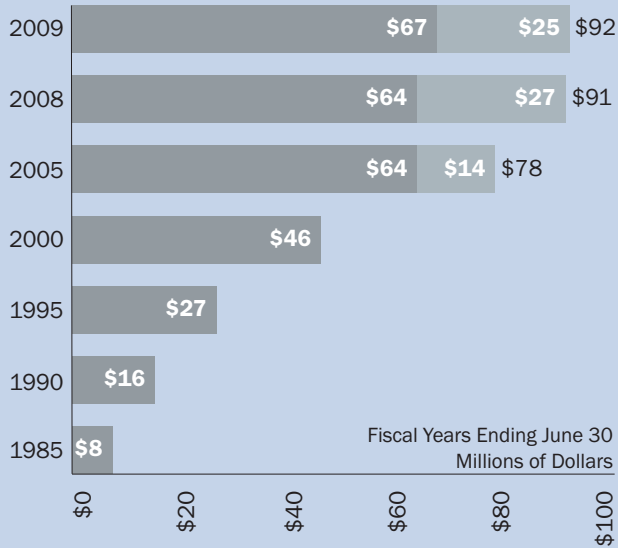
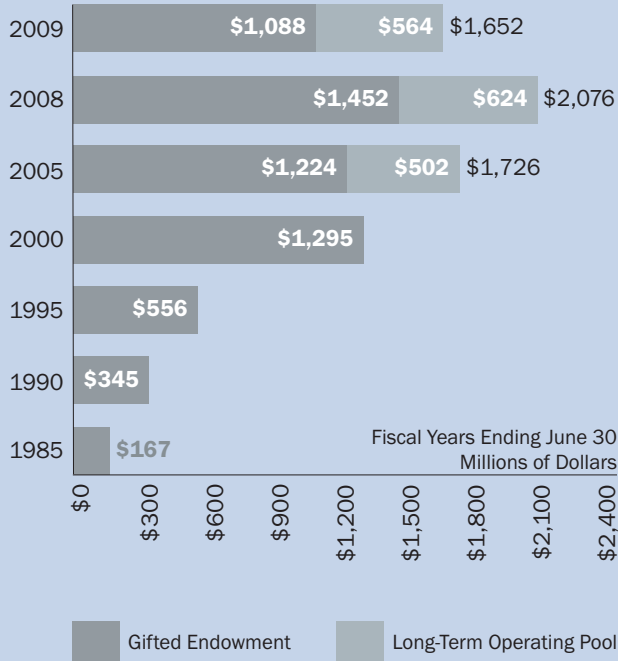


Historical Long-Term Investment Pool Distribution



Historical Long-term Investment Pool Market Value



For questions regarding expenditures from an individual named fund, or if you are interested in establishing an endowed fund, please contact

University Development Office of Donor Relations & Stewardship

1480 West Lane Avenue
Columbus, OH 43221

www.giveto.osu.edu

Call: (614) 688-4501

Toll Free: (800) 327-7907

For questions on how the Endowment Fund is invested, please contact

Office of Investments

Gateway Building C, Suite 420

1590 North High Street

Columbus, OH 43201

Call: (614) 292-7887

For details about your individual endowment fund or for the latest information on available funds, please contact

Office of Financial Services Endowment Fund Accounting & Reporting

Riverwatch Tower - Suite B

364 West Lane Avenue

Columbus, OH 43201-4340

financialservices.ohio-state.edu

(click on the Endowment link)

Call: (614) 292-6261

Toll Free: (800) 678-6009



Endowed Funds
Management
Accounting & Reporting

Office of Investments
Office of Financial Services
The Ohio State University

What is the Endowment?

The Ohio State University requires substantial, consistent and permanent funding and, by receiving such funds, the University can continue to provide strong academic programs and innovative technology. Endowment funds embody such a need.

An important objective that guides the investment of the University Endowment Fund is to preserve and maintain the real purchasing power of the fund's principal.

Gifts are invested in perpetuity, and distribution from the invested contributions is used to fund important programs and activities. A portion of the distribution may be reinvested in the fund at the request of the donor or department to further enhance the fund's buying power over time. All endowed fund gifts at Ohio State are pooled together with other long-term university assets to form the Long-Term Investment Pool. Within this pool are well-diversified U.S. and International investments that include:

- Equities
- Fixed Income
- Real Estate/Natural Resources
- Private Equity
- Absolute Return/Hedge Funds

Who Manages the Endowment?

The Office of Investments under the guidance of the Investment Committee of the Board of Trustees is responsible for managing the Endowment. The University strives to earn the highest possible return from interest, dividends, realized gains and market value increases while maintaining an appropriate level of risk. To do this, the services of external investment managers are utilized. Both the Office of Investments and the Investment Committee of the Board of Trustees closely monitor the performance of the endowment portfolio with re-allocation occurring as needed.

How is a Fund Established?

New named funds are established by the Board of Trustees upon receipt of a gift of \$25,000 or more for an unrestricted endowed fund and \$50,000 for a restricted endowed fund. Endowment descriptions are approved by the donor, the University department that is proposed to administer the fund, and the Board of Trustees.

The endowment operates similar to a mutual fund. Each named fund owns a number of shares in the University Endowment Fund based on the value of gifts to that fund. Representing a uniform portion of the fund, the number of shares owned is used to calculate the distribution to each named fund.

Determining the Value of a Share

The value of a share is determined by dividing the total current market value of the assets in the University Endowment Fund by the number of shares outstanding. Example: If the Fund was worth \$1,700,000,000 on a given date and there were 340,000 total shares, each share would be worth \$5,000. Note: This value is determined monthly by the Office of Financial Services and will increase or decrease in direct relation to the investment performance. New shares are issued monthly when gifts to new or existing endowed funds are received from University Development. Example: If a donor gave \$50,000 to start a new named fund, the fund would own ten shares ($\$50,000 / \$5,000$), and the total number of shares would increase to 340,010.

Named Fund Administration

The endowment description, authorized by the University Board of Trustees when the fund is established, states each named fund's purpose. Each fund is administered by the College or University department designated by the donor(s) and the Board of Trustees. It is the College dean's or the department chair's responsibility to make expenditures from the fund under directions set forth in the endowment description.

If distributions are not used in a given fiscal year, the College or department may carry the balance forward into the next fiscal year for purposes specified in the endowment description; or the unused distribution may be reinvested to principal, thereby securing additional shares. To obtain additional shares, some endowment descriptions automatically require unused distribution or a portion of annual distribution to be returned to principal.

Distribution

It is the University's policy to make an annual distribution, at the beginning of each fiscal year (in advance), to each fund. For fiscal year 2010, a fixed rate of \$282.02 per share was distributed. Starting in fiscal year 2011, annual distribution will equal 4.25% of the average market value per share of the endowment during the past seven years. Example: If over the last seven years, the University Endowment averaged a market value of \$6,200 per share, the spendable distribution for the upcoming year would equal \$263.50 per share ($\$6,200 \times 4.25\%$). A fund with ten shares would thus receive \$2,635 ($\263.50×10 shares) in distribution.

Built-In Growth

If annual Endowment earnings exceed annual distribution, the excess is retained in the Endowment pool. This increases the Fund's market value, increasing the base that the distribution is based upon which, in turn, enhances future distributions for each individual endowment account and helps compensate for inflation. Therefore, an individual endowment fund's principal and number of shares do not increase, but the market value will increase with excess returns. While there is no guarantee this method will keep the Fund ahead of inflation, the strategy is intended to help preserve the purchasing power of the Endowment and, thereby, ensures that the purposes for which any named fund was established are carried out indefinitely.

