INTERCOLLEGIATE ATHLETICS PROGRAM ACCOUNTS OF OKLAHOMA STATE UNIVERSITY

June 30, 2010

INTERCOLLEGIATE ATHLETICS PROGRAM ACCOUNTS
OF OKLAHOMA STATE UNIVERSITY

June 30, 2010

Audited Financial Statements

COLE+REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Regents
Oklahoma Agricultural and Mechanical Colleges

We have audited the accompanying statements of net assets of the Intercollegiate Athletics Program Accounts of Oklahoma State University (the "University Athletics Program") 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. We have also audited the financial statements of Cowboy Athletics, Inc., a separately presented component unit, as of December 31, 2009 and 2008 and for the years then ended, which collectively comprise the University Athletics Program's basic financial statements. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the University Athletics Program referred to above do not include the financial information of Cowboy Athletics. Rather a complete set of financial statements of Cowboy Athletics are presented separately.

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. The financial statements of Cowboy Athletics were audited in accordance with auditing standards generally accepted in the United States of America, but not audited in accordance with *Government Auditing Standards.* 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University Athletics Program and the separately presented component unit as of June 30, 2010 and 2009 and the changes in its net assets and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

531 Couch Drive, Suite 200
Oklahoma City, OK
73102-2251

TEL 405.239.7961
FAX 405.235.0042
WEB www.coleandreed.com

RSM McGladrey Network
An Independently Owned Member

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010, on our consideration of the University Athletics Program internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audits.

The accompanying financial statements have been prepared from the separate records maintained by management of Oklahoma State University and may not necessarily be indicative of the conditions that would have existed or the results of operations if the University Athletics Program had been operated as an unaffiliated entity. Portions of certain revenues and expenses represent allocations made from items applicable to Oklahoma State University as a whole.

The University Athletics Program has not presented Management's Discussion and Analysis that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 29, 2010

Intercollegiate Athletics Program Accounts
of Oklahoma State University

STATEMENTS OF NET ASSETS
June 30,

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 5,387,228	$ 9,330,415
Accounts receivable, net of allowances	6,076,680	1,629,267
Prepaid expenses	817,319	826,541
Total current assets	12,281,227	11,786,223
Noncurrent assets		
Cash and cash equivalents	2,346,959	1,732,334
Investments	5,961	5,720
Accounts receivable - Cowboy Athletics, Inc.	5,000,000	5,000,000
Accounts receivable - student fees	65,638	77,576
Other assets	111,360	226,805
Capital assets, net of accumulated depreciation	369,933,482	186,457,930
Total noncurrent assets	377,463,400	193,500,365
TOTAL ASSETS	389,744,627	205,286,588
LIABILITIES		
Current liabilities		
Accounts payable	57,579	54,219
Due to other University funds and accounts	111,154	117,840
Accrued expenses	80,410	74,293
Accrued interest payable	1,146,480	1,212,283
Deferred revenue	12,434,453	13,031,943
Accrued compensated absences	121,161	145,402
Current portion of revenue bonds, notes payable, and lease obligations	3,329,167	1,902,917
Total current liabilities	17,280,404	16,538,897
Noncurrent liabilities		
Accrued compensated absences	1,752,321	1,547,945
Accounts payable for capital assets	342,766	-
ODFA lease obligation	-	54,166
Notes payable	5,605,000	6,200,000
Revenue bonds payable	89,475,000	53,715,000
Total noncurrent liabilities	97,175,087	61,517,111
TOTAL LIABILITIES	114,455,491	78,056,008
NET ASSETS		
Invested in capital assets, net of debt	271,524,315	124,585,847
Unrestricted for:		
Debt Service	873,322	560,370
Capital Projects	121,532	226,805
Unrestricted - other	2,769,967	1,857,558
TOTAL NET ASSETS	$ 275,289,136	$ 127,230,580

See notes to financial statements.

Intercollegiate Athletics Program Accounts
of Oklahoma State University

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30,

	2010	2009
Revenues		
Operating revenues		
Ticket sales	$ 23,640,296	$ 20,197,401
Conference income	12,570,471	11,709,770
Multi-media	6,395,000	3,750,000
Concessions	748,270	633,201
Guarantees	249,975	576,575
Other operating revenues	3,964,337	4,130,089
Student activity fees	120,008	150,000
Total operating revenues	47,688,357	41,147,036
Expenses		
Operating expenses		
Compensation and employee benefits	20,575,919	19,410,763
Travel	4,336,502	5,359,396
Financial aid	5,113,514	4,779,059
Maintenance	1,278,729	1,132,652
Athletics and small equipment purchases	1,114,359	1,566,982
Guarantees	2,260,063	1,456,924
Insurance	679,382	399,506
Other operating expenses	9,548,004	9,473,229
Telephone	180,714	166,573
Utilities	1,371,783	1,133,535
Depreciation and amortization	5,276,634	4,804,225
Total operating expenses	51,735,603	49,682,844
Operating loss	(4,047,246)	(8,535,808)
Nonoperating revenues (expenses)		
Investment income	31,089	29,028
Athletics student fee and use tax	2,289,115	2,305,697
Gifts from OSU Foundation	2,533,000	7,198,342
Interest expense	(3,032,362)	(2,873,127)
Net nonoperating revenues	1,820,842	6,659,940
Loss before other revenues, expenses, gains and losses	(2,226,404)	(1,875,868)
Capital conributions from component unit	149,906,438	88,000
Gain on disposal of fixed assets	378,522	-
Net increase (decrease) in net assets	148,058,556	(1,787,868)
Net assets - beginning of year	127,230,580	129,018,448
Net assets - end of year	$ 275,289,136	$ 127,230,580

See notes to financial statements.

Intercollegiate Athletics Program Accounts of Oklahoma State University

STATEMENTS OF CASH FLOWS
Year Ended June 30,

	2010	2009
Cash flows from operating activities		
Ticket sales	$ 23,226,130	$ 24,573,426
Other operating receipts	19,429,262	23,846,321
Payments to employees for salaries and benefits	(20,389,667)	(19,238,716)
Payments to suppliers	(25,877,154)	(27,912,082)
Net cash provided by (used in) operating activities	(3,611,429)	1,268,949
Cash flows from noncapital financing activities		
Gifts	2,533,000	7,198,342
Cash flows from investing activities		
Purchases of investments	(3,131,759)	(1,536,170)
Proceeds from sales of investments	3,131,518	1,552,778
Interest received on investments	31,089	29,028
Net cash provided by investing activities	30,848	45,636
Cash flows from capital and related financing activities		
Cash paid for capital assets	(38,124,460)	(525,817)
Repayments of capital debt and leases	(15,847,916)	(1,842,917)
Interest paid on capital debt and leases	(3,098,165)	(2,897,916)
Proceeds of capital debt	52,500,445	-
Student fees restricted for capital projects	2,289,115	2,305,697
Net cash used in capital and related financing activities	(2,280,981)	(2,960,953)
Net increase (decrease) in cash and cash equivalents	(3,328,562)	5,551,974
Cash and cash equivalents, beginning of year	11,062,749	5,510,775
Cash and cash equivalents, end of year	$ 7,734,187	$ 11,062,749

See notes to financial statements.

Intercollegiate Athletics Program Accounts of Oklahoma State University

STATEMENTS OF CASH FLOWS - CONTINUED
Year Ended June 30,

	2010	2009
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	$ (4,047,246)	$ (8,535,808)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation and amortization	5,276,634	4,804,225
Changes in assets and liabilities		
Accounts receivable	(4,435,475)	2,946,991
Prepaid expenses	9,222	(353,644)
Accounts Payable	3,360	(2,119,475)
Due to other funds and accounts	(6,686)	29,073
Accrued payroll	6,117	(4,254)
Deferred revenue	(597,490)	4,325,720
Compensated absences	180,135	176,121
Net cash provided by (used in) operating activities	$ (3,611,429)	$ 1,268,949
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS		
Cash and cash equivalents classified as current assets	$ 5,387,228	$ 9,330,415
Cash and cash equivalents classified as noncurrent assets	2,346,959	1,732,334
	$ 7,734,187	$ 11,062,749
NONCASH CAPITAL AND RELATED FINANCING TRANSACTIONS		
Fixed assets acquired by contributions from component units	$ 149,906,438	$ 88,000
Change in accounts payable for capital assets	$ 342,766	$ -

See notes to financial statements.

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The accompanying financial statements include the accounts of the intercollegiate athletics department of Oklahoma State University (the "University"). The University is governed by the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Board of Regents") and is a component unit of the State of Oklahoma (the "State"). For purposes of these financial statements, the intercollegiate athletics department is referred to as the "University Athletics Program".

Reporting Entity: The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of the University Athletics Program, as the primary government.

Cowboy Athletics, Inc. ("CAI") is a not-for-profit Oklahoma corporation organized to support the Oklahoma State University (the "University") athletic organizations and other educational programs associated with the University. Although CAI is legally a 501(c) (3) not-for-profit organization, it follows pronouncements issued by the GASB, because it is considered a component unit of the University and its activities and operations are closely integrated with the intercollegiate athletic organizations of the University. CAI operates under a December 31 fiscal year-end. The financial statements of Athletics have been separately presented.

Financial Statement Presentation: As a component unit of the State of Oklahoma, the University (which includes the University Athletics Program) presents its financial statements in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

Basis of Accounting: The University Athletics Program's financial statements have been presented using the economic resources 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.

The University Athletics Program has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University Athletics Program has elected to not apply FASB pronouncements issued after the applicable date.

Cash Equivalents: The University Athletics Program considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Investments: The University Athletics Program accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses and changes in net assets.

Accounts Receivable: Accounts receivable generally consist of amounts due from students and faculty for athletic tickets, amounts reimbursable from the Oklahoma State University Foundation (the "OSU Foundation") and other amounts related to the operations of the athletics department. Accounts receivable are recorded net of estimated uncollectible amounts.

Noncurrent Cash and Investments: Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds or to purchase or construct capital or other noncurrent assets are classified as noncurrent assets in the statements of net assets.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University Athletics Program's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 20 to 25 years for land improvements and 5 to 7 years for equipment.

Deferred Revenue: Deferred revenue consists primarily of amounts received for athletic events and activities prior to the end of the fiscal year but related to the subsequent accounting period.

Compensated Absences: The liability and expense incurred for employee vacation pay are recorded as accrued vacation payable in the statements of net assets, and as a component of compensation and benefit expense in the statements of revenues, expenses and changes in net assets.

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable and capital lease obligations; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

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

Invested in capital assets, net of related debt: This represents the University Athletics Program's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the University Athletics Program is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent resources derived from the ongoing operations of the University Athletics Program. These resources may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University Athletics Program's policy is to use prudent decision processes to determine which resources will be applied based on availability of funding, donor intent, and returns available from idle funds

Income Taxes: The University is exempt from income taxes under Section 115(1) of the Internal Revenue Code, as amended. As a department of the University, the University Athletics Program is also exempt from income taxes.

Classification of Revenues: The University Athletics Program has classified its revenues as either operating or nonoperating revenues in accordance with the guidelines established by GASB Statement No. 34.

Reclassifications: Certain amounts in the 2009 financial statements have been reclassified to conform to the current year presentation.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

New Pronouncements: In 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. GASB No. 59 provides updates and improvements to existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. Management has determined that this Statement will not significantly effect the University's Athletics Program's financial condition or results of operations.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

At June 30, 2010 and 2009, the carrying amount of the University Athletics Program's cash and cash equivalents was $7,734,187 and $11,062,749, respectively. This amount consisted of funds held in operating accounts ($5,317,228 and $9,261,780), deposits with trustees related to the various bond indenture agreements ($1,994,021 and $1,732,334), unexpended plant funds for capital projects ($352,938 and $0) and petty cash and change funds ($70,000 and $68,635).

By Oklahoma Statute, the State Treasurer is required to ensure that all state funds are either insured by the Federal Deposit Insurance Corporation ("FDIC"), collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. Government obligations. Any deposits with the State Treasurer are pooled with funds of other state agencies, and then in accordance with statutory limitations, placed in financial institutions or invested as the State Treasurer may determine, in the State's name.

The University Athletics Program requires that balances on deposit with financial institutions be insured by the FDIC or collateralized by securities held by the cognizant Federal Reserve Bank, in the University Athletics Program's name.

Investments

At June 30, 2010 and 2009, the University Athletics Program had investments aggregating $5,961 and $5,720, respectively. These investments are held by the trustee bank as required by the bond indenture agreement. The trustee bank purchases and sells investments on behalf of the University. Investments consist of U.S. Government securities at June 30, 2010 and 2009, respectively. All investments are reported at cost, which approximates fair value.

NOTE 3 - ACCOUNTS RECEIVABLE

Current accounts receivable consisted of the following at June 30:

	2010	2009
Athletic tickets	$ 147,840	$ 131,164
Receivables from operations	5,978,090	1,540,322
	6,125,930	1,671,486
Less allowance for doubtful accounts	49,250	42,219
	$ 6,076,680	$ 1,629,267

NOTE 3 - ACCOUNTS RECEIVABLE - CONTINUED

Noncurrent accounts receivable at June 30, 2010 and 2009 includes a contribution receivable from Cowboy Athletics, Inc. (CAI) of $5,000,000 which is due in 2012. CAI invested the contribution and as a result of a decline in investment values, the University Athletics Program is not certain, as of the date the financial statements were available to be issued (October 29, 2010), whether the total amount of this receivable will be collected in 2012. The University Athletics Program is continually monitoring the status of this receivable, through review of the CAI financial statements and discussions with CAI management. If the University Athletics Program determines that this receivable has become impaired to the extent that collection, either in full or in part, is not likely, the University Athletics Program will provide an impairment loss at that time.

NOTE 4 - RELATED PARTY TRANSACTIONS

The Oklahoma State University Foundation

Nature of Relationship - The Oklahoma State University Foundation (the "OSU Foundation") is a not-for-profit corporation formed to promote and foster the educational, benevolent and scientific purposes of the University, and to create a fund to be used for any program, project or enterprise undertaken in the interest of the University, and to promote and foster educational and cultural interests in the State and southern and southwestern regions of the United States.

Description of Operations - The OSU Foundation acts largely as a fund-raising organization: soliciting, receiving, managing and disbursing contributions on behalf of the University. Most of the contributions received are designated by the donors to be used for specific departments, including the University Athletics Program. In these instances, it serves essentially as a conduit, making the funds available as needed. Related party transactions and funds held by the OSU Foundation on behalf of the University Athletics Program are as follows during fiscal years:

	2010	2009
Fund collected on behalf of the University or University Athletics Program	$ 56,117,168	$ 20,686,546
Fund disbursed to or on behalf of the University or University Athletics Program	30,885,612	34,752,790
Net assets held on behalf of or for the benefit of the University or University Athletics Program at June 30	64,220,079	38,988,523

NOTE 4 - RELATED PARTY TRANSACTIONS - CONTINUED

The Oklahoma State University Foundation - Continued

In March 2005, in connection with the renovation of the football stadium, the OSU Foundation agreed to provide up to $40,000,000 to assist the University in funding the project. The OSU Foundation and the University have entered into a financing agreement that grants the OSU Foundation a right of offset in current and future pledges received by the OSU Foundation toward the project and other funds held by the OSU Foundation for the benefit of the University Athletics Program. On July 27, 2007, an amendment to the agreement was executed which reduced the total amount available from $40,000,000 to $26,162,000 and replaced the previously designated security with a guaranty from a third party guarantor. As funds are drawn down they are reflected as capital provided by affiliates in the Statements of Revenues, Expenses and Changes in Net Assets. For the years ended June 30, 2010 and 2009, the University Athletics Program did not draw down any funds. In March 2010, CAI made a $5,162,000 payment to the OSU Foundation reducing the principal to $21,000,000. In addition, this debt was transferred to CAI in May 2010 with the same third party guarantor.

Cowboy Athletics, Inc.

Nature of Relationship - CAI is a not-for-profit Oklahoma corporation organized to support the University men's and women's golf teams, other athletic organizations affiliated with the University and other educational programs associated with the University.

CAI is governed by a seven-member Board of Directors, three of whom serve by virtue of their association with the University. The remaining four members are elected by the members. Although the University Athletics Program does not control the timing or amount of receipts from CAI, the majority of resources or income thereon that CAI holds and invests are restricted to the activities of the University Athletics Program by the donors. Because these restricted resources held by CAI can only be used by, or for the benefit of, the University Athletics Program, CAI is considered a component unit of the University Athletics Program and is separately presented.

CAI also operates a golf course ("Karsten Creek") and related facilities in Stillwater, Oklahoma. The golf course is primarily utilized as a teaching and practice facility by the University for the men's and women's golf teams. Use of the course is also open to golf course members and others based on established membership and usage fee schedules.

Net assets held on behalf of or for the benefit of the University Athletics Program by Athletics at December 31, 2009 and 2008 were $22,851,000 and $142,168,000, respectively. Net assets include a gift of $165,000,000 made directly to CAI instead of following normal processing through the OSU Foundation due to timing constraints of the gift receipt.

NOTE 5 - CAPITAL ASSETS

Following are the changes in capital assets for the years ended June 30:

	2010				
	Balance June 30, 2009	Additions	Transfers	Disposals	Balance June 30, 2010
COST OF CAPITAL ASSETS					
Buildings	$ 181,605,389	$ 149,906,438	$ 39,378,397	$ -	$ 370,890,224
Land improvements	8,483,041	-	-	-	8,483,041
Equipment	2,730,984	124,586	-	(505,810)	2,349,760
Land	39,037,764	-	-	-	39,037,764
Construction in progress	1,000,000	38,721,162	(39,378,397)	-	342,765
Total cost of capital assets	232,857,178	188,752,186	-	(505,810)	421,103,554
ACCUMULATED DEPRECIATION					
Buildings	(38,580,987)	(4,711,454)	-	-	(43,292,441)
Land improvements	(5,754,106)	(378,214)	-	-	(6,132,320)
Equipment	(2,064,155)	(186,966)	-	505,810	(1,745,311)
Total accumulated depreciation	(46,399,248)	(5,276,634)	-	505,810	(51,170,072)
NET BOOK VALUE	$ 186,457,930	$ 183,475,552	$ -	$ -	$ 369,933,482

NOTE 5 - CAPITAL ASSETS - CONTINUED

	2009				
	Balance June 30, 2008	Additions	Transfers	Disposals	Balance June 30, 2009
COST OF CAPITAL ASSETS					
Buildings	$ 181,605,389	$ -	$ -	$ -	$ 181,605,389
Land improvements	7,980,607	-	502,434	-	8,483,041
Equipment	2,615,111	115,873	-	-	2,730,984
Land	38,949,764	88,000	-	-	39,037,764
Construction in progress	1,092,490	409,944	(502,434)	-	1,000,000
Total cost of capital assets	232,243,361	613,817	-	-	232,857,178
ACCUMULATED DEPRECIATION					
Buildings	(34,314,200)	(4,266,787)	-	-	(38,580,987)
Land improvements	(5,392,639)	(361,467)	-	-	(5,754,106)
Equipment	(1,888,184)	(175,971)	-	-	(2,064,155)
Total accumulated depreciation	(41,595,023)	(4,804,225)	-	-	(46,399,248)
NET BOOK VALUE	$ 190,648,338	$ (4,190,408)	$ -	$ -	$ 186,457,930

Intercollegiate Athletics Program Accounts of Oklahoma State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2010 and 2009 is as follows:

	2010				
	Beginning balance	Additions	Reductions	Ending Balance	Current portion
Revenue bonds payable	$ 54,915,000	$ 52,385,000	$ (15,145,000)	$ 92,155,000	$ 2,680,000
Notes payable	6,775,000	-	(575,000)	6,200,000	595,000
ODFA lease obligation	182,083	-	(127,916)	54,167	54,167
	61,872,083	52,385,000	(15,847,916)	98,409,167	3,329,167
Other liabilities					
Accrued compensated absences	1,693,347	301,296	(121,161)	1,873,482	121,161
Accounts payable for capital assets	-	342,766	-	342,766	342,766
	1,693,347	644,062	(121,161)	2,216,248	463,927
	$ 63,565,430	$ 53,029,062	$ (15,969,077)	$ 100,625,415	$ 3,793,094

	2009				
	Beginning balance	Additions	Reductions	Ending Balance	Current portion
Revenue bonds payable	$ 56,070,000	$ -	$ (1,155,000)	$ 54,915,000	$ 1,200,000
Notes payable	7,340,000	-	(565,000)	6,775,000	575,000
ODFA lease obligation	305,000	-	(122,917)	182,083	127,917
	63,715,000	-	(1,842,917)	61,872,083	1,902,917
Other liabilities					
Accrued compensated absences	1,517,226	321,523	(145,402)	1,693,347	145,402
	1,517,226	321,523	(145,402)	1,693,347	145,402
	$ 65,232,226	$ 321,523	$ (1,988,319)	$ 63,565,430	$ 2,048,319

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

Revenue bonds payable consist of 1.32% to 5.01% Athletic Facilities Revenue Bonds, Series 2003 and 2004, and the General Revenue Bonds, Series 2010 A and B with an outstanding balance of $92,155,000 and $54,915,000 at June 30, 2010 and 2009, respectively, which mature in varying amounts to August 1, 2034. The Athletic Facilities Revenue Bonds, Series 2003 and 2004, and the General Revenue Bonds, Series 2010 A and B, are part of a project to construct, improve, renovate and enlarge athletic facilities.

Principal and interest on these 2003 and 2004 revenue bonds are collateralized by a pledge of revenues generated from the use and services of the University Athletics Program, dedicated use taxes, revenues derived from donor or priority seating collected by the OSU Foundation, and a security agreement extended by the OSU Foundation under which certain contributions to the OSU Foundation for athletic facilities have been pledged. The Athletic Facilities Revenue Bonds, Series 2003 and 2004, are subject to redemption prior to maturity at the option of the Board of Regents on August 1, 2013; and, August 1, 2014, respectively.

The University has secured insurance contracts with an insurance company to cover the reserve requirements in the debt agreements.

The General Revenue Bonds, Series 2010 A and B, are collateralized by a pledge of revenues of the General University. While General University revenues are pledged, the payment of these liabilities will be made by the Athletic Department.

In August 1998, the University entered into a $10,865,000 note payable agreement to fund renovations of the Gallagher-Iba Arena and the football stadium. The note was collateralized by a pledge of Section 13 and New College Funds, and is held by the Oklahoma Development Finance Authority ("ODFA"), which issued bonds to fund the renovations. This note also had a subordinate lien on the athletics revenues, subject in all respects to payments on the 1998 bonds. In August 2003, the University refunded the 1998 note payable by use of a new note payable agreement in the amount of $9,430,000. This note is also held by the ODFA and is collateralized by a pledge of Section 13 and New College Funds. It is payable in annual installments through July 1, 2018. Interest is payable semiannually each January 1 and July 1 at variable annual interest rates ranging from 3.5% to 4.35%.

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

The scheduled maturities of the revenue bonds and note payable are as follows for the years ending June 30:

	Bonds	Note	Total principal	Interest	Total Payments
2011	2,680,000	595,000	3,275,000	3,555,061	6,830,061
2012	2,105,000	610,000	2,715,000	4,113,973	6,828,973
2013	2,170,000	635,000	2,805,000	4,034,831	6,839,831
2014	2,145,000	660,000	2,805,000	3,949,278	6,754,278
2015	2,205,000	680,000	2,885,000	3,855,927	6,740,927
2016-2020	12,340,000	3,020,000	15,360,000	17,552,344	32,912,344
2021-2025	15,285,000	-	15,285,000	14,300,675	29,585,675
2026-2030	19,150,000	-	19,150,000	10,304,291	29,454,291
2031-2035	24,205,000	-	24,205,000	5,261,050	29,466,050
2035-2040	9,870,000	-	9,870,000	1,150,200	11,020,200
	$ 92,155,000	$ 6,200,000	$ 98,355,000	$ 68,077,630	$ 166,432,630

Defeased Revenue Bonds

In December 2004, the University defeased a portion of the Athletic Facilities Revenue Bonds, Series 1998, by placing funds in an irrevocable trust to provide future debt service payments of the defeased bonds. These bonds have been escrowed to maturity (August 1, 2018) and the principal balance of the defeased 1998 bonds at June 30, 2010 was $8,485,000.

In May 2010, the University defeased the remaining Athletic Facilities Revenue Bonds, Series 1998, with the issuance of the General Revenue Bonds, Series 2010A. The 1998 bonds were called on June 24, 2010, and the principal balance of the defeased bonds at June 30, 2010 was zero.

Oklahoma Development Finance Authority Master Lease Program

In March 2001, the ODFA issued the Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2001A. Of the total bond indebtedness, the State Regents for Higher Education allocated $5,560,000 to Oklahoma State University, of which $2,255,000 was designated for the University Athletics Program. Of this designation, approximately $225,000 was applied to debt service reserve funds. In addition, approximately $25,000 was applied to closing costs which are being amortized over the term of the bonds. Such amounts, net of accumulated amortization, are recorded in other assets at June 30, 2010 and 2009, respectively. At June 30, 2010 and 2009, the University Athletics Program has drawn down its entire allotment and there is no receivable remaining.

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

Future minimum lease payments under the ODFA lease obligation are as follows for the years ending June 30:

2011	$ 56,415
Less amounts representing interest	2,248
Net present value of minimum lease payments	$ 54,167

NOTE 7 - RISK MANAGEMENT

Due to the diverse risk exposure of the University and its constituent agencies, the insurance portfolio contains a comprehensive variety of coverage. Oklahoma Statutes require participation of all state agencies in basic general liability, tort claim coverage, educator's legal liability and property and casualty programs provided by the State of Oklahoma Department of Central Services Risk Management Division (the "SRMD"). In addition to these basic policies, the University's Department of Risk and Property Management establishes enterprise risk management guidelines in risk assessment, risk avoidance, risk acceptance and risk transfer.

The University and individual employees are provided sovereign immunity when performing official business within the scope of their employment under the Oklahoma Governmental Tort Claims Act. For risks not protected by sovereign immunity, it is the internal policy of the University's Risk and Property Management department to accept initial risk in the form of retention or deductibles only to the extent that funds are available from the University's general operations or a funded reserve to maintain this risk.

Beyond acceptable retention levels complete risk transfer is practiced by purchasing conventional insurance coverage directly or through the SRMD. These coverages are outlined as follows:

- The buildings and contents are insured for replacement value. Each loss incident is subject to a $500,000 deductible, of which $50,000 is the obligation of the University's Athletics Program.
- General liability and tort claim coverages (including comprehensive general liability, auto liability, personal injury liability, aircraft liability, watercraft liability, leased vehicles and equipment) are purchased by the University from the SRMD. To complement coverage provided by State Statute and to meet specific coverage requirements for special grants and/or contracts, additional coverage is purchased based on specific departmental and institutional needs and risks, but the related risks are not considered material to the University as a whole. Claim settlements have not exceeded insurance coverage in each of the past three fiscal years.

Self-Funded Programs

The University's life insurance program was self-funded through December 31, 2003. Effective January 1, 2004, life waivers for disabled employees and their dependents were all that remained in the self-funded plan. Reserves were established at the onset of disability to pay the claims. Effective January 1, 2004, the University's life coverage is handled through an insured plan.

NOTE 7 - RISK MANAGEMENT - CONTINUED

Self-Funded Programs - Continued

Through June 30, 1999, the University's health care programs were also self-funded. Effective July 1, 1999, the University terminated its self-insurance program, and participated in the State self-insurance program through December 31, 2007. Effective January 1, 2008, the University began participation in an insured program with BlueCross BlueShield of Oklahoma as the provider. The University believes that there is no exposure to pay run-off claims for the previous self-insured program at June 30, 2010.

The University's workers' compensation program is also self-funded and is administered by a third party. The University maintains a cash deposit with the administrator and reimburses the administrator for claims paid and administrative expenses on a monthly basis. Benefits provided are prescribed by State law and include lump-sum payments for rated disabilities, in addition to medical expenses and a portion of salary loss resulting from a job-related injury or illness. The University records a liability for workers' compensation in its financial statements based on annual actuarial valuations.

The University's unemployment compensation insurance program is also self-funded. Unemployment benefits that separated employees receive are determined by Oklahoma Statutes and are administered by the Oklahoma Employment Security Commission ("OESC"). As a reimbursing employer, the University is billed quarterly by the OESC for benefits paid to former employees. The Board of Regents for the Oklahoma Agricultural and Mechanical Colleges requires that the University maintain a minimum of $700,000 in reserve to cover claims. This minimum cash balance is considered each year during the rate-setting process.

NOTE 8 - COMMITMENTS AND CONTINGENT LIABILITIES

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, the ultimate resolution of these matters will not have a material adverse effect upon the University's or the University Athletics Program's financial position.

During fiscal year 2006, the Board of Regents approved a campus master plan for the University, which included the creation of an athletic village north of campus. The planned expansion includes approximately 100 acres of privately held property expected to be acquired by arms-length transactions. The land will be used to upgrade, recreate and expand virtually all athletic venues. In June 2010 and 2009, the OSU Foundation, acting as an agent for the University, acquired land for $0 and $88,000. In addition, the OSU Foundation transferred the Boone Pickens Stadium to the University Athletics Program in June 2010 at a value of $149,906,438. The acquisitions are reflected as capital provided by affiliates in the Statement of Revenues, Expenses and Changes in Net Assets of the University Athletics Program for the year ended June 30, 2010 and 2009.

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*

Board of Regents
Oklahoma Agricultural and Mechanical Colleges

We have audited the financial statements of the Intercollegiate Athletics Program Accounts of Oklahoma State University (the "University Athletics Program") as of and for the year ended June 30, 2010 and the separately presented component unit as of and for the year ended December 31, 2009 which collectively comprise the University Athletics Program's basic financial statements and have issued our report thereon dated October 29, 2010. Our report was modified to include an explanatory paragraph stating that the University Athletics Program has not presented Management's Discussion and Analysis. Cowboy Athletics, Inc. (referred to as "Cowboy Athletics", formerly OSU Cowboy Golf, Inc.), a not-for-profit Oklahoma corporation organized to support the University Athletics Program is a component unit of the University Athletics Program as defined by Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The financial statements of the University Athletics Program referred to above do not include the financial information of Cowboy Athletics. Rather a complete set of financial statements of Cowboy Athletics are presented separately. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University Athletics Program's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University Athletics Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University Athletics Program's internal control over financial reporting

A *deficiency in internal control* 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, such that there is a reasonable possibility that a material misstatement of the University Athletics Program's financial statements will not be prevented, or detected and corrected on a timely basis.

531 Couch Drive, Suite 200
Oklahoma City, OK
73102-2251

TEL 405.239.7961
FAX 405.235.0042
WEB www.coleandreed.com

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Athletics Program's 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*.

This report is intended solely for the information and use of the Fiscal Affairs Committee and Board of Regents, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 29, 2010

APPENDIX A
COWBOY ATHLETICS, INC.

Audited Consolidated Financial Statements

COWBOY ATHLETICS, INC.

December 31, 2009

Audited Consolidated Financial Statements

COWBOY ATHLETICS, INC.

December 31, 2009

Independent Auditors' Report

Board of Directors
Cowboy Athletics, Inc.
Stillwater, Oklahoma

We have audited the accompanying consolidated statements of net assets of Cowboy Athletics, Inc. and its subsidiaries (collectively referred to as "the Corporation"), as of December 31, 2009 and 2008, and the related consolidated 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 Corporation'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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The previously issued financial statements as of and for the year ended December 31, 2009 have been restated. We have audited the adjustment described in Note I that was applied to restate the 2009 financial statements. In our opinion, such adjustment is appropriate and has been properly applied.

Management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Cole & Reed P.C.

Oklahoma City, Oklahoma
June 30, 2010
(Except for Note I, as to which the date is October 5, 2010)

531 Couch Drive, Suite 200
Oklahoma City, OK
73102-2251

TEL 405.239.7961
FAX 405.235.0042
WEB www.coleandreed.com

RSM McGladrey Network
An Independently Owned Member

COWBOY ATHLETICS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) of the activities and financial performance of Cowboy Athletics, Inc. (the "Corporation") provides an introduction to the consolidated financial statements as of and for the years ended December 31, 2009 and 2008.

The Corporation (formerly OSU Cowboy Golf, Inc.) began operations in September 2003, and is a non-profit organization under §501(c) (3) of the Internal Revenue Code. The Corporation is considered a component unit of Oklahoma State University.

FINANCIAL HIGHLIGHTS

At December 31, 2009 and 2008, the Corporation's net assets were:

	December 31, 2009	December 31, 2008
Assets	$ 126,469,000	$ 226,442,000
Liabilities	$ 103,618,000	$ 84,274,000
Net assets		
Invested in capital assets	$ 15,132,000	$ 14,229,000
Restricted -		
Expendable for OSU Athletics	11,453,000	150,705,000
Non-expendable	2,562,000	2,562,000
Unrestricted net assets	(6,296,000)	(25,328,000)
Total net assets	$ 22,851,000	$ 142,168,000

For the year ended December 31, 2009, the Corporation's operating revenues were positive revenues of $42,405,000, compared to negative revenues of $166,432,000 in 2008. For the year ended December 31, 2009, the Corporation experienced a decrease in net assets of $119,317,000, compared to a decrease in net assets of $196,946,000 in 2008.

USING THIS ANNUAL REPORT

The annual report consists of three basic financial statements: the statements of net assets; the statements of revenues, expenses, and changes in net assets; and the statements of cash flows.

The statements of net assets and the statements of revenues, expenses, and changes in net assets report information on the Corporation as a whole and on its activities. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets.

These two statements report the Corporation's net assets and changes in them. The Corporation's net assets - the difference between assets and liabilities - are one way to measure the Corporation's financial health, or financial position. Over time, increases or decreases in the Corporation's net assets are an indicator of whether its financial health is improving or deteriorating. Numerous other nonfinancial factors, such as the quality of recreational services provided, the preservation of natural resources, and the condition and safety of the facilities are important in assessing the overall financial condition of the Corporation.

These statements include assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The third statement, the statements of cash flows, presents detailed information about the cash activity of the Corporation during the year. The statements are divided into five parts (when applicable). The first part presents operating cash flows and shows the net cash provided by the operating activities of the Corporation. The second section reflects cash flows from capital and related financing activities. The third section reflects cash flows from investing activities. The fourth section reconciles the net cash provided by operating activities to the operating income or loss reflected on the statements of revenues, expenses, and changes in net assets. The statements provide information regarding the entity's ability to generate future net cash flows, its ability to meet its obligations as they come due and its needs for external funding.

CONDENSED STATEMENTS OF NET ASSETS

	December 31, 2009	December 31, 2008
ASSETS		
Current assets	$ 52,157,000	$ 26,581,000
Noncurrent assets	74,312,000	199,861,000
Total Assets	126,469,000	226,442,000
LIABILITIES		
Current liabilities	56,685,000	20,908,000
Noncurrent liabilities	46,933,000	63,366,000
Total Liabilities	103,618,000	84,274,000
NET ASSETS		
Invested in capital assets, net	15,132,000	14,229,000
Restricted		
Expendable for OSU Athletics	11,453,000	150,705,000
Non-expendable	2,562,000	2,562,000
Unrestricted	(6,296,000)	(25,328,000)
Total Net Assets	$ 22,851,000	$ 142,168,000

At December 31, 2009 and 2008, current assets consisted primarily of cash and cash equivalents, short-term investments, and prepaid interest expense. Noncurrent assets consisted of long-term investments; cash surrender value of life insurance policies, and capital assets, net of accumulated depreciation.

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following summarizes the Corporation's statements of revenues, expenses, and changes in net assets for the years ended December 31, 2009 and 2008:

	2009		2008	
OPERATING REVENUES				
Contributions	$ 33,859,000	79.9%	$ 91,750,000	-55.1%
Food and beverage	1,755,000	4.1%	1,527,000	-0.9%
Golf course operations	1,873,000	4.4%	2,027,000	-1.2%
Investment income	4,918,000	11.6%	(261,736,000)	157.2%
Total Operating Revenues	42,405,000	100.0%	(166,432,000)	100.0%
OPERATING EXPENSES				
Salaries and benefits	1,643,000	18.9%	1,438,000	6.0%
Life insurance expense	3,138,000	36.1%	12,905,000	53.5%
OSU budgetary contribution	389,000	4.5%	6,366,000	26.4%
Depreciation	618,000	7.1%	598,000	2.5%
Other operating expenses	2,908,000	33.4%	2,802,000	11.6%
Total Operating Expenses	8,696,000	100.0%	24,109,000	100.0%
Operating Income (loss)	33,709,000		(190,541,000)	
NONOPERATING EXPENSES				
Interest expense	2,851,000		4,715,000	
Other capital contributions to OSU	150,175,000		1,690,000	
Total Nonoperating Expenses	153,026,000		6,405,000	
Change in net assets	(119,317,000)		(196,946,000)	
Net Assets at Beginning of Year	142,168,000		339,114,000	
Net Assets at End of Year	$ 22,851,000		$ 142,168,000	

Operating revenues administered by the Corporation for the current period are listed with their respective percentages (as a percentage of total operating revenues).

Operating expenses incurred by the Corporation for the current period are listed with their respective percentages (as a percentage of total operating expenses).

Nonoperating expenses are primarily comprised of interest expense and capital contributions to OSU.

CONDENSED STATEMENTS OF CASH FLOWS

The primary purpose of the statements of cash flows is to provide information about the cash receipts and disbursements of an entity during a period. This statement also aids in the assessment of an entity's ability to generate future cash flows, ability to meet obligations as they come due, and needs for external financing. The following summarizes the Corporation's cash flows for the years ended December 31, 2009 and 2008:

	2009	2008
Cash Provided (Used) By		
Operating activities	$ 25,817,000	$ 64,157,000
Capital financing activities	(6,595,000)	(163,994,000)
Investing activities	(21,300,000)	106,775,000
Net change in cash	(2,078,000)	6,938,000
Cash at Beginning of Year	7,523,000	585,000
Cash at End of Year	$ 5,445,000	$ 7,523,000

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets at December 31, 2009 and 2008

At December 31, 2009 and 2008, the Corporation had $69,220,000 and $191,588,000, respectively, invested in capital assets, net of accumulated depreciation of $4,627,000 and $4,009,000, respectively. Depreciation charges totaled $618,000 and $598,000 for the years ended December 31, 2009 and 2008, respectively.

More detailed information about the Corporation's capital assets is presented in Note D to the financial statements.

Outstanding Debt at December 31, 2009 and 2008

At December 31, 2009 and 2008, the Corporation had $92,816,000 and $68,273,000, respectively, in debt outstanding, of which $50,883,000 and $9,907,000, respectively, was considered current and $41,933,000 and $58,366,000, respectively, was considered noncurrent.

More detailed information about the Corporation's outstanding debt is presented in Note E of the financial statements.

CONSOLIDATED STATEMENTS OF NET ASSETS

COWBOY ATHLETICS, INC.

	December 31 2009	December 31 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 5,445,000	$ 7,523,000
Investments	41,481,000	17,094,000
Restricted investments	2,644,000	1,517,000
Derivative instrument	651,000	-
Receivables, net	757,000	149,000
Inventories	155,000	249,000
Prepaid and other	1,024,000	49,000
TOTAL CURRENT ASSETS	52,157,000	26,581,000
NONCURRENT ASSETS		
Restricted investments	2,562,000	2,562,000
Cash surrender value of life insurance policies	2,530,000	5,711,000
Capital assets		
Capital assets being depreciated, net	10,916,000	9,281,000
Capital assets not being depreciated	58,304,000	182,307,000
	69,220,000	191,588,000
TOTAL NONCURRENT ASSETS	74,312,000	199,861,000
TOTAL ASSETS	126,469,000	226,442,000
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	2,765,000	3,656,000
Accrued expenses	397,000	255,000
Retainage payable	2,336,000	6,657,000
Other current liabilities	20,000	141,000
Unearned revenues	284,000	292,000
Current portion of long-term debt	50,883,000	9,907,000
TOTAL CURRENT LIABILITIES	56,685,000	20,908,000
NONCURRENT LIABILITIES		
Contribution payable to related party	5,000,000	5,000,000
Long-term debt, net of current portion	41,933,000	58,366,000
TOTAL NONCURRENT LIABILITIES	46,933,000	63,366,000
TOTAL LIABILITIES	103,618,000	84,274,000
NET ASSETS		
Invested in capital assets, net of related debt	15,132,000	14,229,000
Restricted		
Expendable for OSU Athletics	11,482,000	150,705,000
Non-expendable	2,562,000	2,562,000
Unrestricted net assets	(6,325,000)	(25,328,000)
TOTAL NET ASSETS	$ 22,851,000	$ 142,168,000

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

COWBOY ATHLETICS, INC.

	Year Ended December 31, 2009	Year Ended December 31, 2008
OPERATING REVENUES		
Contributions		
Unrestricted	$ 33,859,000	$ 85,616,000
Restricted: expendable	-	4,100,000
Restricted: non-expendable	-	2,034,000
Food and beverage	1,755,000	1,527,000
Golf course rounds	386,000	469,000
Golf course pro shop	270,000	294,000
Golf course lodge	185,000	180,000
Golf course membership	776,000	857,000
Golf instruction	75,000	68,000
Other revenue	181,000	159,000
Interest and dividends	53,000	64,000
Realized and unrealized gains (losses)	4,865,000	(261,800,000)
TOTAL OPERATING REVENUES	42,405,000	(166,432,000)
OPERATING EXPENSES		
Food and beverage cost of goods sold	1,125,000	1,190,000
Golf course proshop cost of goods sold	170,000	191,000
Life insurance premiums	3,138,000	12,905,000
Contributions to OSU for budget support	389,000	6,366,000
Salaries	1,643,000	1,438,000
Depreciation	618,000	598,000
Professional fees	284,000	206,000
Supplies	145,000	164,000
Insurance	233,000	180,000
Repairs and maintenance	171,000	188,000
Payroll and property taxes	145,000	133,000
Equipment rental	110,000	113,000
Utilities	168,000	159,000
Laundry service	51,000	53,000
Credit card processing fees	49,000	49,000
Fuel	15,000	26,000
Other operating expenses	242,000	150,000
TOTAL OPERATING EXPENSES	8,696,000	24,109,000
NET OPERATING INCOME (LOSS)	33,709,000	(190,541,000)
NONOPERATING EXPENSES		
Interest expense	2,851,000	4,715,000
Capital contributions to OSU	150,175,000	1,690,000
NONOPERATING EXPENSES	153,026,000	6,405,000
CHANGE IN NET ASSETS	(119,317,000)	(196,946,000)
NET ASSETS AT BEGINNING OF PERIOD	142,168,000	339,114,000
NET ASSETS AT END OF PERIOD	$ 22,851,000	$ 142,168,000

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

COWBOY ATHLETICS, INC.

	Year Ended December 31, 2009	Year Ended December 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash contributions received from the OSU Foundation and others	$ 33,859,000	$ 91,750,000
Cash received from members and guests	3,012,000	3,634,000
Cash received from investment income	53,000	63,000
Cash paid to suppliers and employees	(11,150,000)	(13,970,000)
Cash (paid) received for life insurance policies	43,000	(17,320,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,817,000	64,157,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment for acquisition of capital assets	(28,173,000)	(77,462,000)
Interest paid on capital debt	(2,713,000)	(6,464,000)
Acquisition of capital debt	40,572,000	96,279,000
Repayment of capital debt	(16,029,000)	(174,657,000)
Capital contributions to the OSU	(252,000)	(1,690,000)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(6,595,000)	(163,994,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(21,300,000)	(25,613,000)
Proceeds from sale of investments	-	132,388,000
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(21,300,000)	106,775,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,078,000)	6,938,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,523,000	585,000
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 5,445,000	$ 7,523,000

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS--Continued

COWBOY ATHLETICS, INC.

	Year Ended December 31, 2009	Year Ended December 31, 2008
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	$ 33,709,000	$ (190,541,000)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation expense	618,000	598,000
Realized and unrealized (gains) losses on investments	(4,865,000)	261,800,000
Changes in assets and liabilities		
Accounts receivable	(608,000)	31,000
Inventory	94,000	(161,000)
Prepaid and other assets	(975,000)	(38,000)
Cash surrender value of life insurance policies	3,181,000	(4,415,000)
Accounts payable, accrued expenses, and other current liabilities	(5,329,000)	(3,166,000)
Unearned revenues	(8,000)	49,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 25,817,000	$ 64,157,000

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

COWBOY ATHLETICS, INC.

December 31, 2009

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Cowboy Athletics, Inc. is a not-for-profit Oklahoma corporation organized to support the Oklahoma State University (the "University") athletic organizations and other educational programs associated with the University. The Corporation changed its name from OSU Cowboy Golf, Inc. effective May 9, 2006 and is the sole member of the following wholly owned subsidiaries: OSU Cowboy Golf, L.L.C., OSU Cowboy Dining, L.L.C., and Cowboy Athletic Facilities, L.L.C. Cowboy Athletics, Inc. is governed by a Board of Directors, and is a component unit of the University.

OSU Cowboy Golf, L.L.C. ("Golf") is a not-for-profit Oklahoma limited liability company organized to operate a golf course ("Karsten Creek") and related facilities in Stillwater, Oklahoma. The golf course is primarily utilized as a teaching and practice facility by the University. Use of the course is also open to golf course members and others based on established membership and usage fee schedules.

OSU Cowboy Dining, L.L.C. ("Dining") is a not-for-profit Oklahoma limited liability company which is organized to provide dining services for the University's athletic department and other events as approved by management. Cowboy Spirit, Inc. is a not-for-profit Oklahoma corporation organized for the benefit of OSU Cowboy Dining, L.L.C.

Cowboy Athletic Facilities, L.L.C. ("Facilities") is a not-for-profit Oklahoma limited liability company organized to conduct construction activities for the benefit of the University.

Oklahoma State University Foundation Holding Company, Inc. ("OSUF Holding Company") is a for-profit Oklahoma corporation organized to provide financial oversight of its wholly owned subsidiary, Cowboy Land Development, Inc. ("Land"). Land is a corporation organized to acquire, develop and sell real estate surrounding Karsten Creek.

Cowboy Athletics, Inc., and it subsidiaries are hereafter collectively referred to as the "Corporation".

Reporting Entity: The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, includes the consolidated accounts of the Corporation. The Corporation has no component units. The Corporation is a component unit of the University, and its financial statements are discretely presented in the financial statements of the University.

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Basis of Accounting: For financial reporting purposes, the Corporation is considered a special-purpose government engaged only in business-type activities. Accordingly, the Corporation's consolidated financial statements have been presented using the economic resources 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. All significant internal activity has been eliminated.

Although the Corporation is legally a 501(c) (3) not-for-profit organization, the Corporation follows pronouncements issued by the GASB, because it is considered a component unit of the University and its activities and operations are closely integrated with the intercollegiate athletic organizations of the University. The Corporation has the option to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Corporation has elected to not apply FASB pronouncements issued after the applicable date.

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosed contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

Revenue Recognition: The Corporation's revenues consist primarily of contributions from the private sector, including individuals and corporations, green fees, pro shop sales, food and beverage sales, and membership fees. Under the terms of an agreement between the University, OSU Foundation ("Foundation") and the Corporation, all charitable gifts made for use by the University's Department of Intercollegiate Athletics will continue to be received, processed and administered by the Foundation. Upon the written direction of the Vice President for Athletic Programs and Director of Intercollegiate Athletics, such contributions may be transferred to the Corporation at which time the Corporation recognizes contribution revenue. Other contributions are recorded when received or when a donor has announced an intention to give, and the Corporation believes that collection is probable. Green fees are recognized when earned. Food, beverage, and pro shop sales are recorded when a sale is made - essentially on the cash basis. Membership fees are assessed on a calendar year basis, are non-refundable and are recognized in the year for which they apply. Membership fees received prior to the year for which they apply are recorded as unearned revenues in the consolidated statements of net assets.

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Tax Status: The Corporation, as a non-profit organization, is excluded from federal income taxes under Section 501(a) of the Internal Revenue Code.

Cash and Cash Equivalents: The Corporation considers all demand deposit accounts to be cash or cash equivalents. Investments with original maturities of 90 days or less are also considered to be cash equivalents; however, other similar investments which are maintained in investment accounts are considered investments.

Investments: Through an investment manager that is also on the board of directors, the Corporation primarily invests in limited partnerships to promote growth of the Corporation's investments. Investments in the limited partnerships are reported at fair value in the consolidated statements of net assets. Changes in the fair value of these investments are reported as investment income in the consolidated statements of revenues, expenses, and changes in net assets. The Corporation also maintains investments in equity securities, which are recorded at fair value. Investments are classified as current or noncurrent based on management's intent of selling such investments during the year following the consolidated statements of net assets date and the expected purpose for which they will be used. Investments that management expects may be sold in the year following the consolidated statements of net assets date are presented as current investments. Investments which are expected to be used to fund capital assets or held for permanent endowment are presented as noncurrent investments. See further discussion of these investments at Note B.

Derivative instruments: The Corporation invests in investment derivative instruments, primarily commodity futures contracts, which are recorded at fair market value based on quoted market prices in the consolidated statements of net assets. Changes in fair value of these instruments are reported as investment income in the consolidated statements of revenues, expenses, and changes in net assets.

Inventories: Inventories are stated at the lower of cost (first in, first out method) or market (net realizable sales value).

Capital Assets, Net: Capital assets are recorded at cost at the date of acquisition, or fair market value at the contribution date if donated. The Corporation's capitalization policy includes all items with a unit cost of $750 or more, and an estimated useful life of greater than one year. Renovations to building, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Capital Assets, Net--Continued: Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5-40 years for buildings and improvements and 3-10 years for furniture, fixtures, and equipment.

Cash Surrender Value of Life Insurance Policies: The Corporation has purchased universal-life insurance policies on twenty-eight participating donors naming the Corporation as the beneficiary of the insurance policies which had initial death benefits of $10,000,000 per policy which adjusts throughout the year and as premiums are paid. The insurance company issued individual certificates for each insured when the policies were purchased. Cash surrender values of the life insurance policies representing the value of funds available to the Corporation had they terminated the policies at December 31, 2009 and 2008 was $2,530,000 and $5,711,000, respectively, which is presented in the consolidated statements of net assets. Premiums paid for these life insurance policies during 2009 and 2008 was $0 and $17,319,000, respectively.

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

Invested in capital assets, net of related debt: This represents the Corporation's total investment in capital assets, net of outstanding debt obligations related to those capital assets. Construction in progress which is to be contributed to the University upon completion based on donors' restrictions is included in restricted net assets - expendable.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the Corporation is legally or contractually obligated to spend resources in accordance with restrictions imposed by donors.

Restricted net assets – non-expendable: Restricted non-expendable net assets include resources in which the Corporation is legally or contractually obligated to maintain in perpetuity. Generally, the donors of these assets permit the Corporation to use all or part of the income earned on any related investments for general or specific purposes.

Unrestricted net assets: Unrestricted net assets represent resources that may be used at the discretion of the governing board to meet current expenses for any purpose.

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Classification of Revenues: The Corporation has classified its revenues as either operating or nonoperating revenues. Operating revenues include transactions that constitute the Corporation's principal ongoing operations, such as contributions to support University athletics, investment income, membership fees, and green fees. Nonoperating revenues consist of other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.* At December 31, 2009 and 2008, the Corporation had no nonoperating revenues.

Risk Management: The Corporation manages its exposure to various risks of loss through the purchase of commercial insurance coverage, including commercial property, comprehensive general liability, environmental impairment liability, automobile liability, workers' compensation, employer's liability and liquor liability.

Reclassifications: Certain amounts in the 2008 financial statements have been reclassified to conform to the financial statement presentation used in 2009.

NOTE B--DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation has cash and cash equivalents on deposit in financial institutions of $940,000 and $963,000 at December 31, 2009 and 2008, respectively, that are fully insured by the Federal Depository Insurance Corporation ("FDIC"). At December 31, 2009 and 2008, the Corporation has cash and cash equivalents on deposit with a financial institution of $1,661,000 and $1,607,000, respectively, which are in excess of FDIC limits. The financial institution has collateralized the deposits with a pool of securities held in the financial institution's name. Additionally, the Corporation has deposits in repurchase agreements of $3,022,000 and $4,997,000 at December 31, 2009 and 2008, respectively, which are not insured by the FDIC but are secured by the respective financial institution with securities of the United States Government.

NOTE B--DEPOSITS AND INVESTMENTS--Continued

At December 31, 2009 and 2008, the Corporation had the following investments:

	2009	2008
Energy equity fund limited partnerships	$ 26,557,000	$ 17,706,000
Energy fund limited partnerships	5,664,000	278,000
Equity securities	4,786,000	3,146,000
Money market fund	9,680,000	43,000
	$ 46,687,000	$ 21,173,000

Interest Rate Risk: The Corporation does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2009, the Corporation is not invested in any instruments with stated maturities.

Credit Risk: The Corporation's investments are primarily managed by BP Capital, owned by one of the Board members. In accordance with the Corporation's conflict of interest policy, BP Capital does not charge the Corporation a management fee for its investment advisory services. The Corporation's investments are not restricted to an investment asset allocation policy.

Investments in money market funds and publicly traded equity securities are recorded at fair value, as determined by quoted market prices.

The investments in the limited partnerships are recorded at the Corporation's initial investment in the partnerships, adjusted for a portion of the partnerships' investment performance allocated to the Corporation, as reported by the investment manager. Investments held in these partnerships are not evidenced by securities that exist in physical or book entry form. The objective of the energy equity fund limited partnerships is to achieve capital appreciation through investments in securities of, or related to companies engaged in the energy, energy-dependent, and natural resources industries and energy-related commodities. The objective of the energy fund limited partnership is to engage in speculative trading of energy and energy-related commodities, futures contracts, swaps, options on futures contracts and physical commodities, spot (cash) commodities, and any rights pertaining thereto and interests therein approved by the Commodities Futures Trading Commission ("CFTC") for investment in customer funds.

NOTE B--DEPOSITS AND INVESTMENTS--Continued

The Corporation's lack of diversification in investments significantly increases the risk that, in the event of a prolonged downturn in the energy equities or commodity markets, the Corporation's investments and their return on investments could be significantly affected. These limited partnerships have received an unqualified report from their independent auditors for the years ended December 31, 2009 and 2008.

NOTE C--DERIVATIVE INSTRUMENTS

During 2009, the Corporation entered into various commodity futures contracts which are considered investment derivative instruments. Following is a summary of the open commodity futures contracts at December 31, 2009:

Description	Number of Open Contracts	Average Purchase Price per unit	Fair Market Value per unit at December 31, 2009	Change in Fair Value during 2009	Fair Market Value at December 31, 2009
June 2010 NY Lt Crude	155	$ 79.84	$ 81.59	$ 271,000	$ 271,000
December 2010 NY Lt Crude	50	78.93	84.13	260,000	260,000
December 2011 NY Lt Crude	20	81.03	87.05	120,000	120,000
Total				$ 651,000	$ 651,000

Credit Risk: The Corporation's derivative instruments are managed by one of the Board members through an account with Rosenthal Collins Group LLC, a regulated Futures Commission Merchant. In accordance with the Corporation's conflict of interest policy, the Corporation is not charged a management fee for the investment advisory services received. The Corporation's investments are not restricted to an investment asset allocation policy. The Corporation's investment in commodity futures contracts is speculative and changes in the fair market value of such investments may fluctuate significantly, and may do so in the near term.

NOTE D--CAPITAL ASSETS, NET

Capital asset activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Non-Depreciable Assets:					
Land	$ 1,774,000	$ 121,000	$ -	$ -	$ 1,895,000
Non-depreciable golf course equipment	2,442,000	-	-	-	2,442,000
Construction in process - projects to be transferred to the University	176,953,000	26,927,000	(149,923,000)	-	53,957,000
Construction in process - ongoing operations	1,138,000	995,000	-	(2,123,000)	10,000
Total non-depreciable assets	182,307,000	28,043,000	(149,923,000)	(2,123,000)	58,304,000
Capital Assets being Depreciated:					
Buildings	7,359,000	9,000	-	1,907,000	9,275,000
Depreciable golf course improvements	3,545,000	25,000	-	-	3,570,000
Furniture & equipment	670,000	41,000	-	155,000	866,000
Golf course equipment	1,716,000	55,000	-	61,000	1,832,000
Total capital assets being depreciated	13,290,000	130,000	-	2,123,000	15,543,000
Less accumulated depreciation					
Buildings	858,000	222,000	-	-	1,080,000
Depreciable golf course improvements	1,697,000	139,000	-	-	1,836,000
Furniture & equipment	418,000	74,000	-	-	492,000
Golf course equipment	1,036,000	183,000	-	-	1,219,000
Total accumulated depreciation	4,009,000	618,000	-	-	4,627,000
Net depreciable assets	9,281,000	(488,000)	-	-	10,916,000
Capital assets, net	$ 191,588,000	$ 27,555,000	$ (149,923,000)	$ -	$ 69,220,000

NOTE D--CAPITAL ASSETS, NET--Continued

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Non-Depreciable Assets:					
Land	$ 1,372,000	$ 402,000	$ -	$ -	$ 1,774,000
Non-depreciable golf course equipment	2,442,000	-	-	-	2,442,000
Construction in process - projects to be transferred to the University	101,143,000	75,810,000	-	-	176,953,000
Construction in process - ongoing operations	-	1,138,000	-	-	1,138,000
Total non-depreciable assets	104,957,000	77,350,000	-	-	182,307,000
Capital Assets being Depreciated:					
Buildings	7,338,000	21,000	-	-	7,359,000
Depreciable golf course improvements	3,541,000	4,000	-	-	3,545,000
Furniture & equipment	650,000	20,000	-	-	670,000
Golf course equipment	1,649,000	67,000	-	-	1,716,000
Total capital assets being depreciated	13,178,000	112,000	-	-	13,290,000
Less accumulated depreciation					
Buildings	654,000	204,000	-	-	858,000
Depreciable golf course improvements	1,559,000	138,000	-	-	1,697,000
Furniture & equipment	344,000	74,000	-	-	418,000
Golf course equipment	854,000	182,000	-	-	1,036,000
Total accumulated depreciation	3,411,000	598,000	-	-	4,009,000
Net depreciable assets	9,767,000	(486,000)	-	-	9,281,000
Capital assets, net	$ 114,724,000	$ 76,864,000	$ -	$ -	$ 191,588,000

NOTE E--LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Long-term debt					
Promissory note	$ 49,878,000	$ 122,000	$ (10,000,000)	$ 40,000,000	$ 6,667,000
Promissory note	8,500,000	-	-	8,500,000	-
Note payable	-	11,977,000	-	11,977,000	11,977,000
Note payable	9,735,000	28,473,000	(6,000,000)	32,208,000	32,208,000
Note payable	160,000	-	(29,000)	131,000	31,000
Total long-term debt	68,273,000	40,572,000	(16,029,000)	92,816,000	50,883,000
Other liabilities					
Contributions payable	5,000,000	-	-	5,000,000	-
Total long-term liabilities	$ 73,273,000	$ 40,572,000	$ (16,029,000)	$ 97,816,000	$ 50,883,000

Long-term liability activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Long-term debt					
Credit agreement	$ 117,255,000	$ 47,514,000	$ (164,769,000)	$ -	$ -
Promissory note	20,710,000	33,771,000	(4,603,000)	49,878,000	9,878,000
Promissory note	8,500,000	-	-	8,500,000	-
Loan agreement	-	5,259,000	(5,259,000)	-	-
Note payable	-	9,735,000	-	9,735,000	-
Note payable	186,000	-	(26,000)	160,000	29,000
Total long-term debt	146,651,000	96,279,000	(174,657,000)	68,273,000	9,907,000
Other liabilities					
Contributions payable	5,000,000	-	-	5,000,000	-
Total long-term liabilities	$ 151,651,000	$ 96,279,000	$ (174,657,000)	$ 73,273,000	$ 9,907,000

NOTE E--LONG-TERM LIABILITIES--Continued

The Corporation purchased a parcel of land adjacent to the golf course from an individual for $350,000. The purchase agreement required a $25,000 down payment with the remaining $325,000 to be paid in annual payments, including interest, of approximately $41,000 through January 1, 2012. The note bears interest at a rate of 5% through January 1, 2008, increasing to 8% thereafter. The note payable balance as of December 31, 2009 and 2008 was $131,000 and $160,000, respectively. The note is secured by the land and related improvements. The purchase agreement also provided the seller would maintain a life tenancy interest in the property and its related improvements. The seller is responsible for all repairs, maintenance, and insurance for the property during the life tenancy interest.

In January 2006, the Corporation entered into an $8,500,000 promissory note with a financial institution. The note had an original maturity of January 4, 2007, but has been re-financed to a maturity date of January 4, 2012. At December 31, 2009 and 2008, the outstanding principal on the note is $8,500,000 each year. Accrued interest on outstanding principal amounts are payable quarterly with unpaid principal and interest accrued due at maturity. The note bears interest at the greater of the Wall Street Journal prime rate minus one percent or four percent (4.0% at December 31, 2009) and is personally guaranteed by a related party.

In October 2007, the Corporation entered into a $50,000,000 promissory note with a financial institution which matured in March 2009 at which time $40,000,000 was renewed for repayment to begin in 2010 with final maturity in March 2015. At December 31, 2009 and 2008, the outstanding principal on the note was $40,000,000 and $49,878,000, respectively. Accrued interest on outstanding principal amounts under the renewed note are payable monthly with annual principal payments of $6,667,000 due each March until 2015. The note bears interest at the greater of the Wall Street Journal prime rate plus one percent or six percent (6.00% at December 31, 2009) and is personally guaranteed by a related party and proceeds from the life insurance policies.

NOTE E--LONG-TERM LIABILITIES--Continued

Effective January 17, 2007, the Corporation entered into a credit agreement with a financial institution under which the Corporation may receive loans or letters of credit up to $200,000,000. Accrued interest on outstanding principal amounts were payable quarterly with unpaid principal and accrued interest due at maturity. The credit agreement incurred interest at the one-month LIBOR plus 0.60% and was secured by the Corporation's energy equity fund limited partnership investment. The Corporation was charged an up-front fee of $100,000 for this credit agreement and incurred a non-use fee equal to 0.075% per annum of the daily excess of the commitment amount over the total outstanding principal. The Corporation entered into various interest rate swap agreements converting portions of the outstanding principle of the credit agreement from a variable interest rate to a synthetic fixed interest rate. This credit agreement was repaid in 2008 and the interest rate swap agreements were closed out. As a result of terminating the swap agreements before their scheduled maturity dates, the Corporation included a termination payment equal to the fair market value of the swap agreements of $4,680,000 which is included in interest expense in the accompanying consolidated statements of revenues, expenses, and changes in net assets.

In August 2008, the Corporation entered into a loan agreement with a financial institution for a revolving line of credit to the Corporation up to $12,000,000 subject to a borrowing base which is collateralized by securities as further discussed in the related Pledge Agreement. The loan agreement bears interest at the BBA Libor daily floating rate plus nine tenths (0.9) percentage points and expired in September 2009. Accrued interest on outstanding principal amounts are payable monthly with unpaid principal and interest due at maturity. Additionally, a non-use fee equal to 0.075% per annum of the daily excess of the commitment amount over the total outstanding principal is charged. There was no outstanding principal balance at December 31, 2008 and expired during 2009.

In December 2008, the Corporation entered into a promissory note with the Foundation to borrow funds up to $38,000,000 which matures in December 2010. At December 31, 2009 and 2008, the outstanding principal on the note was $32,208,000 and $9,735,000, respectively. Accrued interest on outstanding principal amounts under the note is payable quarterly with unpaid principal and interest accrued due at maturity. The note bears interest at seven and one-tenth percent (7.1%) per annum through June 30, 2010. Beginning July 1, 2010, all principal sums outstanding under the note will bear interest at an annual rate equal to the greater of seven and one-tenth percent (7.1%) or the Wall Street Journal prime rate plus two percent. This note is secured by current and future pledges received by the Foundation toward the West End Zone, specified investment securities, revenues derived from the lease, sale or rent of suites in the West End Zone, and mortgages on various real estate holdings of the Corporation.

NOTE E--LONG-TERM LIABILITIES--Continued

In 2009, the Corporation entered into various demand promissory notes with Mr. T. Boone Pickens which have an aggregate outstanding balance of $11,977,000 at December 31, 2009. The notes have a maturity date of the earlier to occur of demand for payment or May 31, 2010. The notes bear interest at the Plains Capital Bank stated prime rate (3.25% at December 31, 2010) and are not collateralized.

In June 2007, the Corporation and the University entered into an agreement for the Corporation to receive and hold a $5,000,000 contribution until no later than June 2012 at which time the $5,000,000 would be transferred to the University. This amount is recorded as a contribution payable to related party in the accompanying consolidated statements of net assets.

As of December 31, 2009, debt service requirements of the long-term liabilities, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate interest payments will vary.

	Principal	Interest	Total
Years Ending December 31:			
2010	$ 50,883,000	$ 2,150,000	$ 53,033,000
2011	6,700,000	1,648,000	8,348,000
2012	20,234,000	905,000	21,139,000
2013	6,667,000	500,000	7,167,000
2014	6,666,000	500,000	7,166,000
2015 & After	6,666,000	500,000	7,166,000
	$ 97,816,000	$ 6,203,000	$ 104,019,000

NOTE F--RELATED PARTY TRANSACTIONS

At December 31, 2009 and 2008, the Corporation has a payable to the Foundation of $0 and $130,000, respectively, to reimburse the Foundation for payments related to on-going property acquisitions for the University's athletic department. Additionally, the Corporation entered into a note payable with the Foundation during 2008 which has an outstanding balance of $32,208,000 and $9,735,000 at December 31, 2009 and 2008, respectively (see Note E).

The Corporation entered into various demand promissory notes with Mr. T. Boone Pickens, member of the Corporation's Board of Directors, in 2009 which have an outstanding balance of $11,977,000 as of December 31, 2009 (see note E).

NOTE F--RELATED PARTY TRANSACTIONS--Continued

As discussed in Note E, at December 31, 2009 and 2008, the Corporation has recorded a contribution payable to the University totaling $5,000,000 for use in the University's athletic department.

Capital assets totaling $149,923,000 were contributed to the University during 2009.

NOTE G--COMMITMENTS AND CONTINGENCIES

At December 31, 2009, Facilities had significant construction in process on several projects which will be contributed or sold to the University upon completion. Approximately $53,957,000 has been spent on projects still in progress at December 31, 2009 and is included in capital assets in the accompanying statements of net assets. Management's estimated cost to complete these projects is approximately $60,238,000.

The Corporation is a party to various matters of litigation. Management believes that the ultimate outcome of the matters will not have a material effect on the Corporation's financial position or results of operations.

NOTE H--GOING CONCERN CONSIDERATIONS AND SUBSEQUENT EVENTS

Going concern considerations for the Corporation primarily relate to its ability to meet debt payment obligations as they become due. At December 31, 2009, the Corporation's total long-term debt is $92,816,000 as compared to its unrestricted cash, cash equivalents and investments of $40,182,000 at December, 31, 2009. Management has been actively addressing this going concern with the sale of portions of the capital improvements to the "West End Zone" to the University and satisfying debt maturities due in 2010 through the issuance of new debt instruments.

NOTE H--GOING CONCERN CONSIDERATIONS AND SUBSEQUENT EVENTS--Continued

In March 2010, the Corporation entered into an agreement with the University and the Foundation under which the University agreed to purchase improvements to the "West End Zone" from the Corporation for $38,000,000 which occurred in May 2010. The Corporation used those proceeds to repay the outstanding note balance to the Foundation which totaled $32,208,000 at December 31, 2009. As part of the agreement, the Corporation has agreed to assume a note previously payable from the University to the Foundation of approximately $26,162,000 with all accrued interest and all principal in excess of $21,000,000 to be paid by the Corporation by March 31, 2010. The remaining $21,000,000 will be payable in five equal annual installments of principal, with interest on the outstanding principal balance payable on the date of each principal payment.

In March 2010, the various demand promissory notes due to Mr. T. Boone Pickens totaling $11,977,000 at December 31, 2009 were renewed to a maturity date of the earlier to occur of demand for payment or May 31, 2011.

On March 26, 2010, the Corporation entered into another demand promissory note for $12,216,000 with Mr. T. Boone Pickens with a maturity date of the earlier to occur of demand for payment or February 28, 2011. This promissory note provides funding for the approximate amount due to the Foundation for the note assumed from the University as discussed above and $6,667,000 for principal payments due to another financial institution in 2010.

The above transactions address the debt payment obligations for 2010. Based upon these transactions, management believes the Corporation will continue as a going concern and has the ability to meet its debt obligations as they come due.

In June 2010, the Corporation agreed to pay $352,000 of additional architectural fees as a result of non-binding mediation for services rendered prior to December 31, 2009.

NOTE I--RECLASSIFICATION OF CAPITAL CONTRIBUTIONS

The Corporation has restated its December 31, 2009 financial statements to reclassify capital contributions to OSU from operating expenses to nonoperating expenses in the consolidated statements of revenues, expenses, and changes in net assets.