

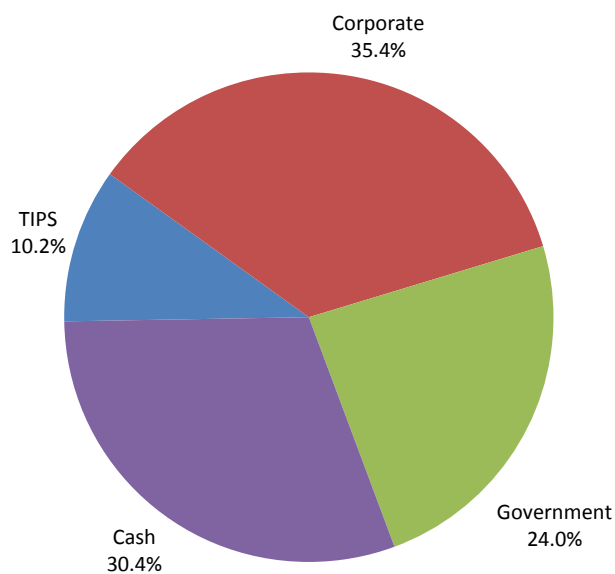
The University of Arkansas FOUNDATION, INC.

For the quarter ended December 31, 2010

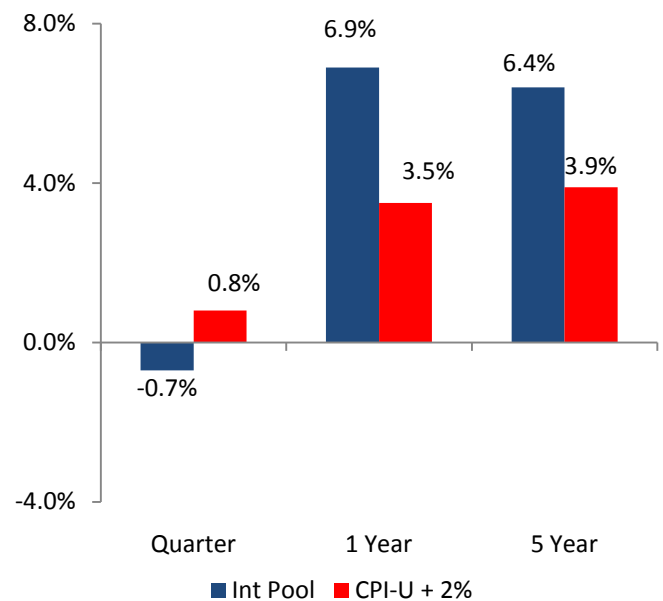
Intermediate Pool (non-endowed)

The University of Arkansas Foundation also supports the University of Arkansas System by administering and investing non-endowed private gifts benefiting the campuses and units of the University of Arkansas System. The Foundation invests private non-endowed gifts with a three to five year investment horizon in a single investment pool (the Intermediate Pool). The Intermediate Pool's primary investment objective is to exceed the rate of inflation by 200 basis points over three to five year periods while maintaining a high level of liquidity for pool participants. With the preservation of capital being an important consideration, the Foundation seeks to achieve reasonable consistency of return on a year-to-year basis while recognizing the inherent volatility of securities markets on a short-term basis. The market value of the Intermediate Pool as of December 31, 2010, was approximately \$322.5 million.

Asset Allocation



Performance



Commentary

The Intermediate Pool returned -0.7% in the fourth quarter as rising interest rates negatively impacted bond holdings reflecting investor caution about the potential long-term inflationary impact of further quantitative easing. The portfolio's government bond holdings were hardest hit with a return of -1.6% during the quarter followed by a -1.2% return for its intermediate-term corporate bonds. TIPS holdings fared slightly better with a return of -0.7%. For the fiscal year-to-date, the portfolio has generated a positive 2.1% return.

The portfolio benefitted from an increase in its cash allocation which helped to "lock-in" some of the earlier gains and protect against the market decline that occurred when yields rose.