

► Endowment Report

Oklahoma State University Foundation | Fiscal Year 2007-08

September 30, 2008

Dear OSU Supporter:

As a contributor to the Oklahoma State University Foundation's endowment, you have invested in OSU, its missions, goals and successes. And we're pleased to report that for the fiscal year ending June 30, 2008, success has been a prevalent theme.

Thanks to an incredible challenge gift from T. Boone Pickens and generous donors like you, the value of OSU's endowment has increased by nearly 50 percent from the previous year bringing the total to \$448.1 million. This unprecedented growth translates into a dependable and predictable source of funding for the benefit of current and future faculty, staff and students. In a time when state funding is tight and student tuition is increasing, endowments are crucial to our success by providing stable funding streams that ensure OSU has quality faculty, outstanding students and exceptional research projects. We are extremely grateful that you have established the endowment(s) presented in this report. The university will be the beneficiary of these investments forever.

Inside, you will find your OSU Foundation fiscal year 2007-2008 endowment report. We desire for this report to be meaningful. We understand this information can create questions, so please feel free to contact Donna Koeppe with any questions you might have. She may be reached either by phone 1-800-622-4678 or 405-385-5142, or by e-mail at dkoeppe@OSUgiving.com.

The Investment Committee for the OSU Foundation has spent many hours evaluating and adjusting our investment allocation and managers. The committee understands its dual goals of maximizing performance and protection from undue risk. The committee is committed to positively impacting the future of OSU by wisely managing, growing and distributing our endowment assets. I believe you would be most impressed with their passion, commitment and expectations. Each of them is a donor to OSU, just like you.

We understand and embrace the responsibility we have to honor and serve our donors for the maximum benefit to Oklahoma State University. For the year ended June 30, 2008, the investment return on our Pooled Investment Fund was 4.7%. When compared to the S&P 500 performance of -13.1%, we are pleased with our results this year. Based on preliminary results, we have been told our performance should be among the best of any foundation in the country.

Again, please accept our heartfelt thanks for your willingness to invest in the future of Oklahoma State University, its students, faculty and programs. We hope you find the impact well worth the investment.

Gratefully,



Kirk A. Jewell
President and CEO



Endowments by the Numbers

1,219

Endowed **Scholarships**

37

Endowed **Graduate Fellowships**

115

Endowed **Professorships**

114

Endowed **Chairs**

► 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, 2008, the OSU Foundation PIF consisted of 1,804 separate endowments. During FY 2008, \$179 million dollars in new endowment gifts were received including the T. Boone Pickens matching chair and professorship gift, which is invested in a separately managed investment pool. The total market value at June 30, 2008, of the endowment accounts including the matching accounts was \$448.1 million dollars.

The primary objective of the PIF is to generate an increasing stream of income to meet the rising costs of education, research

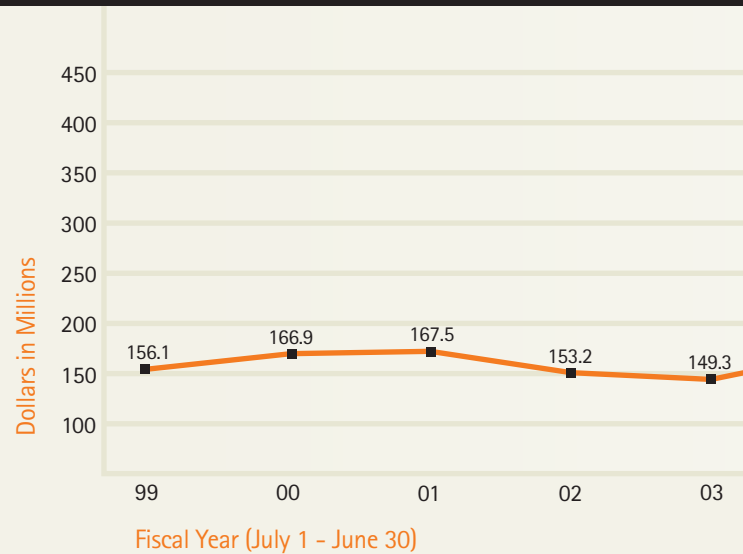


and campus life while maintaining the purchasing power of its individual endowments over time. The chart below represents the fair market value of the endowment for each fiscal year over a 10-year period.

► Investment Performance

The Pooled Investment Fund'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 and gains and losses for the fiscal year net of investment management fees. Investment performance is determined on

Total Endowment at June 30, 2008 = \$448.1M



► 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 previous 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 FY08 this fee was 1.8% 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

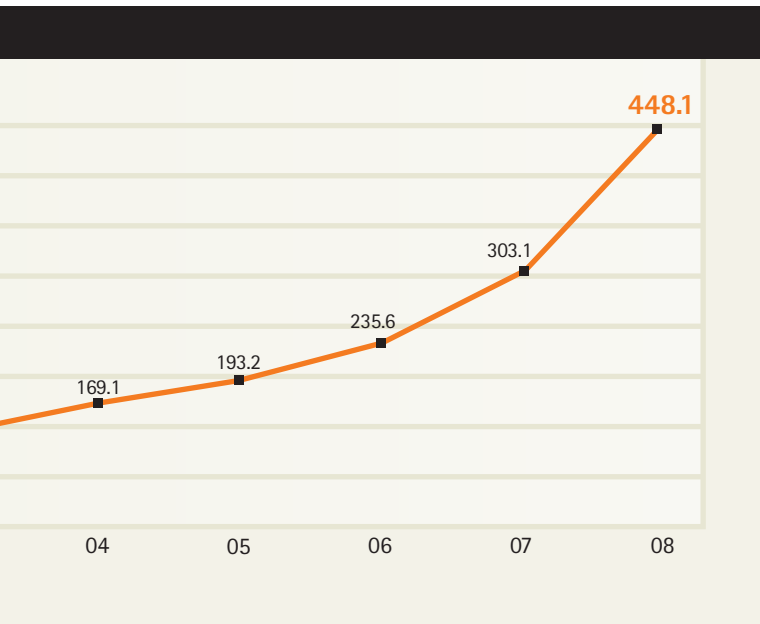
Funds utilized to support endowed programs other than scholarships/fellowships and chairs/professorships. Examples would be lectureships, research initiatives, building or operational support.



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 results.

► **Total Return for the Pooled Investment Fund**

Total Return	4.70%
OSUF Fee	-1.80%
Custodial & Consultant Fee	-0.05%
Net Return	2.85%



► **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.

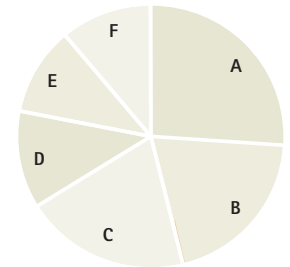
At June 30, 2008, the Fund's target asset allocation was as follows:

	Target %	Range %
Fixed Income	15	10-30
Large Cap Equity	27	15-40
Small/Mid Cap Equity	17	10-40
International Equity	11	00-30
Hard Assets	10	00-30
Private Equity	20	00-40

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, 2008**

A	Domestic Equity	26%
B	Fixed Income	20%
C	Hard Assets	20%
D	Absolute Return	12%
E	International Equity	11%
F	Private Equity	11%



► **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**

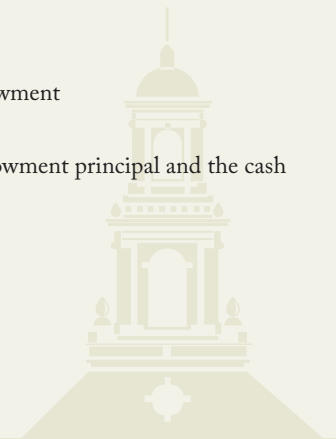
Funds available for expenditure resulting from application of the Spending Policy, carryover balances from previous fiscal year(s) or other additions to the fund

► **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

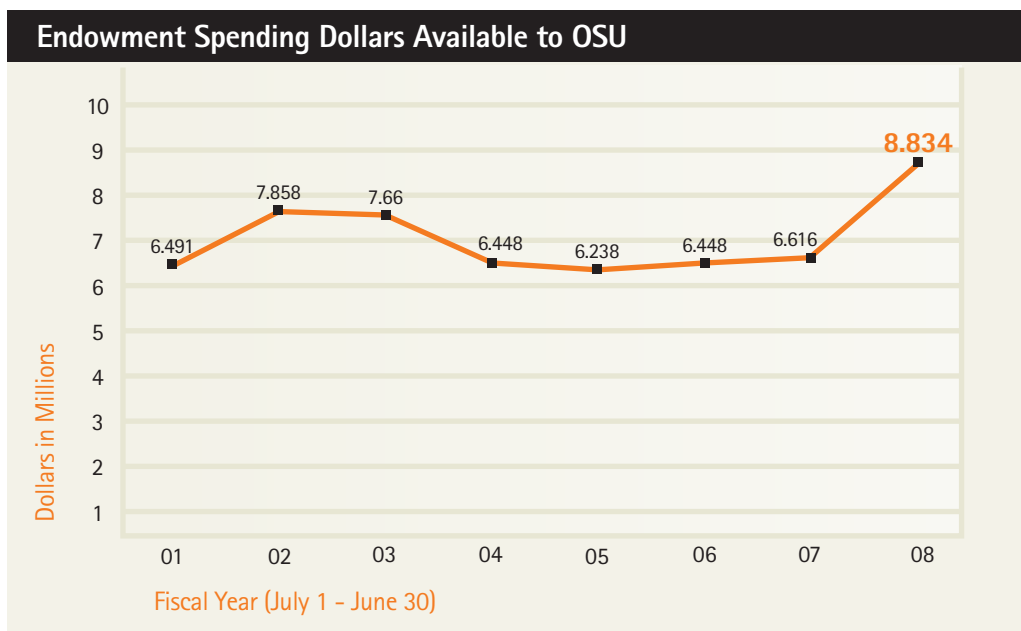


► Spending Policy

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 Trustee 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 4.2% 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. 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 FY01-FY08.



► Program Support

The Pooled Investment Fund supports university programs as designated by the donors. Programs supported by the spending policy distributions including 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.

OKLAHOMA STATE UNIVERSITY
FOUNDATION 

400 South Monroe (800) 622-4678
Stillwater, OK 74075 (405) 385-5100

OSUgiving.com