520	\$ 19,680	
Bonds Payable - Variable Rate Demand	1,245	1,195	1,120	
Capital Lease Obligations	591	544	501	
Total Contractual Maturities Within One Year	\$ 29,601	\$ 24,259	\$ 21,301	

Current Liabilities include **Long-Term Debt Subject to Remarketing** totaling \$223.7 million, \$224.9 million and \$226.1 million at June 30, 2010, 2009 and 2008, respectively. These balances represent variable rate demand bonds, with final contractual maturities ranging from FY 2031 to FY 2036, which have been classified as current liabilities because the University is ultimately the sole source of liquidity should the option to tender be exercised by the bondholder. It is noted, however, that the Fund has never been required to provide liquidity for any of the variable rate demand bonds outstanding, even during the period of extreme financial market turmoil in the fall of 2008.

The Fund issued \$332 million of System Facilities Revenue Bonds in July 2009. Total **Long-Term Debt** increased by \$312.4 million in FY 2010, after decreasing by \$21.8 million in FY 2009.

Working capital, composed of current assets less current liabilities, decreased by \$11.2 million at June 30, 2010 as compared to June 30, 2009. This decline relates primarily to an increase in Accounts Payable at June 30, 2010.

As a measurement of actual liquidity, working capital is adversely impacted by the inclusion, per accounting guidelines, of Long-Term Debt Subject to Remarketing as these balances are not contractually due within one year. If Long-Term Debt Subject to Remarketing were to be excluded from Current Liabilities, working capital would be \$71.6 million at June 30, 2010, also expressed as Current Assets of 1.41 times Current Liabilities.

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The following table illustrates actual working capital, as well as working capital adjusted for Long-Term Debt Subject to Remarketing:

SUMMARY OF WORKING CAPITAL (in thousands of dollars)				
As of June 30,	2010	2009	2007	
Current Assets	\$ 248,295	\$ 235,559	\$ 239,366	
Current Liabilities	400,376	376,393	385,169	
Working Capital, Unadjusted	\$ (152,081)	\$ (140,834)	\$ (145,803)	
Ratio of Current Assets to Current Liabilities (Unadjusted)	0.62	0.63	0.62	
Current Assets	\$ 248,295	\$ 235,559	\$ 239,366	
Current Liabilities	400,376	376,393	385,169	
Less: Long-Term Debt Subject to Remarketing	(223,680)	(224,925)	(226,120)	
Current Liabilities, As Adjusted	176,696	151,468	159,049	
Working Capital, As Adjusted	\$ 71,599	\$ 84,091	\$ 80,317	
Ratio of Current Assets to Current Liabilities (As Adjusted)	1.41	1.56	1.50	

The Fund's **Net Assets** increased by \$85.4 million, or 14.2%, and \$60.4 million, or 11.2%, in FY 2010 and FY 2009, respectively. The following describes the components of the Fund's Net Assets.

- **Invested in Capital Assets, Net of Related Debt** represents assets such as land, buildings, infrastructure and equipment, net of accumulated depreciation and the outstanding debt used to purchase or build the assets.
- **Restricted Nonexpendable Net Assets** are subject to externally imposed stipulations that they be maintained permanently.
- **Restricted Expendable Net Assets** are those subject to externally imposed stipulations, but are not required to be maintained in perpetuity. The Fund's Restricted Expendable Net Assets primarily consist of bond monies that will be used to purchase or construct additional University facilities.
- The Fund's **Unrestricted Net Assets** are resources that will fund future repairs and replacements of the bond-funded facilities. The day-to-day operations of the bond-funded facilities generate these monies, which are designated by management for maintenance of the facilities.

UNIVERSITY OF MISSOURI SYSTEM
SYSTEM FACILITIES REVENUE BOND FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Years Ended June 30, 2010 and 2009 (unaudited)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets presents the Fund's results of operations. The Statement distinguishes revenues and expenses between operating and non-operating categories, and provides a view of the Fund's operating margin.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(in thousands of dollars)

Fiscal Year Ended June 30,	2010	2009	2008
Operating Revenues			
Net Tuition and Fees	\$ 18,180	\$ 17,428	\$ 15,853
Bookstores	59,288	61,640	61,423
Housing and Related Food Service, Net	89,744	81,724	72,382
Parking	17,564	15,113	15,218
Other Operating Revenues	18,205	19,881	19,922
Patient Medical Services, Net	718,687	685,207	663,227
Total Operating Revenues	921,668	880,993	848,025
Operating Expenses			
Salaries, Wages, and Benefits	317,939	312,733	307,446
Cost of Goods Sold	176,037	174,481	178,921
Supplies, Services and Other Operating Expenses	90,510	94,507	82,140
Depreciation and Other Expenses	155,603	138,278	137,122
University Physicians Distributions	135,136	125,605	119,260
Total Operating Expenses	875,225	845,604	824,889
Operating Income Before State Appropriations	46,443	35,389	23,136
State Appropriations	25,637	22,887	24,092
Income after State Appropriations, before			
Nonoperating Revenues (Expenses)	72,080	58,276	47,228
Nonoperating Revenues (Expenses)			
Federal Build America Bond Subsidies	5,020	-	-
Interest Expense	(49,024)	(27,945)	(38,826)
Investment Income	22,810	706	27,772
Other	675	511	477
Net Nonoperating Revenues (Expenses)	(20,519)	(26,728)	(10,577)
Income Before Capital Additions, Contributions and Transfers	51,561	31,548	36,651
State Capital Appropriations	4,042	-	-
Contributed Capital Assets, Capital and Endowment Gifts	4,055	33	-
Income Before Transfers	59,658	31,581	36,651
Net Transfers From Other University Funds	31,937	28,788	44,336
Increase in Net Assets	91,595	60,369	80,987
Net Assets, Beginning of Year	600,812	540,443	459,456
Cumulative Effect of Change in Accounting Principle	(6,163)	-	-
Net Assets, Beginning of Year, as Adjusted	594,649	540,443	459,456
Net Assets, End of Year	\$ 686,244	\$ 600,812	\$ 540,443

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The Fund's **Operating Revenues** originate from the daily operations of the bond-funded facilities. These revenues consist primarily of sales and services, such as bookstore collections, housing and food service charges, and parking collections. A portion of the operating revenues, approximately 2.0% in both FY 2010 and FY 2009, relate to the collection of net tuition and fees. However, these revenues are generally considered ancillary to the Fund as minimal funding is provided by tuition and fees.

In FY 2010, the Fund's Operating Revenues of \$921.7 million increased by \$40.7 million, or 4.6%, over \$881.0 million in FY 2009. This followed an increase of \$33.0 million, or 3.9%, in FY 2009 as compared to FY 2008. **Housing and Related Food Service** revenues increased by \$8.0 million, or 9.8%, and \$9.3 million, or 12.9%, in FY 2010 and FY 2009, respectively, due to rate increases and increased student enrollment. **Patient Medical Services** revenues increased \$33.5 million, or 4.9%, during FY 2010 due to the opening of the 61-bed Missouri Psychiatric Center in July 2009 at University Hospital as well as continued increases in clinical and outpatient visits. This compares to an increase in Patient Medical Services revenues of \$22.0 million, or 3.3%, in FY 2009 due to higher payment levels for patient services and greater outpatient activity.

Consistent with Operating Revenues, the Fund's **Operating Expenses** originate from the bond-funded facilities' daily operations. **Cost of Goods Sold** and **Supplies, Services, and Other Operating Expenses** represented 30.5%, 31.8% and 31.6% of the Fund's total Operating Expenses in FY 2010, FY 2009 and FY 2008, respectively. **Salaries, Wages, and Benefits** for staff and administrators employed by the bond-funded facilities totaled \$318.0 million, or 36.3%, of total Operating Expenses in FY 2010, slightly less than the 37.0% and 37.3% in FY 2009 and FY 2008, respectively. While the Fund does not directly employ staff or administrators, these employment costs are allocated based on staff that are operating the bonded facilities. The remaining operating costs, including **University Physicians Distributions** and **Depreciation and Other Expenses** increased Operating Expenses by \$26.9 million, or 10.2%, in FY 2010 as compared to an increase of \$7.5 million, or 2.9%, in FY 2009. Depreciation expense increased in FY 2010 due to completed capital projects being placed into service; University Physicians Distributions vary based on patient revenue from the physicians' services.

Net Nonoperating Expenses decreased \$6.2 million to \$20.5 million in FY 2010 from \$26.7million in FY 2009. This decrease in net expense was impacted by a \$22.1 million increase in **Investment Income** offset by a \$21.1 million increase in **Interest Expense**. Investment Income totaled \$22.8 million, \$0.7 million and \$27.8 million in FY 2010, FY 2009 and FY 2008, respectively. The increase in Investment Income in FY 2010 resulted primarily from net realized and unrealized gains on investments as compared to net realized and unrealized losses on investments in FY 2009. Interest Expense totaled \$49.0 million, \$27.9 million and \$38.8 million in FY 2010, FY 2009 and FY 2008, respectively. The increase in Interest Expense in FY 2010 as compared to FY 2009 was due primarily to the issuance of Series 2009 bonds in July 2009. Series 2009A bonds were a taxable issue designated as Build America Bonds under the Internal Revenue Code of 1986, as amended. As such, the Fund earned Federal Build America Bond Subsidies of \$5.0 million in FY 2010.

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SYSTEM FACILITIES REVENUE BOND FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
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CONDENSED STATEMENT OF CASH FLOW

The Statement of Cash Flows provides the sources and uses of cash resources. The cash flow statements as of June 30, 2010, 2009 and 2008 are summarized as follows:

CONDENSED STATEMENT OF CASH FLOWS (in thousands of dollars)				
	2010	2009	2008	
Net Cash Provided by Operating Activities	\$ 116,785	\$ 96,804	\$ 74,416	
Net Cash Provided by Noncapital Financing	62,274	52,531	69,669	
Net Cash Used in Capital and Related Financing Activities	(5,601)	(200,100)	(26,426)	
Net Cash Provided by (Used in) Investing Activities	(143,435)	74,865	(176,233)	
Net Increase (Decrease) in Cash and Cash Equivalents	30,023	24,100	(58,574)	
Cash and Cash Equivalents, Beginning of Year	71,739	47,639	106,213	
Cash and Cash Equivalents, End of Year	\$ 101,762	\$ 71,739	\$ 47,639	

Cash Provided by Operating Activities increased by \$20.0 million in FY 2010, driven primarily by increased cash flows from Student Housing Fees and Patient Service Revenues net of Payments to University Physicians. This compares to a \$22.4 million increase in Cash Provided by Operating Activities in FY 2009 over FY 2008. **Cash Provided by Noncapital Financing** increased by \$9.7 million in FY 2010 due primarily to Federal Build America Bond Subsidies of \$5.0 million and a \$2.7 million increase in State Appropriations. **Cash Used in Capital and Related Financing Activities** totaled \$5.6 million, \$200.1 million and \$26.4 million in FY 2010, FY 2009 and FY 2008, respectively. The decrease in FY 2010 as compared to FY 2009 was due to the issuance of Series 2009 bonds in FY 2010, offset somewhat by a corresponding increase in Capital Assets. The issuance of Series 2009 bonds in FY 2010 also caused a significant change in **Net Cash Used in Investing Activities** during FY 2010, reflecting the investment of the bond proceeds.

ECONOMIC OUTLOOK

The University of Missouri System continues to provide quality service to students, patients and citizens across the state of Missouri while successfully facing significant financial challenges stemming from the general economic climate and uncertainties surrounding the state's financial circumstances. Higher education in Missouri has suffered smaller reductions in state support than in many other states. The University's state appropriations for operations remained flat in FY 2010 and will decline 5.2% in FY 2011. This was accomplished in part by the state using approximately \$48 million in federal budget stabilization funding for FY 2010 and \$19 million in FY 2011. However, the University anticipates declining state support in FY 2012 due to slow growth in the state's revenues and the end of federal stimulus funding. Without significant increases in general revenues, the state will be challenged to maintain or increase funding for higher education in the future.

Flat to declining state support and increasing costs, in conjunction with rising enrollments and the need to maintain affordability, pose a budgetary challenge for the University. Student demand at all four campuses continues to be strong with historically high enrollments in FY 2010 and projected again for FY 2011. Although the growth places additional demands on facilities, faculty and staff, it is also a source of additional revenue to support the operating budget. Further, despite this general budgetary challenge, operating revenues of the Fund continue

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For Years Ended June 30, 2010 and 2009 (unaudited)

to expand along with the steady increases in enrollment and patient care activity, both of which are expected to continue to grow in FY 2011.

Cognizant of our responsibility to use resources wisely and keep education at the University of Missouri System affordable, the University must continue to control expenditures through administrative efficiencies across all operations, including those within the Fund. A shared services project, initiated in FY 2010, began by benchmarking administrative process. The results of the benchmarking will drive business process redesign with a goal of achieving improvements in operating efficiency and effectiveness.

For FY 2010, the University Health System continued to see increasing revenues, even during a time of economic instability. As in prior years, the University Health System is focusing on improving patient care, customer service and quality. The State appropriation funding approved for FY 2011 is slightly below FY 2010. In April 2010, a 5% fee increase was implemented and continues into FY 2011 with pricing revisions made throughout the year as needed. For the future, the University Health System continues to pursue growth and its academic mission. During FY 2010, the University Health System successfully expanded services including the operation of a 61-bed inpatient Missouri Psychiatric Center, and placed in service a \$48 million Missouri Orthopedic Institute. Currently under construction is a \$203 million patient care tower, which includes a replacement of the Ellis Fischel Cancer Center. The patient tower is scheduled to be completed in FY 2013. These capital investments will assist in providing quality care to patients and enhanced facilities for physician recruitments with the University of Missouri-Columbia School of Medicine.

In March 2010, the federal government passed the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act, collectively referred to as "Health Care Reform." This legislation will significantly impact the future of health care. As the final regulations and requirements of the Acts are prepared, University Health System management continues to review and monitor the effect that the legislation will have on the organization. The University Health System has not determined the full financial statement effect of this new Health Care Reform legislation.

The national and state economy will continue to pose budgetary challenges for the University in the future. However, growing enrollments, a sustained focus on controlling expenditures, and a financially stable and growing healthcare system are all significant factors contributing to a positive outlook for both the Fund and the University of Missouri System.



INDEPENDENT AUDITORS' REPORT

KPMG LLP
Suite 900
10 South Broadway
St. Louis, MO 63102-1761

The Board of Curators
University of Missouri System:

We have audited the accompanying statement of net assets of the University of Missouri System – System Facilities Revenue Bond Fund as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University of Missouri System's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University of Missouri System – System Facilities Revenue Bond Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, the financial statements of the University of Missouri System – System Facilities Revenue Bond Fund are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the University of Missouri System that is attributable to the transactions of the University of Missouri System – System Facilities Revenue Bond Fund. They do not purport to, and do not, present fairly the financial position of the University of Missouri System as of June 30, 2010 and 2009, the changes in its financial position or its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Missouri System – System Facilities Revenue Bond Fund as of June 30, 2010 and 2009, and the changes in financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 2 through 10 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

November 5, 2010

**UNIVERSITY OF MISSOURI SYSTEM
SYSTEM FACILITIES REVENUE BOND FUND**

STATEMENT OF NET ASSETS

As of June 30, 2010 and 2009 (in thousands)

	2010	2009
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 101,762	\$ 71,739
Short-Term Investments	16,423	45,855
Accounts Receivable, Net	104,605	89,230
Inventories and Other Current Assets	25,505	28,735
Total Current Assets	248,295	235,559
Noncurrent Assets		
Deferred Charges and Other Assets	12,374	9,565
Long-Term Investments	478,624	280,151
Capital Assets, Net	1,272,200	1,059,664
Total Noncurrent Assets	1,763,198	1,349,380
Deferred Outflow of Resources	22,192	-
Total Assets and Deferred Outflow of Resources	\$ 2,033,685	\$ 1,584,939
Liabilities		
Current Liabilities		
Accounts Payable	\$ 50,461	\$ 34,067
Accrued Liabilities	34,739	29,528
Deferred Revenue	1,555	1,473
Current Portion of Long-Term Debt	29,601	24,259
Long-Term Debt Subject to Remarketing	223,680	224,925
Due to Other Funds of the University	60,340	62,141
Total Current Liabilities	400,376	376,393
Noncurrent Liabilities		
Deferred Revenue	1,924	1,603
Derivative Instrument Liability	30,680	-
Long-Term Debt	914,461	606,131
Total Noncurrent Liabilities	947,065	607,734
Total Liabilities	1,347,441	984,127
Net Assets		
Invested in Capital Assets, Net of Related Debt	221,599	210,864
Restricted		
Nonexpendable	545	522
Expendable	24,942	13,687
Unrestricted	439,158	375,739
Total Net Assets	686,244	600,812
Total Liabilities and Net Assets	\$ 2,033,685	\$ 1,584,939

See notes to financial statements.

**UNIVERSITY OF MISSOURI SYSTEM
SYSTEM FACILITIES REVENUE BOND FUND**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2010 and 2009 (in thousands)

	2010	2009
Operating Revenues		
Tuition and Fees, Net	\$ 18,630	\$ 17,806
Less: Scholarship Allowances	(450)	(378)
Net Tuition and Fees	18,180	17,428
Bookstores	59,288	61,640
Housing and Related Food Service, net of Scholarship Allowances of \$542 and \$522 in 2010 and 2009, respectively	89,744	81,724
Parking	17,564	15,113
Athletic Ticket Surcharge	1,286	1,994
Patient Medical Services, Net	718,687	685,207
Other Operating Revenue	16,919	17,887
Total Operating Revenues	921,668	880,993
Operating Expenses		
Salaries and Wages	247,278	244,623
Benefits	70,661	68,110
Cost of Goods Sold	176,037	174,481
Supplies, Services and Other Operating Expenses	90,510	94,507
Scholarships and Fellowships	151	143
Depreciation	64,821	56,731
University Physicians Distributions	135,136	125,605
Other Expenses	90,631	81,404
Total Operating Expenses	875,225	845,604
Operating Income Before State Appropriations	46,443	35,389
State Appropriations	25,637	22,887
Income after State Appropriations, before Nonoperating Revenues (Expenses)	72,080	58,276
Nonoperating Revenues (Expenses)		
Federal Build America Bond Subsidies	5,020	-
Interest Expense	(49,024)	(27,945)
Investment Income	22,810	706
Private Gifts	997	856
Loss on Disposal	(322)	(345)
Net Nonoperating Expenses	(20,519)	(26,728)
Income Before Capital Additions, Contributions and Transfers	51,561	31,548
State Capital Appropriations	4,042	-
Contributed Capital Assets	3,826	-
Capital and Endowment Gifts	229	33
Income Before Transfers	59,658	31,581
Net Transfers From Other University Funds	31,937	28,788
Increase in Net Assets	91,595	60,369
Net Assets, Beginning of Year	600,812	540,443
Cumulative Effect of Change in Accounting Principle	(6,163)	-
Net Assets, Beginning of Year, as Adjusted	594,649	540,443
Net Assets, End of Year	\$ 686,244	\$ 600,812

See notes to financial statements.

**UNIVERSITY OF MISSOURI SYSTEM
SYSTEM FACILITIES REVENUE BOND FUND**

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2010 and 2009 (in thousands)

	2010	2009
Cash Flows from Operating Activities		
Tuition and Fees	\$ 18,189	\$ 17,449
Student Housing Fees	89,585	82,032
Bookstore Collections	59,300	61,502
Parking Collections	17,603	15,064
Proceeds from Patient Service Revenue	714,059	695,968
Proceeds from Other Sales	17,056	17,748
Payments for University Physicians	(136,957)	(123,930)
Payments to Suppliers	(345,889)	(359,015)
Payments to Employees	(245,205)	(243,074)
Payments for Benefits	(70,378)	(68,109)
Scholarships and Fellowships	(151)	(143)
Payments to Other University Funds	(1,800)	(1,421)
Other Receipts, Net	1,373	2,733
Net Cash Provided by Operating Activities	116,785	96,804
Cash Flows from Noncapital Financing Activities		
Net Transfers From Other University Funds	30,620	28,788
Federal Build America Bond Subsidies	5,020	-
State Appropriations	25,637	22,887
Private Gifts	997	856
Net Cash Provided by Noncapital Financing Activities	62,274	52,531
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(266,689)	(150,720)
Cash Proceeds from Sales of Capital Assets	172	1,133
State Capital Appropriations	345	-
Capital gifts	227	-
Proceeds from Issuance of Capital Debt, Net	337,604	-
Payments of Bond Issuance Costs	(2,994)	-
Principal Payments on Capital Debt	(23,715)	(20,800)
Payments on Capital Lease	(544)	(501)
Interest Payments on Capital Debt	(50,007)	(29,212)
Net Cash Used in Capital and Related Financing Activities	(5,601)	(200,100)
Cash Flows from Investing Activities:		
Purchase and Sales of Investments, Net	(169,678)	73,655
Cash Proceeds from Equity Investees	638	790
Interest and Dividends on Investments	25,605	420
Net Cash Provided by (Used in) Investing Activities	(143,435)	74,865
Net Increase in Cash and Cash Equivalents	30,023	24,100
Cash and Cash Equivalents, Beginning of Year	71,739	47,639
Cash and Cash Equivalents, End of Year	\$ 101,762	\$ 71,739

(continued)

**UNIVERSITY OF MISSOURI SYSTEM
SYSTEM FACILITIES REVENUE BOND FUND**

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2010 and 2009 (in thousands)

	2010	2009
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating Income	\$ 46,443	\$ 35,389
Adjustments to Net Cash Used in Operating Activities		
Depreciation	64,821	56,731
Decrease in Allowance for Doubtful Accounts	(2,470)	(7,359)
Changes in Assets and Liabilities		
Accounts Receivable, net	(2,126)	18,275
Inventories, Prepaid Expenses and Other Current Assets	3,390	(936)
Accounts Payable and Accrued Liabilities	8,626	(3,868)
Due to Other Funds of the University	(1,800)	(1,420)
Deferred Revenue	(99)	(8)
Net Cash Provided by Operating Activities	\$ 116,785	\$ 96,804
Supplemental Disclosure of Noncash Activities:		
Net Increase (Decrease) in Fair Value of Investments	\$ 15,130	\$ (14,651)
Contributed Capital Assets	3,826	-
Conveyance of Property from State of Missouri, net	1,317	-

See notes to financial statements.

**UNIVERSITY OF MISSOURI SYSTEM
SYSTEM FACILITIES REVENUE BOND FUND**

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2010 and 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The University of Missouri - System Facilities Revenue Bond Fund (the “Fund”) was established by the Board of Curators on October 29, 1993, as part of a program to finance certain University facilities. The accompanying financial statements were prepared based on the combination of various accounts associated with the physical facilities and their related operations and do not present the financial position or changes in financial position or cash flows of the University of Missouri System (the “University”).

During fiscal year (FY) 2006, the University defeased the debt previously reported within the University Health System, formerly known as the University of Missouri Health System, financial statements. This debt was defeased by issuance of the 2006 System Facilities Revenue Bonds which are secured by the revenues of the University Health System. As a result, beginning in FY 2006, the activities of the University Health System are included within the Fund. The University Health System consists of the University of Missouri Hospital and Clinics, a tertiary referral center located in Columbia, Missouri, comprised of University Hospital, Children’s Hospital, and Ellis Fischel Cancer Center; Columbia Regional Hospital; Missouri Rehabilitation Center in Mt. Vernon, Missouri; and, University Physicians Medical Practice Plan, the organized practice plan for the University of Missouri – Columbia School of Medicine.

Financial Statement Presentation – In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Fund follows all applicable GASB pronouncements. In addition, the Fund applies all applicable FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The Fund has elected not to apply FASB pronouncements issued after November 30, 1989.

Pursuant to GASB Statement No. 35, *Basic Financial Statement - and Management’s Discussion and Analysis - for Public Colleges and Universities*, the Fund’s activities are considered to be a single business-type activity and accordingly, are reported in a single column in the financial statements. Business-type activities are those that are financed in whole or part by funds received by external parties for goods or services.

Basis of Accounting – The Fund’s financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of cash flows.

On the Statement of Revenues, Expenses and Changes in Net Assets, the Fund defines operating activities as those generally resulting from an exchange transaction. Nearly all of the Fund’s expenses are from exchange transactions, which involve the exchange of equivalent values such as payments for goods or services. Nonoperating revenues or expenses are those in which the Fund receives or gives value without directly giving or receiving equal value, such as investment income.

Cash and Cash Equivalents and Investments – The Fund participates in the University’s pooled cash and investment accounts. For purposes of the financial statements, cash and cash equivalents consist of the Fund’s portion of the University’s bank deposits, repurchase agreements, money market funds, and other investments with original maturities of three months or less. Cash equivalents also include variable rate demand notes, which are debt securities with an original maturity beyond three months, but with a demand feature that allows for liquidity with advance notice of no more than seven days. Investment assets are carried at fair value based primarily on market quotations. Purchases and sales of investments are accounted for on the trade date basis. Investment income is recorded on the accrual basis. Net unrealized gains (losses) are included in investment income in the Statement of Revenues, Expenses and Changes in Net Assets.

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Nonmarketable alternative investments and certain commingled funds are recorded based on valuations provided by the general partners of the respective partnerships. The Fund believes that the carrying value of these investments is a reasonable estimate of fair value. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for investments existed.

Derivative instruments such as forward foreign currency contracts are recorded at fair value. On behalf of the Fund, the University enters into forward foreign currency contracts to reduce the foreign exchange rate exposure of its international investments. These contracts are marked to market, with the changes in market value being reported in investment and endowment income on the Statement of Revenues, Expenses, and Changes in Net Assets.

Inventories – These assets are stated at the lower of cost or market. Cost is determined generally on an average cost basis with the exception of the University Health System inventories, where cost is determined using the first-in, first-out method.

Capital Assets – These assets are carried, if purchased, at cost, or if donated, at fair value at date of gift. Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective assets – generally ten to forty years for buildings and improvements, eight to twenty-five years for infrastructure, and three to fifteen years for equipment. Land is considered inexhaustible and is not subject to depreciation. The net interest expense incurred during the construction of debt-financed facilities is included in the capitalization of the related facilities.

Deferred Revenue – Deferred revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

Due to Other Funds of the University – Due to Other Funds of the University includes a \$55 million loan from the University to the University Health System. The University has committed to loan future funds to the University Health System if days cash on hand goes below 85 days. The loan is to be repaid upon demand in whole or in part at such time that days cash on hand is not less than 85 days. Based upon the loan agreement, the University Health System does not pay interest on the loan or receive interest income on the related assets. There were no additions to or repayments on the loan in 2010 or 2009. Due to Other Funds of the University also includes amounts paid for operating expenses by the University on behalf of the Fund.

Net Assets – The Fund's net assets are classified for financial reporting in the following net asset categories:

- *Invested in capital assets, net of related debt:* Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- *Restricted – Nonexpendable:* Net assets subject to externally imposed stipulations that they be maintained permanently by the Fund.
- *Restricted – Expendable:* Net assets whose use by the Fund is subject to externally imposed stipulations that can be fulfilled by actions of the Fund pursuant to those stipulations or that expire by the passage of time.
- *Unrestricted:* Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Curators. When an expense is incurred that can be paid using either restricted or unrestricted resources, the Fund's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

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Tuition and Fees, Net of Scholarship Allowances – Tuition and fees and related housing and dining revenues are presented net of scholarships and fellowships applied to student accounts, while scholarships, fellowships and other payments made directly to students are presented as scholarship and fellowship expenses.

Patient Medical Services, Net – Patient medical services revenues are reported net of contractual allowances and bad debt. Patient medical services are provided through the University Health System, which has agreements with third-party payors that provide for payments that differ from the entity's established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discount charges, and per diem payments. Patient medical services revenue is reported at net amounts estimated to be realizable from patients, third-party payors, and others. These estimated amounts include retroactive adjustments for reimbursement agreements with third-party payors. Retroactive adjustments are estimated and accrued in the period that related services are provided, and then adjusted in future periods as estimates are refined and final settlements are determined.

Amounts receivable under Medicare and Medicaid reimbursements agreements are subject to examination and certain retroactive adjustments by the related programs. These adjustments increased net patient medical services revenue by \$560,000 and \$1,977,000 for the years ended June 30, 2010 and 2009, respectively.

A percentage breakdown of gross patient accounts receivable by major payor classification for the years ended June 30, 2010 and 2009, is as follows:

Table 1.1 - Percentage of Gross Patient Accounts Receivable *(by Major Payor)*

As of June 30,	2010	2009
Medicare	23%	26%
Commercial Insurance	4%	10%
Medicaid	25%	20%
Self Pay and Other	17%	17%
Managed Care Agreements	31%	27%
Total Gross Patient Accounts Receivable	100%	100%

Net patient medical services revenue is reflected on the statement of revenues, expenses, and changes in net assets. The gross to net patient medical services revenue detail for fiscal years 2010 and 2009 is as follows:

Table 1.2 - Gross to Net Patient Medical Services Revenue *(in thousands)*

As of June 30,	2010	2009
Patient Medical Services Revenue, Gross	\$1,543,685	\$1,449,220
Less Deductions for Contractuals	(773,731)	(720,759)
Less Bad Debt Deductions	(51,267)	(43,254)
Total Patient Medical Services Revenue, Net	\$ 718,687	\$ 685,207

Deferred Charges – These charges include issuance costs that are amortized over the life of the bond liability using a method approximating the level yield method. For the years ended June 30, 2010 and 2009, total charges to net assets related to the amortization of such costs were \$372,760 and \$245,760, respectively.

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

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Use of 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.

New Accounting Pronouncements – Effective for fiscal year 2010, the Fund adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which requires all intangible assets not specifically excluded by its scope provisions be classified as capital assets and establishes guidance specific to their amortization. The statement also requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable and establishes a specified-conditions approach to recognizing intangible assets that are internally generated. Adoption of GASB Statement No. 51 did not have a material effect on the Fund's financial statements.

Effective for fiscal year 2010, the Fund adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The statement requires derivative instruments to be measured at fair value at the reporting date, with changes in fair value generally being reported as investment gains or losses. However, changes in fair value of hedging derivative instruments would be deferred until the related instrument ends or ceases to significantly reduce risk. In adopting this standard, the Fund recognized the effect of a change in accounting principle, which decreased net assets by \$6,163,000. See Note 7 for additional information.

In June 2010, GASB issued GASB Statement No. 59, *Financial Instruments Omnibus*, effective for fiscal years beginning after June 15, 2010. The statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The Fund has not yet determined the effect that adoption of GASB Statement No. 59 may have on its financial statements.

2. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents – The Fund participates in the University's pooled general cash accounts, stated at fair value, and holds an equity investment in the pool. Cash and cash equivalents consist of bank deposits, repurchase agreements, money market funds, and other investments with original maturities of three months or less. Cash equivalents also include variable rate demand notes, which are debt securities with an original maturity beyond three months, but with a demand feature that allows for liquidity with advance notice of no more than seven days.

Custodial Credit Risk – Deposits - The custodial credit risk for deposits is the risk that in the event of bank failure, the University's deposits may not be recovered. State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. Agencies and instrumentalities of the state of Missouri; bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The University's cash deposits were fully insured or collateralized at June 30, 2010 and 2009, respectively.

3. INVESTMENTS

The Fund participates in the University's General Pool investment accounts, stated at fair value, and holds an equity investment in the pool. Investment policies are established by the Board of Curators ("the Board"). The policies ensure that funds are managed in accordance with Section 105.688 of the Revised Statutes of Missouri and prudent investment practices. The use of external investment managers has been authorized by the Board.

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The General Pool contains short-term funds, including but not limited to cash and reserves, operating funds, bond funds, and plant funds. Subject to various limitations contained within the corresponding investment policy, the University's internally managed General Pool may be invested in the following instruments: U.S. Government securities; U.S. Government Agency securities; U.S. Government guaranteed securities; investment grade corporate bonds; certificates of deposit; repurchase agreements; commercial paper; and other similar short-term investment instruments of like or better quality. A limited component of the General Pool may be invested in the Balanced Pool, the University's primary investment vehicle for endowment funds; at June 30, 2010 and 2009, 18.0% and 25.0%, respectively, of General Pool funds were invested in the Balanced Pool. The General Pool's total return, including unrealized gains and losses, was 5.19% and 0.39% for the years ended June 30, 2010 and 2009, respectively.

At June 30, 2010 and 2009, the Fund's portion of University investments held by type, stated at fair value, was as follows:

Table 3.1 - Investments by Type *(in thousands)*

As of June 30,	2010	2009
Debt Securities:		
U.S. Treasury Obligations	\$ 50,924	\$ 62,122
U.S. Agency Obligations	275,682	106,855
Asset-Backed Securities	2,272	9,100
Government - Foreign	7,453	9,920
Corporate - Domestic	74,661	45,948
Corporate - Foreign	6,005	6,958
Equity Securities:		
Domestic	16,518	35,650
Foreign	16,773	22,726
Commingled Funds:		
Absolute Return	6,188	6,968
Debt Securities - Domestic	3,440	-
Debt Securities - Foreign	5,990	-
Equity Securities - Domestic	6,467	-
Equity Securities - Foreign	13,799	8,629
Real Estate	1,490	2,402
Nonmarketable Alternative Investments:		
Real Estate	2,331	3,710
Private Equity	3,384	3,441
Other	1,670	1,577
Total Investments	495,047	326,006
Money Market Funds	18,897	24,642
Commercial Paper	68,359	32,417
Variable Rate Demand Notes	12,667	14,192
Other	1,839	488
Total Cash and Cash Equivalents	101,762	71,739
Total Investments and Cash and Cash Equivalents	\$ 596,809	\$ 397,745

Custodial Credit Risk - For investments, custodial credit risk is the risk that in the event of failure of the counterparty to a transaction, the University will not be able to recover the value of the investments held by an outside party. In accordance with its policy, the University minimizes custodial credit risk by establishing

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limitations on the types of instruments held with qualifying institutions. Repurchase agreements must be collateralized by U.S. Government issues and/or U.S. Government Agency issues. All University investments are insured or registered and are held by the University or an agent in its name.

Concentration of Credit Risk – Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments. The investment policy for the General Pool specifies diversification requirements across asset sectors, with specific single issuer limits in place for corporate bonds and commercial paper.

As of June 30, 2010, of the Fund's total investments and cash and cash equivalents, 17.9% are issues of the Federal Home Loan Bank (FHLB) and 11.7% are issues of Federal National Mortgage Association (FNMA). As of June 30, 2009, of the Fund's total investments, 6.2% are issues of FHLB and 8.4% are issues of FNMA.

Investments issued or guaranteed by the U.S. government as well as investments in mutual funds and other pooled investments are excluded from consideration when evaluating concentration risk.

Credit Risk – Debt securities are subject to credit risk, which is the chance that an issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain debt securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

Nationally recognized statistical rating organizations, such as Moody's and Standard & Poor's (S&P), assign credit ratings to security issues and issuers that indicate a measure of potential credit risk to investors. Debt securities considered investment grade are those rated at least Baa by Moody's and BBB by S&P. For General Pool investments, the following minimum credit ratings have been established to manage credit risk: minimum long-term rating of A or better by S&P, with minimum rating of A-1/P-1 for commercial paper and other short-term securities. Disposition of securities whose ratings have been downgraded after purchase is generally left to the discretion of the respective investment manager after consideration of individual facts and circumstances.

All holdings of commercial paper and variable rate demand notes were rated A-1/P-1 or better at June 30, 2010 and 2009, respectively. All holdings of money market funds were rated AAA at June 30, 2010 and 2009, respectively.

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Based on investment ratings provided by Moody's or S&P, the Fund's portion of the University's credit risk exposure as of June 30, 2010 and 2009, is as follows:

Table 3.2 - Debt Securities by Type and Credit Rating *(in thousands)*

As of June 30,	2010	2009
U.S. Treasury Obligations	\$ 50,924	\$ 62,122
U.S. Agency Obligations	275,682	106,855
Asset-Backed Securities		
Mortgage Backed Securities		
Guaranteed by U.S. Agencies	1,177	7,446
Aaa/AAA	491	1,217
Aa/AA	86	116
A/A	186	73
Baa/BBB	27	25
Ba/BB and lower	104	223
Unrated	201	-
Government - Foreign		
Aaa/AAA	3,873	6,628
Aa/AA	1,503	2,850
A/A	1,098	289
Baa/BBB	216	153
Unrated	763	-
Corporate - Domestic		
Aaa/AAA	2,483	323
Aa/AA	23,953	10,935
A/A	44,092	32,457
Baa/BBB	96	1,448
Ba/BB and lower	3,101	-
Unrated	936	785
Corporate - Foreign		
Aaa/AAA	3,353	3,961
Aa/AA	617	1,513
A/A	1,145	922
Baa/BBB	100	282
Ba/BB and lower	235	-
Unrated	555	280
Total	\$ 416,997	\$ 240,903

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Interest Rate Risk – Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Debt securities with longer maturities are likely to be subject to more variability in their fair values as a result of future changes in interest rates. The University does not have a formal policy that addresses interest rate risk; rather, such risk is managed by each individual investment manager, as applicable.

The University has investments in asset-backed securities, which consist primarily of mortgage-backed securities guaranteed by U.S. agencies and corporate collateralized mortgage obligations. These securities are based on cash flows from principal and interest payments on the underlying securities. An asset-backed security may have repayments that vary significantly with changes in market interest rates.

Table 3.3 presents the contractual final maturities of the Fund's portion of the University's debt securities, which are not intended to reflect actual projected cash flows, as of June 30, 2010 and 2009, respectively:

Table 3.3 - Debt Securities by Type and Maturity *(in thousands)*

	Less than			More than	Carrying
As of June 30, 2010	1 Year	1-5 Years	6-10 Years	10 Years	Value
U.S. Treasury Obligations	\$ 96	\$ 22,787	\$ 24,036	\$ 4,005	\$ 50,924
U.S. Agency Obligations	8,741	138,465	89,760	38,716	275,682
Asset-Backed Securities	-	114	111	2,047	2,272
Government - Foreign	359	2,539	3,081	1,474	7,453
Corporate - Domestic	6,668	57,678	9,976	339	74,661
Corporate - Foreign	556	3,809	1,044	596	6,005
Total Debt Securities	\$ 16,420	\$ 225,392	\$ 128,008	\$ 47,177	\$ 416,997

	Less than			More than	Carrying
As of June 30, 2009	1 Year	1-5 Years	6-10 Years	10 Years	Value
U.S. Treasury Obligations	\$ 2,274	\$ 10,147	\$ 14,884	\$ 34,817	\$ 62,122
U.S. Agency Obligations	35,507	26,833	10,323	34,192	106,855
Asset-Backed Securities	-	207	212	8,681	9,100
Government - Foreign	183	1,823	5,818	2,096	9,920
Corporate - Domestic	7,269	24,943	13,512	224	45,948
Corporate - Foreign	371	3,664	1,792	1,131	6,958
Total Debt Securities	\$ 45,604	\$ 67,617	\$ 46,541	\$ 81,141	\$ 240,903

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Foreign Exchange Risk –Foreign exchange risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. University investment policies allow for exposure to non-U.S. dollar denominated equities and fixed income securities, which may be fully or partially hedged using forward foreign currency exchange contracts.

At June 30, 2010 and 2009, 7.7% and 11.0%, respectively, of the Fund's portion of the University's total investments and cash and cash equivalents were denominated in foreign currencies.

The Fund's portion of the University's exposure to foreign exchange risk as of June 30, 2010 and 2009 follows:

Table 3.4 Foreign Exchange Risk *(in thousands)*

As of June 30,	2010	2009
Debt Securities		
Euro	\$ 5,606	\$ 8,200
Australian Dollar	1,069	932
Japanese Yen	933	2,753
British Pound Sterling	709	1,347
Canadian Dollar	665	599
Other	1,834	789
	10,815	14,620
Equity Securities		
Euro	5,342	7,829
Japanese Yen	3,273	4,046
British Pound Sterling	2,879	3,361
Swiss Franc	1,180	1,590
Australian Dollar	769	761
Canadian Dollar	566	999
Other	1,007	1,291
	15,017	19,877
Commingled Funds		
Various currency denominations:		
Debt Securities - Foreign	5,990	-
Equity Securities - Foreign	13,799	8,629
	19,789	8,629
Cash and Cash Equivalents		
Euro	468	635
British Pound Sterling	19	105
Japanese Yen	16	34
Other	24	45
	528	819
Total Exposure to Foreign Exchange Risk	\$ 46,149	\$ 43,945

Commingled Funds - Includes Securities and Exchange Commission regulated mutual funds and externally managed funds, limited partnerships, and corporate structures which are generally unrated and unregulated. Certain commingled funds may use derivatives, short positions and leverage as part of their investment strategy. These investments are structured to limit risk exposure to the amount of invested capital. Commingled funds have liquidity (redemption) provisions, which enable the University to make full or partial withdrawals with notice, subject to restrictions on the timing and amount.

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Of the Fund's share of the University's commingled funds at June 30, 2010, approximately 85% are redeemable within 90 days, with the remaining redeemable within one year.

Nonmarketable Alternative Investments - Consists of limited partnerships involving an advance commitment of capital called by the general partner as needed and distributions of capital and return on invested capital as underlying strategies are concluded during the life of the partnership.

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010 and 2009, are summarized as follows:

Table 4.1 - Accounts Receivable *(in thousands)*

As of June 30,	2010	2009
Student Fees and Other Academic Charges	\$ 25,371	\$ 7,604
University Health System Patient Services, Net of Contractual Allowances	102,890	107,752
Subtotal	128,261	115,356
Less Allowance for Doubtful Accounts:		
University Health System Patient Services	23,656	26,126
Total Accounts Receivable, Net	\$ 104,605	\$ 89,230

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5. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2010 and 2009, is summarized as follows:

Table 5.1 - Capital Assets *(in thousands)*

	2010 Beginning Balance	Additions/ Transfers	Retirements	2010 Ending Balance
Capital Assets, Nondepreciable:				
Land	\$ 12,500	\$ 802	\$ -	\$ 13,302
Construction in Progress	39,496	102,248	(9,307)	132,437
Total Capital Assets, Nondepreciable	51,996	103,050	(9,307)	145,739
Capital Assets, Depreciable:				
Buildings and Improvements	1,210,968	154,135	(1,112)	1,363,991
Infrastructure	31,374	4,285	(13)	35,646
Equipment	248,973	30,993	(12,121)	267,845
Total Capital Assets, Depreciable	1,491,315	189,413	(13,246)	1,667,482
Less Accumulated Depreciation:				
Buildings and Improvements	302,568	45,042	(1,027)	346,583
Infrastructure	9,693	2,135	(5)	11,823
Equipment	171,386	22,920	(11,691)	182,615
Total Accumulated Depreciation	483,647	70,097	(12,723)	541,021
Total Capital Assets, Depreciable, Net	1,007,668	119,316	(523)	1,126,461
Total Capital Assets, Net	\$ 1,059,664	\$ 222,366	\$ (9,830)	\$ 1,272,200

	2009 Beginning Balance	Additions/ Transfers	Retirements	2009 Ending Balance
Capital Assets, Nondepreciable:				
Land	\$ 12,500	\$ -	\$ -	\$ 12,500
Construction in Progress	76,581	23,810	(60,895)	39,496
Total Capital Assets, Nondepreciable	89,081	23,810	(60,895)	51,996
Capital Assets, Depreciable:				
Buildings and Improvements	1,062,535	148,970	(537)	1,210,968
Infrastructure	16,169	15,205	-	31,374
Equipment	237,067	24,303	(12,397)	248,973
Total Capital Assets, Depreciable	1,315,771	188,478	(12,934)	1,491,315
Less Accumulated Depreciation:				
Buildings and Improvements	270,574	32,407	(413)	302,568
Infrastructure	7,843	1,850	-	9,693
Equipment	160,191	22,475	(11,280)	171,386
Total Accumulated Depreciation	438,608	56,732	(11,693)	483,647
Total Capital Assets, Depreciable, Net	877,163	131,746	(1,241)	1,007,668
Total Capital Assets, Net	\$ 966,244	\$ 155,556	\$ (62,136)	\$ 1,059,664

At June 30, 2010, the estimated cost to complete construction in progress is \$339,331,000, of which \$236,929,000 will be funded from proceeds of bond issuances, \$96,544,000 from unrestricted plant funds, \$5,667,000 from State Appropriations, and \$191,000 from other funds.

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Capital assets include a building facility under a capital lease of \$8,332,000 and related accumulated depreciation of \$4,478,000 and \$4,062,000 at June 30, 2010 and 2009, respectively.

6. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2010 and 2009, are summarized as follows:

Table 6.1 - Accrued Liabilities (in thousands)

As of June 30,	2010	2009
Accrued Vacation	\$ 15,752	\$ 15,332
Accrued Salaries, Wages and Related Benefits	11,170	9,233
Interest Payable	7,817	4,963
Total Accrued Liabilities	\$ 34,739	\$ 29,528

7. LONG-TERM DEBT

The Fund's outstanding debt at June 30, 2010 and 2009, with corresponding activity is as follows:

Table 7.1 - Long-Term Debt (in thousands)

As of June 30, 2010	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
System Facilities Revenue Bonds - Fixed	\$ 610,185	\$ 332,060	\$ (22,520)	\$ 919,725	\$ 27,765
System Facilities Revenue Bonds - Variable	226,120	-	(1,195)	224,925	1,245
Unamortized Premium	20,967	5,544	(1,511)	25,000	-
Unamortized Loss of Defeasance	(10,348)	-	593	(9,755)	-
Net System Facilities Revenue Bonds	846,924	337,604	(24,633)	1,159,895	29,010
Capital Lease Obligations	8,391	-	(544)	7,847	591
Total Long-Term Debt	\$ 855,315	\$ 337,604	\$ (25,177)	\$ 1,167,742	\$ 29,601

As of June 30, 2009	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
System Facilities Revenue Bonds - Fixed	\$ 629,865	\$ -	\$ (19,680)	\$ 610,185	\$ 22,520
System Facilities Revenue Bonds - Variable	227,240	-	(1,120)	226,120	1,195
Unamortized Premium	22,043	-	(1,076)	20,967	-
Unamortized Loss of Defeasance	(10,941)	-	593	(10,348)	-
Net System Facilities Revenue Bonds	868,207	-	(21,283)	846,924	23,715
Capital Lease Obligations	8,892	-	(501)	8,391	544
Total Long-Term Debt	\$ 877,099	\$ -	\$ (21,784)	\$ 855,315	\$ 24,259

System Facilities Revenue Bonds

System Facilities Revenue Bonds have provided financing for capital expansion or renovation of various University facilities. The principal and interest of the bonds are payable from, and secured by a first lien on and pledge of, designated revenues which include the following: a portion of tuition and fees, sales and services from the financed facilities, such as bookstore collections, housing and dining charges, patient services, and parking collections, as well as certain assessed fees, such as the recreational facility fees, stadium surcharges, and student center fees. For fiscal years 2010 and 2009, available related operating revenues totaled \$921,668,000 and

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\$880,993,000, respectively, while annual debt service, including net payments on associated interest rate swaps, totaled \$76,142,000 and \$56,977,000, respectively. The ratio of annual debt service to available operating revenues was 8.3% and 6.5% for fiscal years 2010 and 2009, respectively.

On July 23, 2009, the University issued \$332,060,000 of System Facilities Revenue Bonds, consisting of \$256,300,000 in taxable Series 2009A Bonds designated as "Build America Bonds" under the Internal Revenue Code of 1986, as amended, and \$75,760,000 in traditional tax exempt Series 2009B Bonds. With respect to the Series 2009A bonds, the University will receive a cash subsidy payment from the United States Treasury in an amount equal to 35% of the interest payable on each interest payment date. Proceeds from issuance of the Series 2009A and 2009B bonds are being used to finance construction or renovation of housing facilities on the Columbia, Kansas City, and Missouri Science and Technology (Missouri S&T) campuses, renovation of power plant and other energy management improvements on the Columbia campus, construction of a new student union facility on the Kansas City campus, Research Park office facility on the Missouri S&T campus, new patient care tower and Missouri Orthopaedic Institute at the Health System, and renovation, furnishing and equipping various other facilities, and to finance capitalized interest and certain costs of issuance.

For the year ended June 30, 2010, the University earned cash subsidy payments from the United States Treasury totaling \$5,020,000 for designated Build America Bonds outstanding, which was recorded as Federal Build America Bond Subsidies on the Statement of Revenues, Expenses, and Changes in Net Assets.

Table 7.2 - System Facilities Revenue Bonds *(in thousands)*

Series	Type	Current Coupon	Final Maturity	Original Issue	Balance June 30,	
					2010	2009
1998	Fixed	4.60% - 5.10%	11/1/2017	\$ 65,010	\$ 11,155	\$ 13,130
2000A	Fixed	5.20%	11/1/2010	28,950	3,620	7,055
2001B	Fixed	5.13% - 5.50%	11/1/2027	44,975	42,060	43,405
2003A	Fixed	3.75% - 5.25%	11/1/2014	118,080	11,620	13,615
2003B	Fixed	3.00% - 5.00%	11/1/2023	37,085	28,575	30,075
2006A	Fixed	3.40% - 5.00%	11/1/2028	260,975	235,195	242,675
2007A	Fixed	4.00% - 5.00%	11/1/2037	262,970	255,440	260,230
2009A (1)	Fixed	5.96%	11/1/2039	256,300	256,300	-
2009B	Fixed	3.00% - 5.00%	11/1/2021	75,760	75,760	-
Total Fixed Rate Bonds				1,150,105	919,725	610,185
2000B	Variable	0.14% (2)	11/1/2030	50,000	50,000	50,000
2001A	Variable	0.14% (2)	11/1/2031	39,225	33,685	34,505
2006B	Variable	0.13% (2)	11/1/2035	39,705	39,705	39,705
2007B	Variable	0.25% (2)	11/1/2031	102,250	101,535	101,910
Total Variable Rate Demand Bonds				231,180	224,925	226,120
Total System Facilities Revenue Bonds				\$ 1,381,285	\$ 1,144,650	\$ 836,305

(1) Taxable issue designated as Build America Bonds under the Internal Revenue Code of 1986, as amended.

(2) As of June 30, 2010; rates are determined daily or weekly by the remarketing agents. The rate is usually within a range at or near the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA Index) rate, which resets weekly.

System Facilities Revenue Bonds, Series 2000B, Series 2001A, Series 2006B, and Series 2007B are variable rate demand bonds with remarketing features which allow bondholders to put debt back to the University. Because the University is the sole source of liquidity should the option to tender be exercised by the bondholder, these variable rate demand bonds are classified in their entirety as current liabilities on the Statement of Net Assets, with the balance in excess of actual current principal maturities reported as Long-Term Debt Subject to Remarketing.

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In-substance defeased bonds aggregating \$96,965,000 are outstanding at both June 30, 2010 and 2009.

Interest Rate Swap Agreements

With an objective of lowering the University's borrowing costs, when compared against fixed-rate bonds at the time of issuance, the University entered into interest rate swap agreements in connection with certain variable-rate System Facilities Revenue Bonds. Under each of the swap agreements, the University pays the swap counterparty a fixed interest rate payment and receives a variable rate interest rate payment that effectively changes a component of the University's variable interest rate bonds to fixed rate debt. Table 7.3 presents the terms of the outstanding swaps and their fair values at June 30, 2010.

Table 7.3 - Interest Rate Swaps (in thousands)

Type	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value	Counterparty Credit Rating
Pay fixed; receive variable	\$ 40,000	7/18/2002	11/1/2032	Pay 3.950%; receive SIFMA Index	\$ (8,488)	Aa1 / AA-
Pay fixed; receive variable	101,535	7/26/2007	11/1/2031	Pay 3.798%; receive 68% of 1-Month LIBOR	(22,192)	Aa1 / AA-
Total	\$ 141,535				\$ (30,680)	

The 2002 swap does not specifically hedge any currently outstanding bond issue; rather, it serves to reduce the overall exposure to interest rate risk on the University's variable bonds not otherwise specifically hedged. The notional amount is fixed at \$40,000,000 over the life of the agreement. The 2007 swap specifically hedges System Facilities Revenue Bond Series 2007B, the effectiveness of which has been determined using the synthetic instrument method. The notional amount of the 2007 swap is equal to the outstanding balance of the Series 2007B bonds.

With the adoption of GASB Statement No. 53, *Accounting and Reporting for Derivative Instruments*, in fiscal year 2010, the University now recognizes the fair value and corresponding changes in fair value of the outstanding swaps in the University's financial statements.

Changes in fair value of the outstanding swaps, including impact of adoption of GASB Statement No. 53 in the current fiscal year, with respective financial statement presentation, is presented in Table 7.4:

Table 7.4 - Interest Rate Swaps - Change in Fair Value (in thousands)

Type	Fair Value at June 30,		Change in	
	2010	2009	Fair Value	Presentation of Change in Fair Value
2002 Swap - Investment Derivative	\$ (8,488)	\$ (6,163)	\$ (2,325)	Investment and Endowment Income, Net
Effect due to adoption of GASB No.53	-	-	(6,163)	Cumulative Effect of Change in Accounting Principles
				Statement of Changes in Revenues, Expenses, and
				Changes in Net Assets
2007 Swap - Cash Flow Hedge	(22,192)	(17,441)	(4,751)	Deferred Outflow of Resources
Effect due to adoption of GASB No.53	-	-	(17,441)	Deferred Outflow of Resources
				Statement of Net Assets
Total	\$ (30,680)	\$ (23,604)	\$ (30,680)	

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Fair Value. There is a risk that the fair value of a swap could be adversely affected by changing market conditions. The fair values, developed using the zero coupon method with proprietary models, were prepared by the counterparty, JPMorgan Chase Bank, N.A., a major U.S. financial institution. The zero coupon method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each net settlement of the swap. The fair value of the interest rate swaps is the estimated amount the University would have either (paid) or received if the swap agreements were terminated on June 30, 2010.

Credit Risk. Although the University has entered into the interest rate swaps with a creditworthy financial institution, there is credit risk for losses in the event of non-performance by the counterparty. Subject to applicable netting arrangements, swap contracts with positive fair values are exposed to credit risk. The University faces a maximum possible loss equivalent to the amount of the derivative's fair value. Subject to applicable netting arrangements, swaps with negative fair values are not exposed to credit risk. Collateral requirements apply to both parties and are determined by a combination of credit ratings and the aggregate fair value of all outstanding swap agreements as presented in Table 7.5:

Table 7.5 - Swap Collateral Requirements

Credit Rating (S&P / Moody's)	Fair Value Threshold (in thousands)
AAA/Aaa	\$ 50,000
AA+/Aa1	30,000
AA/Aa2	30,000
AA-/Aa3	20,000
A+/A1	20,000
A/A2	10,000
A-/A3	10,000
BBB+/Baa1	5,000

If the aggregate fair value is positive and exceeds the fair value threshold for the applicable credit rating, the counterparty is required to post collateral. If the aggregate fair value is negative and exceeds the fair value threshold for the applicable credit rating, the University is required to post collateral. Permitted collateral for either party includes U.S. Treasuries, U.S. government agencies, cash, and commercial paper rated A1/P1 by S&P or Moody's, respectively. On June 29, 2010, the negative aggregate fair value first exceeded \$30,000,000, which is the current fair value threshold for the University given a Moody's rating of Aa1. Per the terms of the agreement with the counterparty, the University was given notice of the collateral requirement on June 30, 2010 and subsequently posted collateral with the counterparty on July 1, 2010 as required.

Basis Risk. The variable-rate payments received by the University on the 2007 swap are determined by 68% of one month LIBOR, whereas the interest rates paid by the University on its variable-rate bonds correspond to the SIFMA Index. The University is exposed to basis risk only to the extent that the historical relationship between these variable market rates changes going forward, resulting in a variable-rate payment received on the 2007 swap that is significantly less than the variable-rate interest payment on the bonds.

Termination Risk. The University is exposed to termination risk for both interest rate swaps as the counterparty has the right to terminate the agreements in certain circumstances. For the 2002 swap, the counterparty has a contractual right to terminate the agreement if the daily weighted average of the SIFMA Index for the preceding 30 calendar day period is greater than 7.00%. With regard to the 2007 swap, the counterparty has a contractual right

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to terminate the agreement if the daily weighted average of the SIFMA Index for the preceding 180 days is greater than 6.00%. The SIFMA Index was 0.25% at June 30, 2010.

Table 7.6 provides future debt service requirements for the System Facilities Revenue Bonds, including the impact of both interest rate swap agreements. With respect to the inclusion of variable rate bond interest payments and net payments on swaps, the following data was based upon variable rates in effect at June 30, 2010. As market rates vary, variable rate bond interest payments and net swap payments will vary.

Table 7.6 - Future Debt Service - System Facilities Revenue Bonds *(in thousands)*

Table 10: Future Debt Service, System Facilities Revenue Bonds (in thousands)						
Fiscal Year	Principal	Interest	Hedging	Total Before	Investment	Total
			Derivatives, Net	Derivatives	Derivatives, Net	
2011	\$ 29,010	\$ 46,530	\$ 3,604	\$ 79,144	\$ 1,456	\$ 80,600
2012	27,990	45,370	3,589	76,949	1,456	78,405
2013	29,510	44,240	3,574	77,324	1,456	78,780
2014	30,825	43,027	3,559	77,411	1,456	78,867
2015	31,805	41,766	3,544	77,115	1,456	78,571
2016-2020	180,685	188,434	16,027	385,146	7,280	392,426
2021-2025	224,705	148,219	12,731	385,655	7,280	392,935
2026-2030	259,575	97,968	6,793	364,336	7,280	371,616
2031-2035	190,220	56,712	562	247,494	3,397	250,891
2036-2040	140,325	16,960	-	157,285	-	157,285
	\$ 1,144,650	\$ 729,226	\$ 53,983	\$ 1,927,859	\$ 32,517	\$ 1,960,376

Capital Lease Obligations

The University, on behalf of the Fund, leases various facilities and equipment through capital leases. Facilities and equipment under capitalized leases are recorded at the present value of future minimum lease payments.

The future minimum payments on all capital leases at June 30, 2010, are as follows:

Table 7.7 - Future Capital Lease Payments

Year Ending June 30	Amount <i>(in thousands)</i>
2011	\$ 1,563
2012	1,563
2013	1,563
2014	1,563
2015	1,563
2016-2020	6,642
Total Future Minimum Payments	14,457
Less: Amount Representing Interest	(6,610)
Present Value of Future Minimum Lease Payments	\$ 7,847

8. RISK MANAGEMENT

The facilities included in the Fund are a part of the University's overall risk management program. The Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; natural disasters; and various medically related benefit programs for employees. The Fund provides

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for these losses through a combination of self-insured risk retention and commercially-purchased insurance. The amount of self-insurance funds and commercial insurance maintained are based upon analysis of historical information and actuarial estimates. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. The University does not maintain a separate liability for claims relating to the facilities included in the Fund. The Fund pays the University an annual premium for risk coverage.

9. RETIREMENT, DISABILITY AND DEATH BENEFIT PLAN

Plan Description – While the Fund does not directly employ staff, employment costs associated with staff operating the bonded facilities are allocated by the University to the Fund. All qualified employees of the University, including those employees whose costs are allocated to the Fund, participate in the University of Missouri Retirement, Disability, and Death Benefit Plan (the “Retirement Plan”), a single-employer defined benefit plan. As authorized by Section 172.300, Revised Statutes of Missouri, the University’s Board of Curators administers the Retirement Plan and establishes its terms.

All full-time employees are eligible for benefits after five years of credited service. The annual lifetime pension payable to a vested employee who retires at age 65 or later is calculated as the employee’s number of years of service times the 2.2% of the compensation base. The employee’s average compensation for the five consecutive highest salary years is the compensation base. Academic members who render summer teaching and research service receive an additional credit for such service. Pension adjustments may be approved at certain times, which increase the benefits paid to existing pensioners.

Contributions – The University’s contributions to the Retirement Plan are equal to the actuarially determined employer contribution requirement, as a percent of payroll, which averaged 4.9% and 5.9% of payroll for the years ended June 30, 2010 and 2009, respectively. Effective July 1, 2009, employees are required to contribute 1% of their salary up to \$50,000 in a calendar year and 2% of their salary in excess of \$50,000.

Additional Information – Historical trends and funding status data designed to provide information about the Retirement Plan’s progress made in accumulating sufficient assets to pay benefits, the “actuarial accrued liability,” and any funding excess or unfunded liability is presented in the University’s annual report, which can be obtained at the University of Missouri, 118 University Hall, Columbia, MO 65211.

10. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, the Fund participates in the University’s postemployment benefits plan, which is a single-employer, defined benefit plan. The University’s Other Postemployment Benefits (OPEB) Plan provides medical, dental, and life insurance benefits to employees who retire from the University after attaining age 55 and before reaching age 60 with ten or more years of service, or who retire after attaining age 60 with five or more years of service. As of June 30, 2010 and 2009, 5,881 and 5,738 retirees, respectively, met those eligibility requirements. Postemployment medical, dental, and life insurance benefits are also provided to long-term disability claimants who were vested in the University’s Retirement Plan at the date the disability began, provided the onset date of the disability was on or after September 1, 1990.

For employees retiring prior to September 1, 1990, the Fund contributes toward premiums at the same rate as for active employees; 2/3 of the premium for medical benefits and 1/2 of the dental plan premium. For employees who retired under the terms of the Retirement Plan on September 1, 1990 or thereafter, the Fund contributes toward premiums on the basis of the employee’s length of service and age at retirement.

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The terms and conditions governing the postemployment benefits to which employees are entitled are in the sole authority and discretion of the University's Board of Curators.

In June 2008, the University established its OPEB Trust Fund, the assets of which are irrevocable and legally protected from creditors and dedicated to providing postemployment benefits in accordance with terms of the plan. The University's OPEB Trust Fund does not issue a separate financial report, but is included in the University's annual report which can be obtained at the University of Missouri, 118 University Hall, Columbia, MO 65211.

11. TRANSFERS

Transfers to/from the University represent support for System Facilities and non-system facilities activities. These net transfers into the Fund were \$31,937,000 and \$28,788,000 for the years ended June 30, 2010 and 2009, respectively.

12. COMMITMENTS AND CONTINGENCIES

The University, on behalf of the Fund, leases various facilities and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2010 and 2009 were \$19,162,000 and \$19,503,000, respectively.

Future minimum payments on all significant operating leases with initial or remaining terms of one year or more at June 30, 2010, are as follows:

Table 12.1 - Future Operating Lease Payments

Fiscal Year	(in thousands)
2011	\$ 7,676
2012	3,187
2013	2,218
2014	1,750
2015	831
2016-2020	926
Total Future Lease Payments	\$ 16,588

In addition to the above lease obligations, the Fund has outstanding commitments for the usage and ongoing support of University Health System's information technology environment. As of January 2010, the University Health System began contracting for software usage and maintenance fees, as well as, labor costs for approximately 100 full-time equivalent employees, with the Cerner Corporation. This agreement, called IT Works, represents the labor and software component of a cooperative relationship between the University Health System and Cerner Corporation referred to as the Tiger Institute for Health Innovation (the Tiger Institute). The Tiger Institute provides continued development of information technology within the clinical areas, as well as developing new technology initiatives in health information systems.

As of June 30, 2010, these commitments totaled \$147,726,000 and will be paid in the following amounts: \$11,080,000 in 2011, \$13,002,000 in 2012, \$14,938,000 in 2013, \$15,386,000 in 2014, \$15,847,000 in 2015 and \$77,473,000 thereafter.

The Fund does not have any contingencies that are probable and estimable as of June 30, 2010.

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13. SUBSEQUENT EVENT

In March 2010 the United States Internal Revenue Service accepted the position that medical residents are excepted from FICA taxes based upon the "student exception" for tax periods ending before April 1, 2005 when new regulations became effective. The University filed timely claims for the years ended 1995-2005 on behalf of the University for FICA for medical residents during the indicated years. The University is in the process of preparing all information required to be provided to the Internal Revenue Service to support its claims. Once submitted and accepted, the Internal Revenue Service will make refund payments in the manner detailed in the administrative process. Since the University is still in the process of compiling the required claims information, the refund amount is not estimable. As a result, no amounts are recorded within the accompanying financial statements.

APPENDIX C

DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS

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DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS

I. DEFINITIONS

The following words and terms as used in this Appendix shall have the following meanings unless some other meaning is plainly intended:

“Additional Bonds” means any additional bonds or other indebtedness authorized to be issued by the University pursuant to the Resolution and standing on a parity and equality with the Series 2010A Bonds with respect to the payment of principal and interest from the System Revenues.

“Annual Debt Service” means, in any Fiscal Year, an amount equal to the principal payable in such Fiscal Year on the Bonds together with interest thereon. For purposes of the various calculations under the Resolution and the Prior System Facilities Resolutions, the amortization schedule of such Bonds and the Annual Debt Service with respect to such Bonds shall be calculated in accordance with the actual amortization schedule for such Bonds, except as follows:

(a) *Variable Rate Bonds.* In determining the Annual Debt Service on any Bonds which provide for interest to be payable thereon at a rate per annum that may vary from time to time over the term thereof in accordance with procedures provided in the instrument creating such Bonds and which for any future period of time is not susceptible of precise determination, the interest rate on such Bonds for any period prior to the date of calculation or for which the interest rate has been determined shall be the actual interest payable during such period, and for each year in which such Bonds are Outstanding and for which the actual interest rate cannot be determined, the interest rate on such Bonds for the period of determination shall be deemed to be the average annual rate of interest payable on such Bonds during the 12 months immediately preceding the date of calculation, or if such Bonds are to be incurred or were issued less than 12 months preceding such date, the initial rate or the average annual rate of interest payable on such Bonds during such period immediately preceding the date of calculation.

(b) *Interest Rate Exchange Agreements.* In the case of any interest rate exchange agreements or comparable agreements entered into by the University for a term exceeding one year, pursuant to which the University is obligated to make interest-like payments to or on behalf of another Person and that Person is obligated to make similar interest-like payments to or on behalf of the University (based on a different rate of, or formula for, interest), with neither party obligated to repay any principal, the net amount to be paid by the University (computed in accordance with this sentence) shall be taken into account in calculating Annual Debt Service; if such net amount is less than zero, such net amount may be credited against other interest coming due in so calculating Annual Debt Service so long as the swap counterparty (or any guarantor thereof) is rated in one of the three highest rating categories (without regard to modifiers) by a nationally recognized rating agency. If the swap counterparty is not so rated, then the higher of the swap rate and the actual rate of interest on the Bonds shall be taken into account in calculating Annual Debt Service.

(c) *Balloon Indebtedness.* In determining the Annual Debt Service on any Bonds with respect to which 25% or more of the original principal amount of which becomes due and payable (either by maturity or scheduled mandatory redemption) during any consecutive 12-month period, if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such 12-month period, the debt service requirements on such Bonds shall be calculated by assuming that such Bond indebtedness matures over 25 years from the date of issuance of such Bond indebtedness and is payable on a level annual debt service basis over a period of no more than 25 years.

(d) *Build America Bonds.* In determining the Annual Debt Service on any Bonds with respect to which the University has elected to have Code Section 54AA apply, and to have Code Section 54AA(g) apply so that such Bonds may be designated as “Build America Bonds (Direct

Payment),” the Annual Debt Service on any such Bonds for any period shall be determined by taking into account (i.e., deducting) the cash subsidy payments received or expected to be received by the University with respect to interest on such Bonds for such period.

“Beneficial Owner” means, whenever used with respect to a Series 2010A Bond, the person in whose name such Series 2010A Bond is recorded as the beneficial owner of such Series 2010A Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Board” means the Board of Curators of the University of the State of Missouri, the governing body of the University, and any successor body.

“Bond Purchase Agreement” means the Bond Purchase Agreement relating to the Series 2010A Bonds between the University and the Original Purchaser.

“Bonds” means the Series 2010A Bonds, the Prior System Bonds and all Additional Bonds authenticated and delivered pursuant to the terms of the Resolution and the Prior System Facilities Resolutions.

“Business Day” means a day other than (i) a Saturday or Sunday or legal holiday or a day on which banks located in any city in which the principal corporate trust office or payment office of the Paying Agent and Bond Registrar or the Tender Agent or the primary office of the Remarketing Agent is located or in New York, New York, are required or authorized by law to remain closed or (ii) a day on which the New York Stock Exchange is closed.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2010A Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, or any corresponding provisions of succeeding law, and the applicable temporary, proposed and final regulations and procedures related thereto.

“Continuing Disclosure Certificate” means the certain Continuing Disclosure Certificate of the University dated as of the date of issuance of the Series 2010A Bonds, as originally executed and as the same may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance Account” means the System Facilities Costs of Issuance Account ratified and confirmed pursuant to the Resolution, including subaccounts established thereunder.

“DTC” means The Depository Trust Company of New York, New York.

“Electronic” means notice transmitted through a time-sharing terminal or facsimile machine, if operative as between any two parties, or if not operative, in writing or by telephone (promptly confirmed in writing); provided, however, that such term does not include electronic mail transmitted via the internet.

“Executive Committee” means the Executive Committee of the Board, and any successor body.

“Fiscal Year” means the period commencing July 1 and ending June 30 of each succeeding calendar year, or such other temporal period of one year in length as the University shall hereafter designate as its Fiscal Year.

“Initial System Facilities Resolution” means, collectively, the resolution of the Board dated October 28, 1993 and the resolution of the Executive Committee of the Board dated November 11, 1993, as from time to time amended in accordance with the terms thereof.

“Interest Payment Date” means, with respect to the Series 2010A Bonds, May 1 and November 1 of each year, commencing May 1, 2011.

“Interest Rate” means, with respect to any Series 2010A Bond, the stated interest rate of such Series 2010A Bond.

“Maturity Date” means, with respect to any Series 2010A Bond, the stated maturity date of such Series 2010A Bond.

“Maximum Annual Debt Service” means the maximum Annual Debt Service payable in any future Fiscal Year.

“Minimum Authorized Denominations” means for the Series 2010A Bonds \$5,000 or any integral multiple thereof.

“Moody’s” means Moody’s Investors Service, Inc., and its successors and assigns, and, if such firm shall be dissolved or liquidated or shall no longer perform the functions of a securities rating service, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating service designated by the University, with notice to the Paying Agent and Bond Registrar.

“Official Statement” means the Official Statement with respect to the Series 2010A Bonds, as the same may be amended or supplemented.

“Opinion of Bond Counsel” means a written opinion of any legal counsel acceptable to the University and the Paying Agent and Bond Registrar who shall be nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers and the exemption from federal income taxation of interest on such obligations.

“Opinion of Counsel” means a written opinion of any legal counsel acceptable to the University and the Paying Agent and Bond Registrar, who may be an employee of or counsel to the University.

“Original Purchaser” means the original purchasers of the Series 2010A Bonds pursuant to the Bond Purchase Agreement, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated, the co-senior managing underwriter, acts as representative under the Bond Purchase Agreement.

“Outstanding” means, when used with reference to Series 2010A Bonds, as of any particular date, all Series 2010A Bonds theretofore authenticated and delivered under the Resolution, except:

- (a) Series 2010A Bonds theretofore cancelled by the Paying Agent and Bond Registrar or delivered to the Paying Agent and Bond Registrar for cancellation;

- (b) Series 2010A Bonds deemed paid in accordance with the provisions of the Resolution; and

- (c) Series 2010A Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Resolution.

“Owner” or “Bondowner” means the person or persons in whose name or names a Bond shall be registered on the books of the Paying Agent and Bond Registrar kept for that purpose in accordance with the provisions of the Resolution.

“Participant” means any broker-dealer, bank or other financial institution for which DTC holds Series 2010A Bonds as securities depository.

“Paying Agent” and “Bond Registrar” means Commerce Bank, N.A., Kansas City, Missouri, and its successors and assigns.

“Person” means any natural person, firm, joint venture, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity

“Principal and Interest Account” means the System Facilities Principal and Interest Account ratified and confirmed pursuant to the Resolution, including subaccounts established thereunder.

“Prior System Bonds” means, collectively, the Outstanding portions of the following bonds previously issued by the University:

- (a) The Series 1998A Bonds;
- (b) The Series 2000A Bonds;
- (c) The Series 2000B Bonds;
- (d) The Series 2001A Bonds;
- (e) The Series 2001B Bonds;
- (f) The Series 2003A Bonds;
- (g) The Series 2003B Bonds;
- (h) The Series 2006A Bonds;
- (i) The Series 2006B Bonds;
- (j) The Series 2007A Bonds;
- (k) The Series 2007B Bonds;
- (l) The Series 2009A Bonds; and
- (m) The Series 2009B Bonds.

“Prior System Facilities Resolutions” means, collectively, the resolutions of the Board and the Executive Committee of the Board authorizing and directing the establishment of the financing program for the System Facilities and the issuance of the Prior System Bonds, including the Initial System Facilities Resolution, the Series 1997 Resolution, the Series 1998A Resolution, the Series 2000 Resolution, the Series 2001 Resolution, the Series 2002 Resolution, the Series 2003 Resolution, the Series 2006 Resolution, the Series 2007 Resolution and the Series 2009 Resolution.

“Projects” means, collectively, the additions and improvements to the System Facilities to be financed or refinanced with the proceeds of the Series 2010A Bonds, all as described on Exhibit A to the Resolution and described under the caption “PLAN OF FINANCE” in this Official Statement.

“Projects Account” means the System Facilities Projects Account ratified and confirmed pursuant to the Resolution, including subaccounts established thereunder.

“Rating Service” means Moody’s, if the Series 2010A Bonds are rated by Moody’s at the time, and S&P, if the Series 2010A Bonds are rated by S&P at the time, or any other nationally recognized securities rating service acceptable to the Paying Agent and Bond Registrar and the University that maintains a rating on the Series 2010A Bonds.

“Record Date” means, with respect to any Series 2010A Bond, the fifteenth day (whether or not a Business Day) of the calendar month next preceding an Interest Payment Date.

“Representation Letter” means the Representation Letter from the University and the Paying Agent and Bond Registrar to DTC with respect to the Series 2010A Bonds, substantially in the form required by DTC.

“Resolution” means, collectively, the Resolution adopted by the Board on November 22, 2010 with respect to the Series 2009 Bonds, and the Resolution adopted by the Executive Committee on July 16, 2009 authorizing the Series 2010A Bonds, as from time to time amended in accordance with the terms thereof.

“Series 1993 Bonds” means the \$45,385,000 original principal amount University of Missouri System Facilities Revenue Bonds, Series 1993 of the University authorized and issued pursuant to the Initial System Facilities Resolution.

“Series 1997 Bonds” means the \$52,215,000 original principal amount of System Facilities Revenue Bonds, Series 1997, of the University authorized and issued pursuant to the Series 1997 Resolution.

“Series 1997 Resolution” means, collectively, the resolution of the Board dated March 20, 1997 and the resolution adopted by the Executive Committee of the Board on April 22, 1997, as from time to time amended in accordance with the terms thereof.

“Series 1998A Bonds” means the \$65,010,000 original principal amount of System Facilities Revenue Bonds, Series 1998A, of the University authorized and issued pursuant to the Series 1998A Resolution.

“Series 1998A Resolution” means, collectively, the resolution of the Board dated March 26, 1998 and the resolution adopted by the Executive Committee of the Board on April 9, 1998, as from time to time amended in accordance with the terms thereof.

“Series 2000 Bonds” means, collectively, the Series 2000A Bonds and the Series 2000B Bonds.

“Series 2000 Resolution” means, collectively, the resolution adopted by the Board on January 28, 2000 and the resolution adopted by the Executive Committee of the Board on March 15, 2000, as from time to time amended in accordance with the terms thereof.

“Series 2000A Bonds” means the \$28,950,000 original principal amount of System Facilities Revenue Bonds, Series 2000A, of the University authorized and issued pursuant to the Series 2000 Resolution.

“Series 2000B Bonds” means the \$50,000,000 original principal amount of Variable Rate Demand System Facilities Revenue Bonds, Series 2000B, of the University authorized and issued pursuant to the Series 2000 Resolution.

“Series 2001 Bonds” means, collectively, the Series 2001A Bonds and the Series 2001B Bonds.

“Series 2001 Resolution” means, collectively, the resolution adopted by the Board on March 22, 2001 and the resolution adopted by the Executive Committee of the Board on August 8, 2001, as from time to time amended in accordance with the terms thereof.

“Series 2001A Bonds” means the \$39,225,000 original principal amount of Variable Rate Demand System Facilities Revenue Bonds, Series 2001A, of the University authorized and issued pursuant to the Series 2001 Resolution.

“Series 2001B Bonds” means the \$44,975,000 original principal amount of System Facilities Refunding Revenue Bonds, Series 2001B, of the University authorized and issued pursuant to the Series 2001 Resolution.

“Series 2002 Resolution” means, collectively, the resolution adopted by the Board on November 29, 2001 and the resolution adopted by the Executive Committee of the Board on May 31, 2002, as from time to time amended in accordance with the terms thereof.

“Series 2002A Bonds” means the \$40,000,000 original principal amount of Variable Rate Demand System Facilities Revenue Bonds, Series 2002A, of the University authorized and issued pursuant to the Series 2002 Resolution.

“Series 2003 Bonds” means, collectively, the Series 2003A Bonds and the Series 2003B Bonds.

“Series 2003 Resolution” means, collectively, the resolution adopted by the Board on September 18, 2003 and the resolution adopted by the Executive Committee of the Board on October 30, 2003, as from time to time amended in accordance with the terms thereof.

“Series 2003A Bonds” means the \$118,080,000 original principal amount of System Facilities Revenue Bonds, Series 2003A, of the University authorized and issued pursuant to the Series 2003 Resolution.

“Series 2003B Bonds” means the \$37,085,000 original principal amount of System Facilities Revenue Bonds, Series 2003B, of the University authorized and issued pursuant to the Series 2003 Resolution.

“Series 2006 Bonds” means, collectively, the Series 2006A Bonds and the Series 2006B Bonds.

“Series 2006 Resolution” means, collectively, the resolution adopted by the Board on October 7, 2005 and the resolution adopted by the Executive Committee of the Board on January 19, 2006, as from time to time amended in accordance with the terms thereof.

“Series 2006A Bonds” means the \$260,975,000 original principal amount of System Facilities Revenue Bonds, Series 2006A, of the University authorized and issued pursuant to the Series 2006 Resolution.

“Series 2006B Bond” means the \$39,705,000 original principal amount of Variable Rate Demand System Facilities Revenue Bonds, Series 2006B, of the University authorized and issued pursuant to the Series 2006 Resolution.

“Series 2007 Bonds” means, collectively, the Series 2007A Bonds and the Series 2007B Bonds.

“Series 2007 Resolution” means, collectively, the resolution adopted by the Board on June 1, 2007 and the resolution adopted by the Executive Committee of the Board on July 12, 2007, as from time to time amended in accordance with the terms thereof.

“Series 2007A Bonds” means the \$262,970,000 original principal amount of System Facilities Revenue Bonds, Series 2007A, of the University authorized and issued pursuant to the Series 2007 Resolution.

“Series 2007B Bond” means the \$102,250,000 original principal amount of Variable Rate Demand System Facilities Refunding Revenue Bonds, Series 2007B, of the University authorized and issued pursuant to the Series 2007 Resolution.

“Series 2009 Bonds” means, collectively, the Series 2009A Bonds and the Series 2009B Bonds.

“Series 2009 Resolution” means, collectively, the resolution adopted by the Board on June 5, 2009 and the resolution adopted by the Executive Committee of the Board on July 16, 2009, as from time to time amended in accordance with the terms thereof.

“Series 2009A Bonds” means the \$256,300,000 original principal amount of Taxable System Facilities Revenue Bonds, Series 2009A (Build America Bonds), of the University authorized and issued pursuant to the Series 2009 Resolution.

“Series 2009B Bond” means the \$75,760,000 original principal amount of System Facilities Revenue Bonds, Series 2009B, of the University authorized and issued pursuant to the Series 2009 Resolution.

“Series 2010 Bond” or “Series 2010 Bonds” shall have the same meaning, individually or collectively, as the context may require, as “Series 2010A Bond” or “Series 2010A Bonds”, respectively.

“Series 2010A Bond” or “Series 2010A Bonds” means any bond or bonds of the series of Taxable System Facilities Revenue Bonds, Series 2010A (Build America Bonds - Direct Payment), of the University authorized and issued pursuant to Section 201 and 203 of this Resolution.

“S&P” means Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, and its successors and assigns, and, if such firm shall be dissolved or liquidated or shall no longer perform the functions of a securities rating service, S&P shall be deemed to refer to any other nationally recognized securities rating service designated by the University, with notice to the Paying Agent and Bond Registrar.

“Student System Facilities Fee” means the portion of the Tuition and Fees established or designated by the Board for the use of the System Facilities pursuant to the Initial System Facilities Resolution and ratified and confirmed in the Prior System Facilities Resolutions and in the Resolution and which are included in the System Revenues; provided, however, that such moneys do not include any funds realized from tax revenues.

“System Facilities” means, collectively, the systems and facilities included in that term as it was defined in the Initial System Facilities Resolution, as modified, amended and restated in the Prior System Facilities Resolutions and as modified, amended, and restated in Exhibit B to the Resolution and described under the caption “SECURITY FOR THE SERIES 2010A BONDS” in this Official Statement, and also includes any improvements, extensions and additions thereto and all related systems and facilities hereafter acquired, owned or operated by the University as part of the systems and facilities described in the Resolution, plus such other systems and facilities as at some future date may be added to any of the described systems or facilities by University action.

“System Facilities Revenue Account” means the System Facilities Revenue Account ratified and confirmed pursuant to the Resolution.

“System Facilities Additions” means all additions, improvements, extensions, alterations, expansions, or modifications of the System Facilities or of any other “Project”, or any part thereof financed with the proceeds of Additional Bonds.

“System Revenues” means the gross income and revenues derived from (a) the ownership and/or operation of the systems and facilities and the imposition and collection of the fees and other matters described on Exhibit C to the Resolution and described under the caption “SECURITY FOR THE SERIES 2010A BONDS” in this Official Statement; (b) the ownership and/or operation of such systems and facilities, or the imposition and collection of such fees, as may at some future date be added to the System Revenues by University action as further described in Article XV of the Resolution; and (c) the Student System Facilities Fee; provided, however, that such moneys do not include any funds realized from tax revenues.

“Tax Compliance Agreement” means the Tax Compliance Agreement with regard to the Series 2010A Bonds dated as of the date of issuance of the Series 2010A Bonds, of the University, as amended and supplemented in accordance with the terms thereof.

“Treasury Rate” means, with respect to any redemption date for a particular Series 2010A Bond, 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 five business days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2010A Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

“Tuition and Fees” means the basic fee or fees for course enrollment paid by all students enrolled at the University.

“United States Government Obligations” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to timely payment of principal and interest by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America, or securities which represent an undivided interest in such obligations or securities to the extent that the Treasury of the United States of America is ultimately responsible for payment thereof such as stripped interest components of obligations of the Resolution Funding Corporation (established by Section 511 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, P.L. 101-73), its successors and assigns.

“University” means The Curators of the University of Missouri, a body politic and state educational institution organized and existing under the Constitution and laws of the State of Missouri, and any successors and assigns.

II. SUMMARY OF THE RESOLUTION

The following is a summary of certain provisions and covenants contained in the Resolution. Such summary does not purport to be a complete statement of the terms of the Resolution and accordingly is qualified in its entirety by reference thereto and is subject to the full text thereof.

Authorization of the Bonds

Authorization of the Series 2010A Bonds. The University has authorized and directed to be issued, sold and delivered a series of System Facilities Revenue Bonds of the University, consisting of the Taxable System Facilities Revenue Bonds, Series 2010A (Build America Bonds - Direct Payment) (the “Series 2010A Bonds”), for the purpose of payment of all or a portion of the cost of financing the acquisition, construction, improvement, renovation, furnishing or equipping of the Projects, paying capitalized interest on all or a portion of the Series 2010A Bonds, and paying certain costs of issuance of the Series 2010A Bonds. The Series 2010A Bonds authorized in the Resolution shall be issued pursuant to the provisions of the Constitution and laws of the State of Missouri.

The University elects to have Code Section 54AA apply to the Series 2010A Bonds so the Series 2010A Bonds may be “build America bonds” as defined in Code Section 54AA(d). In addition, the University also hereby irrevocably elects to have Section 54AA(g) of the Code apply to the Series 2010A Bonds so the Series 2010A Bonds may be “qualified bonds” under Code Section 54AA(g) in order to receive the refundable credits allowed to issuers pursuant to Code Sections 54AA(g)(1) and 6431 with respect to the Series 2010A Bonds (the “Interest Subsidy Payments”). The officers, officials and advisors to the University are hereby authorized to prepare, execute and deliver such forms, applications, and other materials as may be necessary to effect such elections and designation and receive the Interest Subsidy Payments.

Security for the Series 2010A Bonds. The Series 2010A Bonds shall be special obligations of the University payable solely from, and secured as to the payment of principal of, redemption premium, if any, and interest on the Series 2010A Bonds by a first lien on and pledge of the System Revenues and such obligations shall not constitute an indebtedness or general obligation of the State of Missouri, the University, the Board or of the individual members of the Board. The University has no power of taxation.

The Series 2010A Bonds shall stand on a parity and be equally and ratably secured with respect to the payment of principal and interest from the System Revenues derived by the University from the operation of the System Facilities and in all other respects with the Prior System Bonds. The Series 2010A Bonds shall constitute “Additional Bonds” within the meaning of the Prior System Facilities Resolutions. The Projects shall constitute “System Facilities Additions” within the meaning of the Prior System Facilities Resolutions and, to the extent not already included in the System Facilities, shall be added to and included in the System

Facilities. The gross income and revenues derived from the ownership and/or operation of the Projects shall be included in the System Revenues.

The University has designated and set aside a portion of the Tuition and Fees collected from all students enrolled at the University in an amount equal to the Maximum Annual Debt Service in any Fiscal Year, as a Student System Facilities Fee (the "Student System Facilities Fee") for the use of the System Facilities by all students of the University; provided, however, that once the deposits required by the Resolution for payment of principal and interest on the Bonds have been made in any Fiscal Year the University may expend the Tuition and Fees which constitute the Student System Facilities Fee for any lawful purpose; provided further that the University may increase, but may not decrease, the amount of such Student System Facilities Fee by future resolution.

The covenants and agreements of the University contained in the Resolution and in the Bonds shall be for the equal benefit, protection, and security of the Owners of any or all of the Bonds, all of which Bonds shall be of equal rank and without preference or priority of one Bond over any other Bond in the application of the revenues pledged in the Resolution to the payment of the principal of and the interest on the Bonds, or otherwise, except as to date of maturity and right of prior redemption as provided in the Resolution. The Series 2010A Bonds shall stand on a parity and be equally and ratably secured with respect to the payment of principal and interest from the System Revenues derived by the University from the operation of the System Facilities and in all other respects with the Prior System Bonds and any Additional Bonds issued pursuant to the Resolution. The Series 2010A Bonds shall not have any priority with respect to the payment of principal or interest from such System Revenues or otherwise over the Prior System Bonds or any Additional Bonds issued pursuant to the Resolution, and the Prior System Bonds or any such Additional Bonds shall not have any priority with respect to the payment of principal or interest from such System Revenues or otherwise over the Series 2010A Bonds.

The security for the Bonds and the bonds and obligations which may be secured on a parity with the Bonds may be modified as set forth in Article XV of the Resolution and summarized herein under the caption "Potential Modification of: (1) Security for the Bonds; (2) Bonds as to which System Revenues Provide Security; and (3) Parity Lien Bond Test"..

Mutilated, Lost, Stolen or Destroyed Series 2010A Bonds. In the event any Series 2010A Bond is mutilated, lost, stolen, or destroyed, the University shall execute and the Paying Agent and Bond Registrar shall authenticate a new Series 2010A Bond of like series, date and denomination as that mutilated, lost, stolen or destroyed, provided that, in the case of any mutilated Series 2010A Bond, such mutilated Series 2010A Bond shall first be surrendered to the University or the Paying Agent and Bond Registrar, and in the case of any lost, stolen, or destroyed Series 2010A Bond, there first shall be furnished to the University and the Paying Agent and Bond Registrar evidence of such loss, theft or destruction satisfactory to the University and the Paying Agent and Bond Registrar, together with an indemnity satisfactory to them which indemnity shall, in any event, name the Paying Agent and Bond Registrar as a beneficiary. In the event any such Series 2010A Bond shall have matured, the University may direct the Paying Agent and Bond Registrar, instead of issuing a duplicate Series 2010A Bond, to pay the same without surrender thereof, making such requirements as it deems fit for its protection, including a lost instrument bond. The University and the Paying Agent and Bond Registrar may charge the Owner of such Series 2010A Bond with their reasonable fees and expenses for such service. In executing a new Series 2010A Bond, the University may rely conclusively upon a representation by the Paying Agent and Bond Registrar that the Paying Agent and Bond Registrar is satisfied with the adequacy of the evidence presented concerning the mutilation, loss, theft or destruction of any Series 2010A Bond.

Payments Due on Non-Business Days. 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, redemption premium, if any, or interest 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 Series 2010A Bonds. In the event any Series 2010A Bond shall not be presented for payment when the principal thereof becomes due, either at its maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Series 2010A Bond shall have been made available to the Paying Agent and Bond Registrar, all liability of the University to the Owner thereof for the payment of such Series 2010A Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent and Bond Registrar to hold such fund or funds, uninvested and without liability for interest thereon, for the benefit of the Owner of such Series 2010A Bond who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part under the Resolution or on, or with respect to, such Series 2010A Bond. If any Series 2010A Bond shall not be presented for payment within twenty-four (24) months following the date when such Series 2010A Bond becomes due, whether by maturity or otherwise, the funds theretofore held by the Paying Agent and Bond Registrar for payment of such Series 2010A Bond shall be paid to the University and such Series 2010A Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the University, and the Owner thereof shall be entitled to look only to the University for payment, and then only to the extent of the amount so repaid, and the University shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Ratification and Creation of Accounts

Ratification and Creation of Accounts. The following accounts were created in the Initial System Facilities Resolution and ordered to be established in the accounting records of the University and have been ratified and confirmed, or have been created and ordered to be established in the accounting records of the University, in connection with the issuance of the Series 2010A Bonds:

- (a) System Facilities Revenue Account;
- (b) System Facilities Principal and Interest Account;
- (c) System Facilities Series 2010 Projects Account, and a Series 2010A Subaccount therein; and
- (d) System Facilities Series 2010 Costs of Issuance Account, and a Series 2010A Subaccount therein.

Administration of Accounts. The accounts confirmed pursuant to Section 501 of the Resolution shall be maintained and administered by the University solely for the purposes and in the manner as provided in the Prior System Facilities Resolutions and the Resolution so long as any of the Bonds remain Outstanding and unpaid.

Application of Bond Proceeds and Other Moneys

Disposition of Series 2010A Bond Proceeds and Other Moneys. The proceeds received from the sale of the Series 2010A Bonds, together with certain other moneys of the University, shall be deposited simultaneously with the delivery of the Series 2010A Bonds as follows:

- (a) The sum of \$680,600.00 received from the proceeds of the sale of the Series 2010A Bonds shall be deposited in the Series 2010A Subaccount of the Costs of Issuance Account.
- (b) All remaining proceeds received from the sale of the Series 2010A Bonds in the amount of \$250,733,840.03 shall be deposited in the Series 2010A Subaccount of the Projects Account, including funds to pay capitalized interest on a portion of the Series 2010A Bonds.

Application of Moneys in the Costs of Issuance Account. Moneys in the Costs of Issuance Account shall be used by the University for the purpose of payment of the costs and expenses incidental to the issuance of the Series 2010A Bonds and otherwise as set forth in the Resolution.

Surplus in Costs of Issuance Account. Upon the earlier of (a) completion of the payment of the costs and expenses incidental to the issuance of the Series 2010A Bonds provided in the Resolution, or (b) the date which is ninety (90) days following the issuance of the Series 2010A Bonds, any funds remaining in the Series 2010A Subaccount of the Costs of Issuance Account shall be transferred to the Series 2010A Subaccount of the Projects Account.

Application of Moneys in the Projects Account. Moneys in the Projects Account shall be used by the University for the purpose of payment of the cost of acquisition, construction, improvement, renovation, furnishing or equipping of System Facilities as described on Exhibit A to the Resolution and described under the caption "PLAN OF FINANCE" in this Official Statement (collectively, the "Projects"). Moneys in the Series 2010A Subaccount in the Projects Account shall be used solely for payment of costs of the Projects and shall not be deposited in the Principal and Interest Account except as directed and/or permitted in accordance with the provisions of the Resolution and the Tax Compliance Agreement.

Withdrawals from Projects Account. Withdrawals from the Projects Account shall be made only (except as otherwise provided in the Resolution) for such purposes as described in the Resolution upon the execution of approved documentation in accordance with University disbursement procedures.

Surplus in Projects Account. Upon payment of the cost of the Projects, any surplus remaining in the Projects Account shall be deposited in the Principal and Interest Account ; provided that no amounts in the Series 2010A Subaccount in the Projects Account shall be transferred to the Principal and Interest Account except as directed and/or permitted in accordance with the provisions of the Resolution and the Tax Compliance Agreement, such amounts to be used solely for the payment of costs of the Projects.

Application of Revenues

System Facilities Revenue Account. The University covenants and agrees that from and after the delivery of the Series 2010A Bonds, and continuing as long as any of the Series 2010A Bonds remain Outstanding and unpaid, all System Revenues other than the Student System Facilities Fee will be credited to the System Facilities Revenue Account. The System Facilities Revenue Account shall be administered and applied solely for the purposes and in the manner provided in the Resolution.

Application of Moneys in Accounts. The University covenants and agrees that from and after the delivery of the Series 2010A Bonds, and continuing so long as any of the Bonds shall remain Outstanding and unpaid, the University will administer and allocate all of the moneys then held in the System Facilities Revenue Account as follows:

- (a) There shall be paid and credited prior to any date in a Fiscal Year on which principal or interest is due on any of the Bonds from the System Facilities Revenue Account to the Principal and Interest Account (and to any subaccounts in the Principal and Interest Account or any separate principal and interest accounts established with respect to Additional Bonds), to the extent necessary to meet at maturity or mandatory redemption thereof, the payment of all principal of and interest on the Bonds the following sums: (i) the amount of principal and/or interest that will become due on the Bonds on such payment date; and (ii) the amount of any fees of the respective paying agent and bond registrars in connection with the Bonds.

All amounts paid and credited to the Principal and Interest Account shall be expended and used by the University for the sole purpose of paying the interest on and principal of the Bonds as and when the same become due and the payment of any fees of the respective paying agent and bond registrars in connection with the Bonds.

If at any time the moneys in the System Facilities Revenue Account shall be insufficient to make in full the payments and credits at the time required to be made by the University to the Principal and Interest Account (and any subaccounts in the Principal and Interest Account or separate principal and interest accounts established with respect to Additional Bonds established by the University) to pay the principal of and interest on the Bonds, the available moneys in the System

Facilities Revenue Account shall be divided among the Principal and Interest Account and such subaccount or separate principal and interest accounts in proportion to the respective principal amounts of each series of said Bonds at the time outstanding which are payable from the moneys in the Principal and Interest Account (or said subaccounts or separate principal and interest accounts).

(b) Subject to making the foregoing maximum deposits on the dates indicated, the University may at any time use the balance of excess funds in the System Facilities Revenue Account on or before the final day of each Fiscal Year (i) to redeem outstanding Bonds as permitted pursuant to the Resolution, or (ii) for any expenditures, including the payment of debt service, incurred in acquiring, constructing, improving, renovating, furnishing or equipping the existing System Facilities or acquiring, constructing, improving, renovating, furnishing or equipping any additional System Facilities, or (iii) for operation and maintenance of the System Facilities, or (iv) for any other lawful purpose.

(c) The money in the Principal and Interest Account shall be used solely for the payment of the principal of and interest on the Bonds and any fees of the Paying Agent and Bond Registrar in connection with the Bonds. In the event Additional Bonds are issued after the date of the Resolution on a parity with Series 2010A Bonds, as provided in the Resolution, the bond resolution authorizing such Additional Bonds shall provide (i) for an identical flow of funds as heretofore prescribed, and (ii) that payments of principal be payable on November 1, of the appropriate year or years.

Deficiency of Payments into Accounts. If at any time the System Revenues derived by the University from the operation of the System Facilities shall be insufficient to make any payment on the date or dates specified in the Resolution, the University will make good the amount of such deficiency by making additional payments or credits out of the first available System Revenues thereafter received by the University, such payments and credits being made and applied in the order specified in the Resolution.

If at any time the moneys in the Principal and Interest Account are not sufficient to pay the principal of and interest on the Bonds as and when the same become due, then the amount of such deficiency shall be made up by the transfer of funds from the System Facilities Revenue Account.

Transfer of Funds to Paying Agent and Bond Registrars. The officers of the University or of the Board are authorized and directed to withdraw from the Principal and Interest Account, and, to the extent necessary to prevent a default in the payment of either principal of or interest on the Bonds, from the System Facilities Revenue Account as provided in the Resolution, sums sufficient to pay the principal of the Bonds, at maturity or by mandatory redemption, and interest on the Bonds and the fees of the respective paying agent and bond registrars, as and when the same become due, and to forward such sums to the respective paying agent and bond registrar in available funds prior to dates when such principal, interest and fees of the respective paying agent and bond registrar will become due. All moneys deposited with the Paying Agent and Bond Registrar shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Resolution.

Deposit and Investment of Funds

Deposits of Moneys. Cash moneys in each of the accounts ratified and confirmed by and referred to in the Resolution shall be deposited in a bank or banks or other financial institution located in the State of Missouri which are members of the Federal Deposit Insurance Corporation, and all such bank deposits shall be continuously and adequately secured by the banks holding such deposits as provided by the laws of the State of Missouri.

Investment of Funds. Moneys held in any account referred to in the Resolution may be invested by the University, pursuant to the provisions of the Tax Compliance Agreement, in direct obligations of, obligations of agencies of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, certificates of deposit collateralized by the foregoing or in such other obligations as may be permitted by law including, without limiting the generality of the foregoing, perfected repurchase agreements and obligations of agencies or instrumentalities of the United States of America; provided,

however, that no such investment shall be made for a period extending longer than to the date when the moneys invested may be needed for the purpose for which such account was created or other than as permitted by state statute. All interest on any investments held in any account shall accrue to and become a part of such account. In determining the amount held in any account under any of the provisions of the Resolution, obligations shall be valued as of the final day of each Fiscal Year at the cost thereof. If and when the amount held in any account shall be in excess of the amount required by the provision of the Resolution, the University shall direct that such excess be paid and credited to the Principal and Interest Account . Notwithstanding anything in the Resolution to the contrary, all interest on any investments held in the Series 2010A Subaccount in the Projects Fund shall accrue to that Subaccount and be used solely for the payment or reimbursement of costs of the Project.

Tax Covenant. Subject to the specific qualifications and provisions in the Tax Compliance Agreement with respect to the Series 2010A Bonds, the University covenants and agrees that it will not take any action or permit any action to be taken or omit to take any action or permit the omission of any action reasonably within its control which action or omission will cause interest on any Series 2010A Bond not to be exempt from income taxation by the State of Missouri. This covenant shall survive the payment of the Bonds and the termination of the Resolution.

Particular Covenants of the University

The University covenants and agrees as follows with each of the purchasers and Owners of any of the Series 2010A Bonds that so long as any of the Series 2010A Bonds remain Outstanding and unpaid:

Performance of Duties. The University will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the Resolution and in each and every Series 2010A Bond executed and delivered under the Resolution; that it will promptly pay or cause to be paid from the System Revenues pledged in the Resolution the principal of and interest on every Series 2010A Bond issued under the Resolution, on the dates and in the places and manner prescribed in such Series 2010A Bonds, and that it will, prior to the maturity of each installment of interest and prior to the maturity of each such Series 2010A Bond, at the times and in the manner prescribed in the Resolution, deposit or cause to be deposited, from the System Revenues pledged, the amounts of money specified in the Resolution. All Series 2010A Bonds, when paid, shall be cancelled and destroyed by the Paying Agent and Bond Registrar.

Legal Authority. The University is duly authorized under the constitution and laws of the State of Missouri to create and issue the Series 2010A Bonds, it is lawfully qualified to pledge the System Revenues in the manner prescribed in the Resolution and has lawfully exercised such rights, all action on its part for the creation and issuance of the Series 2010A Bonds has been duly and effectively taken, and that the Series 2010A Bonds in the hands of the Owners thereof are and will be valid and enforceable special obligations of the University in accordance with their terms.

Rate Covenant.

(a) **System Facilities.** The University will continuously operate and maintain the System Facilities (except as otherwise provided in the Resolution) and will continue to fix and maintain such reasonable rates and charges for the use of the System Facilities as will allow it to collect System Revenues sufficient to (i) provide and maintain the System Facilities Revenue Account and the Principal and Interest Account in amounts adequate to promptly pay the principal of and interest on the Bonds as and when the same become due; and (ii) enable the University to have in each Fiscal Year System Revenues (excluding the Student System Facilities Fee) in an amount that will be not less than two hundred percent (200%) of the Annual Debt Service required to be paid by the University in such Fiscal Year on account of both principal of and interest on all Bonds at the time Outstanding.

(b) **Student System Facilities Fee.** The University will continuously maintain the Student System Facilities Fee in an amount at least equal to Maximum Annual Debt Service.

(c) Miscellaneous. Nothing contained in the Resolution shall be construed to prevent the continuous collection of reasonable rates, charges, and fees for the use of said System Facilities and facilities during the time the Series 2010A Bonds are outstanding or after the Series 2010A Bonds issued pursuant to the Resolution shall have been paid and redeemed, together with all interest thereon, nor to prevent at that time the pledge and application of said revenues to the payment of other bonds which may be issued by the University as otherwise allowed in the Resolution.

(d) Modification. The terms of this Section may be modified to include additional revenues and payment on other bonds or obligations and otherwise as set forth in Article XV of the Resolution and summarized herein under the caption "Potential Modification of: (1) Security for Bonds; (2) Bonds as to which System Revenues Provide Security; and (3) Parity Lien Bond Test".

Restrictions on Mortgage, Sale or Disposition of the System Facilities. The University will not mortgage, sell or otherwise dispose of the System Facilities or any material part thereof, or any extension or improvement thereof; provided, however, the University may permanently abandon the use of, or sell at fair market value, any of the System Facilities, provided that;

(a) It is in full compliance with all covenants and undertakings in connection with all of its Bonds then outstanding and payable from the System Revenues, or any part thereof;

(b) It certifies that the continued occupation or possession of any portion of the property to be abandoned or sold is no longer in the best interest of the University; and

(c) It certifies that the estimated System Revenues for the then next succeeding Fiscal Year satisfy the earnings test provided for in the Resolution governing the issuance of Additional Bonds.

Operation of the System Facilities and Reserves. From and after the date when the Series 2010A Bonds shall be issued and delivered, the System Facilities shall be maintained by the University so long as any of the Series 2010A Bonds remain Outstanding. The University will not do or suffer any act or thing whereby the System Facilities or any part thereof might or could be impaired, and at all times it will, out of System Revenues prior to the date needed pursuant to the Resolution, maintain, preserve, and keep the real and tangible property constituting the System Facilities and every part thereof in good condition, repair, and working order and maintain, preserve, and keep all structures and equipment pertaining thereto and every part and parcel thereof in good condition, repair, and working order, reasonable wear and tear and replacement for obsolescence excepted. The System Facilities and the facilities thereof and therein shall be operated and maintained, out of System Revenues prior to the date needed pursuant to the Resolution, under the direction and supervision of the Vice President for Finance and Administration (or such other officer as is selected by the Board or the Executive Committee), subject to the direction of the University, and all System Revenues shall be collected by said officer, through agents or employees thereunto duly authorized.

The University shall maintain, out of System Revenues prior to the date needed pursuant to the Resolution, such reserves for repair and replacement of the System Facilities as it deems appropriate and shall review the sufficiency of such reserves on a reasonable basis from time to time. The University represents that there is no reasonable expectation that payments of principal or interest on the Bonds will be paid out of funds held in such reserves.

Use, Operation and Maintenance. Subject to the provisions of the Resolution, the Board will adopt and maintain, so long as any Bonds are Outstanding against the System Facilities, such rules, rental rates, fees, and charges for the use of the System Facilities as may be necessary to (a) assure maximum use and occupancy of said System Facilities, and (b) pay the cost of maintenance and operation, out of System Revenues prior to the date needed pursuant to the Resolution, and, together with other pledged revenues, provide for the payment of the principal of and interest on the Bonds outstanding against the System Facilities.

Insurance. The University will carry and maintain fire and extended coverage insurance upon all of the properties forming a part of the System Facilities insofar as the same are of an insurable nature, such

insurance to be in an amount at least equal to the amount of the Bonds then outstanding. In the event of loss or damage, the University, with reasonable dispatch, will use the proceeds of such insurance in reconstructing and replacing the property damaged or destroyed, or, if such reconstruction or replacement be unnecessary, then the University will pay and deposit the proceeds of such insurance into the System Facilities Revenue Account. The University in operating the System Facilities will carry and maintain public liability insurance, either commercial or self-insured, with respect to the System Facilities. In operating the System Facilities, the University shall maintain worker's compensation coverage, either commercial or self-insured, on all personnel that work on the System Facilities. The proceeds derived from such insurance shall be used in paying the claims on account of which such proceeds were received.

Books, Records and Accounts. The University will keep accurate financial records and proper books and accounts in which complete and correct entries will be made of all dealings and transactions of or in relation to the System Facilities. Such accounts shall show the amount of revenues received from the System Facilities, the application of such revenues, and all financial transactions in connection therewith. Said books shall be kept by the University in accordance with generally accepted accounting principles.

Annual Audit. Annually, within one hundred eighty (180) days after the end of the Fiscal Year, the University will cause an audit to be made of the System Facilities for the preceding Fiscal Year by a certified public accountant or firm of certified public accountants to be employed by the University for that purpose, reflecting in reasonable detail the financial condition and results of operation of the University, the System Facilities and any other pledged revenue sources, including particularly the University's insurance on the System Facilities and any other facilities the revenues of which are pledged to the payment of the Bonds, and the status of the several Accounts confirmed in the Resolution.

Within sixty (60) days after the completion of each such audit, a copy thereof shall be made available to any beneficial owner of the Series 2010A Bonds upon request.

As soon as possible after the completion of such annual audit, the University shall review such audit, and if any audit shall disclose that proper provision has not been made for all of the requirements of the Resolution and the law under which the Bonds are issued, the University covenants and agrees that it will promptly cure such deficiency and will promptly proceed to increase the rates, fees and charges to be charged for the use and services furnished by the System Facilities as may be necessary to adequately provide for such requirements.

Owner's Right of Inspection. The Owner of at least ten percent (10%) of the Bonds Outstanding shall have the right at all reasonable times to a reasonable inspection of the System Facilities and all records, accounts and data relating thereto, and any such Owner shall be furnished all such information concerning said System Facilities and the operation thereof which he may reasonably request.

Default and Remedies

Acceleration of Maturity in Event of Default. The University covenants and agrees that if it shall default in the payment of the principal of or interest on any of the Bonds as the same becomes due, or if the University or its governing body or any of the officers, agents or employees thereof shall fail or refuse to comply with any of the provisions of the Resolution and such default shall continue for a period of thirty (30) days after written notice thereof to the University (unless such default cannot be cured with thirty (30) days, in which event the University shall have a reasonable time in which to cure such default) at any time thereafter and while such default shall continue, the Owners of twenty-five percent (25%) in principal amount of the Bonds then Outstanding may, by written notice to the University filed in the office of the Secretary of the Board or delivered in person to said Secretary, declare the principal of all Bonds then Outstanding to be due and payable immediately, and upon any such declaration given as aforesaid, all of said Bonds shall become and be immediately due and payable, anything in the Resolution or in the Bonds contained to the contrary notwithstanding. This provision, however, is subject to the condition that if at any time after the principal of said Outstanding Bonds shall have been so declared to be due and payable, all arrears of interest upon all of said Bonds, except interest accrued but not yet due on such Bonds, and all arrears of principal upon all of said Bonds shall have been paid in full, and all other defaults, if any, by the University under the provisions of the

Resolution and under the provisions of the statutes of the State of Missouri shall have been cured, then and in every such case the Owners of fifty percent (50%) in principal amount of the Bonds then Outstanding, by written notice to the University given as specified in the Resolution, may rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any rights consequent thereon.

Remedies. The provisions of the Resolution, including the covenants and agreements contained in the Resolution, shall constitute a contract between the University and the Owners of the Bonds, and the Owner or Owners of not less than ten percent (10%) in principal amount of the Bonds at the time Outstanding shall have the right, for the equal benefit and protection of all Owners of Bonds similarly situated to:

- (a) By mandamus or other suit, action or proceedings at law or in equity to enforce his or their rights against the University and its officers, agents and employees, and to require and compel duties and obligations required by the provisions of the Resolution or by the Constitution and laws of the State of Missouri;
- (b) By suit, action or other proceedings in equity or at law to require the University, its officers, agents and employees to account as if they were the trustees of an express trust; and
- (c) By suit, action or other proceedings in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of any Owner of the Bonds.

Limitation on Rights of Bondowners. No one or more Owners of the Bonds secured under the Resolution shall have any right in any manner whatever by his, her or their action to affect, disturb or prejudice the security granted and provided for in the Resolution, or to enforce any right under the Resolution, except in the manner provided in the Resolution, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of such Outstanding Bonds.

Remedies Cumulative. No remedy conferred in the Resolution upon the Owners of Bonds is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred in the Resolution. No waiver of any default or breach of duty or contract by the Owner of any Bond shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies thereon. No delay or omission of any Bondowner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Owners of the Bonds by the Resolution may be enforced and exercised from time to time and as often as may be deemed expedient. In case any suit, action or proceedings taken by any Bondowner on account of any default or to enforce any right or exercise any remedy shall have been discontinued or abandoned for any reason, or shall have been determined adversely to such Bondowner, then, and in every such case, the University and the Owners of the Bonds shall be restored to their former positions and rights under the Resolution, respectively, and all rights, remedies, powers and duties of the Bondowners shall continue as if no such suit, action or other proceedings had been brought or taken.

No Obligation to Levy Taxes. The University does not have taxing power and nothing contained in the Resolution shall be construed as imposing on the University or the State any duty or obligation to levy any taxes either to meet any obligation incurred in the Resolution or to pay the principal of or interest on the Bonds.

Paying Agent and Bond Registrar

Designation of Paying Agent and Bond Registrar. Commerce Bank, N.A., Kansas City, Missouri, is designated as the University's paying agent for the payment of principal of, redemption premium, if any, and interest on the Bonds and bond registrar with respect to the registration, transfer and exchange of Bonds. The Paying Agent and Bond Registrar shall be paid the fees for its services in connection therewith that it has agreed to in writing with the University prior to the date of the Series 2010A Bonds, which fees shall be paid as other current expenses of the System Facilities are paid.

Successor Paying Agent and Bond Registrar.

(a) Any corporation or association into which the Paying Agent and Bond Registrar may be converted or merged, or with 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 such conversion, sale, merger, consolidation or transfer to which it is a party, provided that such surviving corporation or association shall maintain an office in the State of Missouri, shall be and become the successor Paying Agent and Bond Registrar under the Resolution, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Resolution, anything in the Resolution to the contrary notwithstanding.

(b) The Paying Agent and Bond Registrar may resign at any time by giving thirty (30) days' notice to the University. Such resignation shall not take effect until the appointment of a successor Paying Agent and Bond Registrar.

(c) The Paying Agent and Bond Registrar may be removed at any time by an instrument in writing delivered to the Paying Agent and Bond Registrar by the University. In no event, however, shall any removal of the Paying Agent and Bond Registrar take effect until a successor Paying Agent and Bond Registrar shall have been appointed.

(d) In case the Paying Agent and Bond Registrar shall resign or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting as Paying Agent and Bond Registrar, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor shall be appointed by the University. Every successor Paying Agent and Bond Registrar appointed pursuant to the provisions of this Section shall be, if there be such an institution willing, qualified and able to accept the duties of the Paying Agent and Bond Registrar upon customary terms, a bank or trust company within the State of Missouri, in good standing and having or being wholly owned by an entity having reported capital and surplus of not less than \$25,000,000. Written notice of such appointment shall immediately be given by the University to the Owners of the Series 2010A Bonds. Any successor Paying Agent and Bond Registrar shall execute and deliver an instrument accepting such appointment and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all rights, powers, duties and obligations of its predecessor, with like effect as if originally named as Paying Agent and Bond Registrar, but such predecessor shall nevertheless, on the written request of the University, or of the successor, execute and deliver such instruments and do such other things as may reasonably be required to more fully and certainly vest and confirm in such successor all rights, powers, duties and obligations of such predecessor. If no successor Paying Agent and Bond Registrar has accepted appointment in the manner provided above within ninety (90) days after the Paying Agent and Bond Registrar has given notice of its resignation as provided above, the Paying Agent and Bond Registrar may petition any court of competent jurisdiction for the appointment of a temporary successor Paying Agent and Bond Registrar; provided that any Paying Agent and Bond Registrar so appointed shall immediately and without further act be superseded by a Paying Agent and Bond Registrar appointed by the University.

Defeasance

Defeasance. When all of the Series 2010A Bonds shall have been paid and discharged, then the requirements contained in the Resolution, except as otherwise provided in the Resolution and subject to the Resolution, and the pledge of System Revenues made under the Resolution and all other rights granted under the Resolution shall terminate. Bonds shall be deemed to have been paid and discharged within the meaning of the Resolution or the Prior System Facilities Resolution under which such series of Bonds were issued, as the case may be, if the University shall have paid or provided for the payment of such Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on such Bonds, as and when the same become due and payable;

(b) by delivering such Bonds to the Paying Agent and Bond Registrar for cancellation; or

(c) by depositing with the Paying Agent and Bond Registrar, or other bank located in the State of Missouri and having full trust powers, at or prior to the maturity or redemption date of said Bonds, in trust for and irrevocably appropriated thereto, cash and/or United States Government Obligations in an amount which, together with other moneys deposited therein, and with the interest to be earned thereon, without consideration of any reinvestment thereof, will be sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds (including the payment of the principal of said Bonds, the redemption premium thereon, if any, and interest accrued to the date of maturity or redemption, as the case may be); provided that, if any such Bonds are to be redeemed prior to the maturity thereof, the University shall have elected to redeem such Bonds and notice of such redemption shall have been given in accordance with the requirements of the Resolution or the Prior System Facilities Resolution under which such series of Bonds were issued, as the case may be, or provision satisfactory to the Paying Agent and Bond Registrar is made for the giving of such notice.

Bonds may be defeased in advance of their maturity or redemption dates only with cash or United States Government Obligations pursuant to subsection (c) above, provided, however, that, if the final payment or redemption date with respect to such Bonds is more than 90 days after such deposit, such Bonds may only be considered defeased upon receipt by the Paying Agent and Bond Registrar of (a) a verification report prepared by independent certified public accountants, or other verification agent, satisfactory to the Paying Agent and Bond Registrar and the University, and (b) an Opinion of Bond Counsel addressed and delivered to the Paying Agent and Bond Registrar and the University to the effect that the payment of the principal of and redemption premium, if any, and interest on all of the Bonds of such series then Outstanding and any and all other amounts required to be paid under the provisions of the Resolution has been provided for in the manner set forth in the Resolution or the Prior System Facilities Resolution under which such series of Bonds were issued, as the case may be.

Any moneys and obligations which at any time shall be deposited with the Paying Agent and Bond Registrar or other bank by or on behalf of the University, for the purpose of paying and discharging any of the Bonds, shall be and are assigned, transferred and set over to the Paying Agent and Bond Registrar or other bank in trust for the respective Owners of such Bonds, and such moneys shall be and are irrevocably appropriated to the payment and discharge thereof. All moneys deposited with the Paying Agent and Bond Registrar or other bank shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Resolution or the Prior System Facilities Resolution under which such series of Bonds were issued, as the case may be.

Amendments

Amendments Not Requiring Consent of Bondowners. The Board may from time to time, without the consent of or notice to any of the Bondowners, amend the Resolution as shall not be inconsistent with the terms and provisions of the Resolution, for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in the Resolution or to make any other change not prejudicial to the Bondowners;

(b) to grant to or confer upon the Paying Agent and Bond Registrar or the Bondowners any additional rights, remedies, powers or authority that may be lawfully granted to or conferred upon the Bondowners or the Paying Agent and Bond Registrar or either of them;

(c) to more precisely identify the System Revenues or the System Facilities or to substitute or add property thereto or release property therefrom;

(d) to subject to the Resolution additional revenues, properties or collateral;

(e) to issue Additional Bonds as provided in the Resolution;

- (f) to provide for the refunding or advance refunding of any Bond;
- (g) to evidence the appointment of a successor paying agent or bond registrar;
- (h) to comply with any future requirements of federal tax law required in the opinion of bond counsel to maintain the exclusion of the interest on one or more series of Bonds from gross income for purposes of federal income taxation or, in the case of the Series 2010A Bonds, to maintain the status of the Series 2010A Bonds as “Build America Bonds” under Section 1531 of the American Recovery and Reinvestment Act of 2009;
- (i) to secure a rating from a nationally recognized rating agency, provided such changes will not restrict, limit or reduce the obligation of the University to pay the principal of, redemption premium, if any, or interest on the Series 2010A Bonds as provided in the Resolution or otherwise materially adversely effect the Bondowner; or
- (j) to provide for the changes described in Article XV of the Resolution and summarized herein under the caption “Potential Modification of : (1) Security for Bonds; (2) Bonds as to which System Revenues Provide Security; and (3) Parity Lien Bond Test”.

Amendments Requiring Consent of Bondowners. The rights and duties of the University, the Board and the Bondowners, and the terms and provisions of the Series 2010A Bonds or of the Resolution, may be amended or modified at any time in any respect by resolution of the Board with the written consent of the Owners of not less than sixty-five percent (65%) in aggregate principal amount of the Series 2010A Bonds then Outstanding, such consent to be evidenced by an instrument or instruments executed by such Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the Secretary of the Board, but no such modification or alteration shall:

- (a) extend the maturity of any payment of principal or interest due upon any Series 2010A Bond;
- (b) effect a reduction in the amount which the University is required to pay by way of principal of or interest on any Series 2010A Bond;
- (c) permit the creation of a lien on the System Revenues prior or equal to the lien of the Series 2010A Bonds, except as to Additional Bonds;
- (d) permit preference or priority of any Series 2010A Bonds over any other Series 2010A Bonds;
or
- (e) reduce the percentage in principal amount of Series 2010A Bonds required for the written consent to any modification or alteration of the provisions of the Resolution.

Any provision of the Series 2010A Bonds or of the Resolution may, however, be amended or modified by resolution duly adopted by the Board or, at the direction of the Board, the Executive Committee, at any time in any respect with the written consent of the Owners of all of the Series 2010A Bonds at the time Outstanding.

Any and all modifications made in the manner provided in the Resolution shall not become effective until there has been filed with the Secretary of the Board a copy of the resolution of the Board provided in the Resolution for, duly certified, as well as proof of consent to such modification by the Owners of not less than sixty-five percent (65%) in principal amount of the Series 2010A Bonds then Outstanding. It shall not be necessary to note on any of the Outstanding Bonds any reference to such amendment or modification.

Amendment of Prior System Facilities Resolutions.

Each of the Prior System Facilities Resolutions shall be deemed an amendment of the Initial System Facilities Resolution and each Prior System Facilities Resolution which precedes it. Furthermore, any

subsequent resolution of the Board and/or the Executive Committee of the Board providing for the issuance of Additional Bonds shall, to the extent that any amendments therein shall meet the requirements of the Resolution, be deemed an amendment of the Initial System Facilities Resolution, each Prior System Facilities Resolution which precedes it, and the Resolution. Specifically but without limitation, the Resolution shall be considered an amendment of each of the Prior System Facilities Resolutions.

Regardless of the defeasance of any series of Prior System Bonds in accordance with the provisions of the Prior System Facilities Resolution pursuant to which such series of Prior System Bonds was issued and the release of the pledge of System Revenues with respect thereto, such Prior System Facilities Resolution shall remain in force and effect as a component of the financing program for the System Facilities established in the Initial System Facilities Resolution, and any references in the Resolution to a Prior System Facilities Resolution shall be to such resolution as amended or supplemented by the subsequent Prior System Facilities Resolutions and the Resolution. Specifically but without limitation, the Initial System Facilities Resolution shall remain in full force and effect despite the defeasance of the Series 1993 Bonds and the release of the pledge of System Revenues to secure the Series 1993 Bonds pursuant to the terms of the Resolution in accordance with Section 1301 of the Initial System Facilities Resolution.

Potential Modification of: (1) Security for Bonds; (2) Bonds as to which System Revenues Provide Security; and (3) Parity Lien Bond Test

The University created a financing program for the System Facilities in the Initial System Facilities Resolution, which financing program has been ratified and confirmed by each of the Prior System Facilities Resolutions and has been ratified and confirmed. The University reserves the right to add other facilities and properties to this financing program and to make the Bonds and the security for the Bonds part of a future facility financing program that may be adopted by the University.

Accordingly, notwithstanding any provision in the Resolution to the contrary, the University shall have the right to do any or all of the following (as specified by the University in a subsequent resolution of its Board or Executive Committee) provided that, upon the occurrence of such of the following as are to occur, the Bonds retain a rating from any national rating service then rating the Bonds at the request of the University at least equal to that in effect immediately prior to the occurrence of such of the following as are to occur:

- (a) change the security for the Bonds (including, but not limited to, the type of revenues, fees and reserves pledged) to add a new type of revenues, fees and reserves to or delete a type of revenues, fees and reserves from the System Revenues or the System Facilities;
- (b) add or delete new types of facilities or properties of the University to the System Facilities financed by Bonds;
- (c) secure any other bonds or obligations of the University, whether issued prior to or subsequent to the date of the Resolution, by the System Revenues as long as any other security for such other bonds or obligations also secure the Bonds; or
- (d) issue Additional Bonds secured by the System Revenues and other security described in (a), (b) or (c) above without meeting the requirements of the Resolution.

Addition of System Facilities and System Revenues. Pursuant to and in furtherance of the foregoing provisions and of the provisions of the Prior System Facilities Resolutions, the University has determined to add the facilities of the University constituting the Projects to be financed with the proceeds of the Series 2010A Bonds to the System Facilities, all as more fully provided in the Resolution, has determined to add the revenues of such facilities of the University to the System Revenues, all as more fully provided in the Resolution, and pledges the System Revenues, as so amended, to the payment of the Series 2010A Bonds, all outstanding Prior System Bonds, and any Additional Bonds issued in accordance with the terms of the Resolution and the Prior System Facilities Resolutions, on a parity basis.

Miscellaneous Provisions

Notices, Consents and Other Instruments by Bondowners. Any notice, consent, request, direction, approval, objection or other instrument required by the Resolution to be signed and executed by the Owners of the Bonds may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondowners in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Resolution, and shall be conclusive in favor of the University and the Paying Agent and Bond Registrar with regard to any action taken, suffered or omitted under any such instrument, namely:

- (a) The fact and date of the execution by any person of any such instrument may be proved by a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such instrument acknowledged before such officer the execution thereof, or by affidavit of any witness to such execution.
- (b) 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 registration books of the University maintained by the Paying Agent and Bond Registrar.

Governing Law. The Resolution shall be governed exclusively by and construed in accordance with the applicable laws of the State of Missouri.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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[FORM OF APPROVING OPINION OF BOND COUNSEL]

December 21, 2010

The Curators of the University of Missouri
Columbia, Missouri

Commerce Bank, N.A., as Paying Agent and
Bond Registrar
Kansas City, Missouri

Re: **\$252,285,000 The Curators of the University of Missouri Taxable System Facilities Revenue Bonds, Series 2010A (Build America Bonds - Direct Payment)**

Ladies and Gentlemen:

The Curators of the University of Missouri (the “University”), a body politic and state educational institution organized and existing under the Constitution and laws of the State of Missouri, has on this date issued its Taxable System Facilities Revenue Bonds, Series 2010A (Build America Bonds - Direct Payment) (the “Series 2010A Bonds”) in the aggregate principal amount of \$252,285,000, dated as of their date of issuance.

The Series 2010A Bonds have been authorized and issued under and pursuant to the Constitution and laws of the State of Missouri. The Series 2010A Bonds are further issued pursuant to a Resolution adopted by the Board of Curators of the University of the State of Missouri (the “Board”) on November 22, 2010, and a Resolution adopted by the Executive Committee of the Board (the “Executive Committee”) on December 8, 2010 (collectively, the “Resolution”), for the purpose of paying a portion of the costs of (a) acquiring, constructing, improving, renovating, furnishing and equipping certain additions and improvements to the System Facilities (as defined in the Resolution), (b) paying capitalized interest on a portion of the Series 2010A Bonds and (c) paying costs of issuance of the Series 2010A Bonds. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Resolution.

The Series 2010A Bonds are not general obligations of the University or payable in any manner by taxation, but are limited obligations of the University payable solely from the sources specified in the Resolution; the Series 2010A Bonds and the interest thereon shall never constitute an indebtedness of the University or a loan of credit thereof within the meaning of any state constitutional or statutory provision and shall not constitute or give rise to a pecuniary liability of the University or a charge against its general credit.

The Series 2010A Bonds consist of fully registered bonds without coupons numbered from R-1 consecutively upward, in the denomination, maturing, being subject to earlier redemption or purchase and bearing interest all as set forth in the Resolution.

The principal of the Series 2010A Bonds shall be payable at the payment office of Commerce Bank, N.A., Kansas City, Missouri (the “Paying Agent and Bond Registrar”). The interest on the Series 2010A Bonds shall be payable by the Paying Agent and Bond Registrar on each Interest Payment Date to the persons in whose names the Series 2010A Bonds are registered at their addresses as they appear on the Bond registration books maintained by the Bond Registrar on the Record Date preceding such Interest Payment Date.

In connection with the issuance of the Series 2010A Bonds, we have examined the following:

A. The Constitution of the State of Missouri and such other laws as we deem relevant to this opinion.

B. A certified copy of the proceedings of the Board and the Executive Committee, preliminary to and in connection with the issuance of the Series 2010A Bonds, authorizing, among other things, the following:

(i) the issuance, sale and delivery of the Series 2010A Bonds; and

(ii) the execution and delivery of the Tax Compliance Agreement (the "Tax Compliance Agreement"), dated as of even date herewith, of the University, and the Bond Purchase Agreement dated as of December 8, 2010 with respect to the Series 2010A Bonds ("Bond Purchase Agreement").

C. An original certified copy of the Resolution and executed counterparts of the Tax Compliance Agreement and the Bond Purchase Agreement.

D. A specimen of the Series 2010A Bonds.

E. Representations and certifications of the University and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the underwriters of the Series 2010A Bonds.

F. The opinion of even date herewith of Stephen J. Owens, Esq., General Counsel to the University.

G. Such other matters, laws and documents as we deem necessary for purposes of this opinion.

In rendering the opinions set forth herein we have assumed, without undertaking to verify the same by independent investigation, (a) as to questions of fact, the accuracy and completeness of all representations of the University set forth in the Resolution, the Bond Purchase Agreement and the Tax Compliance Agreement and all representations and certifications of officers, officials and representatives of the University and others examined by us, (b) the conformity to original documents of all documents submitted to us as copies and the authenticity of such original documents and all documents submitted to us as originals, (c) that the proceeds of the Series 2010A Bonds will be used in accordance with the Resolution, the Bond Purchase Agreement and the Tax Compliance Agreement and (d) that all covenants and requirements of the Resolution, and the Tax Compliance Agreement will be duly complied with and fulfilled.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement dated December 8, 2010, with respect to the Series 2010A Bonds or other offering material relating to the Series 2010A Bonds (except to the extent stated herein), and we express no opinion relating thereto (except to the extent stated herein).

Based upon the foregoing and subject to the exceptions and clarifications set forth herein, we are of the opinion, as of the date hereof and under existing law, that:

1. The Series 2010A Bonds are in proper form, have been authorized and issued in accordance with the Constitution and statutes of the State of Missouri, and constitute valid and legally binding special obligations of the University, payable solely from, and secured as to the payment of principal and interest by a pledge of the "System Revenues" as defined in the Resolution. The Series

2010A Bonds shall not be or constitute general obligations of the University, nor shall they constitute indebtedness of the University within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

2. The Resolution and the Tax Compliance Agreement have been duly authorized, executed and delivered by the parties thereto and each such instrument is a legal and binding instrument upon the parties thereto according to its terms and is in full force and effect, assuming due authorization, execution and delivery by the other party thereto, except to the extent that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally or by general principles of equity, whether enforcement is considered in a proceeding at law or in equity. In rendering the opinion under this paragraph, we have relied on the representations and certifications of the University referred to above and the opinion of counsel for the University referred to above.

3. The proceedings of the University show lawful authority for the issuance and delivery of the Series 2010A Bonds under the laws of the State of Missouri now in force; the Series 2010A Bonds, to the amounts specified, are valid and legally binding upon the University according to the import thereof and as provided in the Resolution, and are secured thereunder, except to the extent that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally or by general principles of equity, whether enforcement is considered in a proceeding at law or in equity; the Series 2010A Bonds are and will continue to be payable by the University solely from the System Revenues (and as otherwise provided in the Resolution); said System Revenues have been duly assigned and pledged to the payment of the principal of, premium, if any, and interest on the Series 2010A Bonds as the same become due.

4. Interest on the Series 2010A Bonds (including original issue discount properly allocable to the owners thereof) is **not** excluded from gross income for federal income tax purposes.

5. Interest on the Series 2010A Bonds (including any original issue discount properly allocable to an owner thereof) is exempt from income taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri, as amended. No opinion is expressed regarding the applicability with respect to the Series 2010A Bonds or the interest on the Series 2010A Bonds (including any original issue discount properly allocable to an owner thereof) of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended.

We express no opinion regarding federal, state or local tax consequences arising with respect to the Series 2010A Bonds, other than as expressly set forth herein.

This letter is furnished by us solely for your benefit and may not be relied upon by any other person or entity or in connection with any other transaction without our prior consent. The opinions set forth in this letter are given as of the date hereof, and we disclaim any obligation to advise the addressees or to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. Other than as expressly set forth herein, we express no opinion herein relative to compliance with federal or state securities laws.

Very truly yours,

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