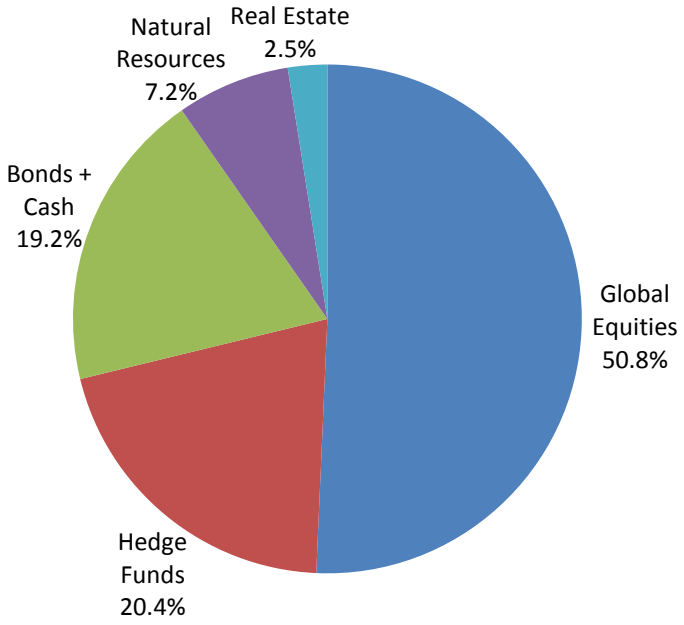
The University of Arkansas FOUNDATION, INC.

Preliminary Results for the Quarter Ended June 30, 2010

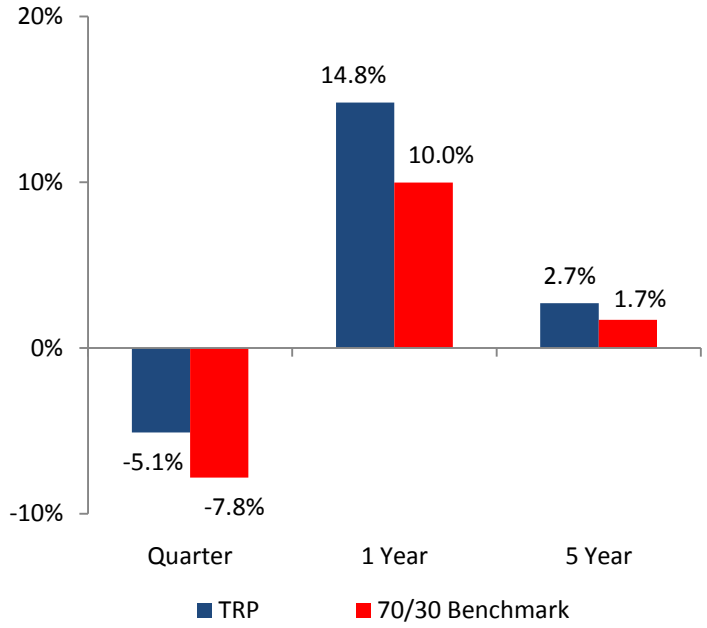
Total Return Pool (Endowment)

The University of Arkansas Foundation supports the University of Arkansas System by administering and investing private gifts benefiting the campuses and units of the University of Arkansas System. The Foundation invests private endowed gifts in a single, highly diversified investment pool (the Total Return Pool) pursuant to an investment policy designed to maintain, over the long-term, a target return of 8-9% per annum. The market value of the Total Return Pool as of June 30, 2010, was approximately $909.9 million.

Asset Allocation



Performance



Commentary

The Total Return Pool returned -5.1% for the quarter ending June 30. It was a difficult quarter, with global equities falling nearly 13% due to Europe's fiscal woes and data indicating the global economic recovery was slowing. The portfolio was partially supported by a flat return to the non-marketable portfolio, a 1% return to bonds and a -4.2% return to the hedge fund portfolio.

The Pool had a terrific return of 14.8% for the full fiscal year, comparing favorably to its return objective, peer returns and policy benchmark. Highlights include a 36% return to the emerging market portfolio and an 18% return from non-marketable investments, including investments focused on distressed securities. The hedge fund portfolio returned 13% and reduced the short-term volatility of the total portfolio. Four of the five major segments of the Total Return Pool outperformed their benchmark.

The overall portfolio is positioned fairly close to its target allocations, with a slight overweight to hedge funds and underweight in global equities to increase the hedge against the heightened market volatility.