SPENDING POLICY

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The above graph represents the funds available to the university from the Pooled Investment Fund’s spending distribution for the nine-year period FY02-FY10. The reduction in FY10 endowment spending is due to the decision by the donor and/or the University to suspend the endowment distribution from those endowments where the market value of the endowment was less than the historic gift value at December 31, 2009.

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.
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.

INVESTMENT PERFORMANCE
The PIF’s performance is calculated on a total return basis, which measures the performance of equity, fixed income and alternative investments. Total return, for purposes of this report, is the combination of income, dividends, gains and losses for the fiscal year net of investment management fees. Investment performance is determined on the PIF as a whole rather than on each separate endowment. Depending upon the timing of additions to an individual endowment, returns on specific endowments may vary from the following result.

TOTAL RETURN FOR THE POOLED INVESTMENT FUND

<table>
<thead>
<tr>
<th>FY 2010</th>
<th>OSUF</th>
<th>S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Five-Year Average</td>
<td>5.4%</td>
<td>14.4%</td>
</tr>
<tr>
<td>Ten-Year Average</td>
<td>-0.8%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Fifteen-Year Average</td>
<td>6.2%</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

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.

On June 30, 2010, the Fund’s asset allocation was as follows:

- **Fixed Income**: 22% (Target: 10-30)
- **Domestic Equities**: 21% (Target: 10-40)
- **International Equities**: 12% (Target: 10-30)
- **Real Assets**: 5% (Target: 10-30)
- **Hedge**: 28% (Target: 0-25)
- **Private Equity**: 12% (Target: 0-40)

This asset allocation is intended to provide funds for both spending distribution and for appreciation potential with an acceptable level of 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.

GLOSSARY OF TERMS RELATED TO FINANCIAL SUMMARY

- **Chairs/Professorships**: Funds utilized to support the teaching and research efforts of an endowed faculty position
- **Distribution of Funds**: Utilization of cash available that supports the purpose of the endowment
- **Endowed Gifts During Fiscal Year**: Gifts made to your endowment during the fiscal year
- **Historic Gift Value**: The original contribution to your endowment plus any previously additional gifts to your endowment
- **Market Value of Endowment**: The fair market value of your endowment at the beginning and end of the fiscal year
- **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 FY10 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.
- **Reinvested Cash**: Funds transferred from cash available to your endowment
- **Scholarship/Fellowships**: Funds utilized to support the educational endeavors of a student
- **Spending Gifts During Fiscal Year**: Gifts made to your fund to be used for current spending rather than endowed
- **Spending Policy Distribution**: Funds provided by your endowment for support of OSU during the fiscal year as determined by the Spending Policy. The Policy allows for the use of both realized income and appreciation as components of spending distribution.
- **Total Cash Available for Spending**: Funds available for expenditure resulting from application of the Spending Policy, carryover balances from previous fiscal year(s) or other additions to the fund
- **Total Historical Gift Value**: The summation of all gifts to your endowment
- **Total Endowment Balance**: The sum of the market value of the endowment principal and the cash available for spending
- **Underwater Accounts**: “Underwater endowments” are those where the market value of the endowment is less than its historic dollar value
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On June 30, 2010, the Fund’s asset allocation was as follows:

- **Fixed Income**: 22.1%
- **Domestic Equity**: 35.3%
- **International Equity**: 10.0%
- **Real Assets**: 5.0%
- **Hedge**: 8.2%
- **Private Equity**: 12.0%

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