Dear OSU Supporter:

As an endowment donor, you have an understanding of the importance of creating legacies. During uncertain economic times as experienced this past year, endowment funding provides a steady source of income for the university at a time when it is needed most. We thank you for your commitment to OSU's mission through your endowments and the dependable funding they provide.

Fiscal year 2009 proved to be a volatile year for world markets affecting both industries and households. While fundraising organizations were impacted by the downturn in the economy, the OSU Foundation experienced a number of notable accomplishments due to the dedication of our loyal donor base.

Our broad-based philanthropy totaled $144 million in gifts for the year, the second-highest total in Oklahoma State's history. We have much to celebrate as these gifts illustrate continued strong university support despite the economic conditions affecting donors at every level.

We are extremely pleased that the Foundation was able to provide increased endowment funding to the university above last year's distribution as a result of a prudent spending policy that creates consistent financial support to OSU. We hope you share in our sense of satisfaction that your endowment contribution continues to afford OSU vital financial resources.

For those of you that established your endowment in recent years, we know that you are concerned that your endowment is underwater – the market value is lower than the original gift amount. Our commitment to you is that we will not spend from an underwater endowment without your specific permission. Many of you offered to make supplemental gifts this year to enable your endowment to continue to fund its designated area. We are extremely grateful for your dedication to your legacy.

The campaign for Oklahoma State University is nearing another milestone with nearly $400 million in commitments since the campaign kicked off in December 2007. While we anticipate a public launch of the campaign next year, we remain priority-focused on the campaign objectives and place student support at the heart of our initiatives. We continue to make steady progress with the creation of 220 new scholarships as well as 106 new faculty positions since the campaign's inception.

Inside, you will find your OSU Foundation fiscal year 2009 endowment report. We desire for this report to be meaningful. We understand some of this information can create questions, so please feel free to contact Donna Koeppe for any clarification you might desire. She may be reached either by phone 1-800-622-4678, or e-mail dkoeppe@OSUgiving.com.

We embrace the responsibility we have to serve our donors for the maximum benefit of OSU. For the year ended June 30, 2009, the investment return on our Pooled Investment Fund was -24.6%. While it is impossible to be pleased with negative investment results, we remain optimistic about the asset allocation that has served us very well over the past five years.

We are grateful that you have chosen to perpetuate your values while helping Oklahoma State change the world – one student at a time. We hope you find the promise well worth the investment.

Gratefully,

Kirk A. Jewell
President and CEO
Introduction
This report has been prepared to provide information about your endowment fund(s) and the management and performance of the OSU Foundation's Pooled Investment Fund (PIF).

The OSU Foundation Board of Trustees has delegated the investment management of the Pooled Investment Fund to the Investment Committee which operates within the parameters of the Investment Policy Statement.

The Investment Committee seeks investment returns through a diversified investment portfolio consistent with the approved Investment Policy Statement. To achieve its investment objective, the OSU Foundation retains an independent investment consultant to provide ongoing evaluation of economic conditions, review manager performance and provide advice on asset allocation and investment manager selection.

The Board of Trustees has adopted the strategy of investing endowment assets to preserve the long-range purchasing power of the endowments in order to provide intergenerational financial support for the programs the endowments were created to benefit.

Pooled Investment Fund Overview
Endowment gifts for the benefit of Oklahoma State University are placed in the Pooled Investment Fund (PIF), which is managed by the OSU Foundation. As of June 30, 2009, the OSU Foundation PIF consisted of 2,005, separate endowments. During FY 2009, $18 million dollars in new endowment gifts were received. The total market value at June 30, 2009, of the endowment accounts was $320.6 million dollars, which included the chair and professorship accounts established through the Pickens matching program.

The primary objective of the PIF is to generate an increasing stream of income to meet the rising costs of education, research and campus life while maintaining the purchasing power of its individual endowments over time. The chart below represents the fair market value of the endowment for each fiscal year over a 10-year period.

Glossary of Terms Related to Financial Summary

Net Investment Income, Gains (Losses)
Realized and unrealized gains and losses after expenses of consulting, custodial and endowment management fees. The latter is the fee paid to the OSU Foundation for management of the Pooled Investment Fund. For FY09 this fee was 2.1% of the average daily balance of the market value of the Pooled Investment Fund.

Other Additions
Additions other than gifts or net investment income to your endowment (i.e. mineral interest, income from real property, and short-term earnings paid on cash balances)

Other Program Support
Funds utilized to support endowed programs other than scholarships/fellowships and chairs/professorships. Examples would be lectureships, research initiatives, building or operational support.
Asset Allocation and Portfolio Composition

The Pooled Investment Fund incorporates a long-term view of the financial markets to determine the appropriate asset allocation guidelines.

At June 30, 2009, the Fund’s target asset allocation was as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target %</th>
<th>Range %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
<td>10</td>
<td>10-30</td>
</tr>
<tr>
<td>Large Cap Equity</td>
<td>25</td>
<td>15-40</td>
</tr>
<tr>
<td>Small/Mid Cap Equity</td>
<td>10</td>
<td>10-40</td>
</tr>
<tr>
<td>International Equity</td>
<td>10</td>
<td>00-30</td>
</tr>
<tr>
<td>Real Assets</td>
<td>10</td>
<td>00-30</td>
</tr>
<tr>
<td>Hedge</td>
<td>15</td>
<td>00-25</td>
</tr>
<tr>
<td>Private Equity</td>
<td>20</td>
<td>00-40</td>
</tr>
</tbody>
</table>

This asset allocation is intended to provide funds for both spending distribution and for appreciation potential with an acceptable level of related risk. The Investment Committee of the Board of Trustees reviews portfolio composition at least quarterly; and, if deemed necessary, it will direct cash flow or assets to be shifted to bring the portfolio within the target ranges.

Portfolio Composition – June 30, 2009

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Fixed Income</td>
<td>22%</td>
</tr>
<tr>
<td>B Domestic Equity</td>
<td>19%</td>
</tr>
<tr>
<td>C International Equity</td>
<td>13%</td>
</tr>
<tr>
<td>D Real Assets</td>
<td>8%</td>
</tr>
<tr>
<td>E Hedge</td>
<td>29%</td>
</tr>
<tr>
<td>F Private Equity</td>
<td>9%</td>
</tr>
</tbody>
</table>
Spending Policy

A goal of the Pooled Investment Fund is to achieve investment performance that supports stable endowment spending from year to year in order to provide steady predictable funding for programs.

The Board of Trustees-approved spending amount is calculated as the prior year’s spending amount adjusted by inflation. The adjustment for inflation is made by dividing the Consumer Price Index (CPI) as of November of the current year by the CPI of November of the previous year. The calculated spending amount is adjusted for new gifts or reinvested cash by adding an amount equal to 5% of new gifts or reinvested cash received by December 31. The spending policy is reviewed by the Investment Committee at least annually. The committee can and has made annual adjustments to the formula to increase the distribution when exceptional investment performance is achieved. Unless specific donor permission is obtained, no spending is authorized for any endowment account for which the market value as of December 31 of the current year is less than the historic gift value.

The following graph represents the funds available to the university from the Pooled Investment Fund’s spending distribution for the eight-year period FY02-FY09.

Program Support

The Pooled Investment Fund supports university programs as designated by the donors. Programs supported by the spending policy distributions include scholarships, fellowships, professorships, chairs, building operations, and research activities.

Many important university activities could not be achieved without the financial support from endowment funds. OSU is fortunate to have endowments that support programs system-wide.

Conclusion

Endowments provide a permanent partnership between the university and the donor. The legacy of thoughtful donors plays a role in the life of the university in perpetuity, and becomes the foundation upon which OSU can build its achievements. The generosity of Oklahoma State University’s many endowment donors is appreciated by generations past, present, and future.

If you have questions, or would like additional information, please contact our Office of Accounting at (800) 622-4678.

OSUgiving.com/Endowments