Form **990-PF**

Department of the Treasury
Internal Revenue Service

Return of Private Foundation
or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation

Note: The foundation may be able to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0052

2009

For calendar year 2009, or tax year beginning 7/01 , 2009, and ending 6/30 , 2010

G Check all that apply [ ] Initial return [ ] Initial Return of a former public charity [ ] Final return
[ ] Amended return [ ] Address change [ ] Name change

Use the IRS label. Otherwise, print or type. See Specific Instructions

SHELTON FAMILY FOUNDATION
P.O. BOX 2791
ABILENE, TX 79604

A Employer identification number: 75-2655885

B Telephone number (see the instructions): (325) 676-7724

C If exemption application is pending, check here ► [ ]

D 1 Foreign organizations, check here ► [ ]

2 Foreign organizations meeting the 85% test, check here and attach computation ► [ ]

E If private foundation status was terminated under section 507(b)(1)(A), check here ► [ ]

F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here ► [ ]

H Check type of organization [X] Section 501(c)(3) exempt private foundation
[ ] Section 4947(a)(1) nonexempt charitable trust [ ] Other taxable private foundation

I Fair market value of all assets at end of year *(from Part II, column (c), line 16)* ► $ 48,162,313.

J Accounting method [X] Cash [ ] Accrual
[ ] Other (specify)
(Part I, column (d) must be on cash basis)

Part I Analysis of Revenue and Expenses *(The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see the instructions))*

		(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
REVENUE	1 Contributions, gifts, grants, etc, received (att sch)				
	2 Ck ► [X] if the foundn is not req to att Sch B				
	3 Interest on savings and temporary cash investments	54,256.	54,256.	N/A	
	4 Dividends and interest from securities	1,267,415.	1,267,415.		
	5a Gross rents				
	b Net rental income or (loss)				
	6a Net gain/(loss) from sale of assets not on line 10	3,121,373.			
	b Gross sales price for all assets on line 6a 7,992,374.				
	7 Capital gain net income (from Part IV line 2)		3,121,373.		
	8 Net short-term capital gain				
	9 Income modifications				
	10a Gross sales less returns and allowances				
	b Less Cost of goods sold				
	c Gross profit/(loss) (att sch)				
	11 Other income (attach schedule)				
	12 **Total.** Add lines 1 through 11	4,443,044.	4,443,044.		
OPERATING AND ADMINISTRATIVE EXPENSES	13 Compensation of officers, directors, trustees, etc	166,550.	41,638.		124,912.
	14 Other employee salaries and wages	76,773.	19,193.		57,580.
	15 Pension plans, employee benefits	29,650.	7,413.		22,237.
	16a Legal fees (attach schedule)				
	b Accounting fees (attach sch) SEE ST 1	10,210.	2,553.		7,657.
	c Other prof fees (attach sch) SEE ST 2	3,528.	882.		2,646.
	17 Interest				
	18 Taxes (attach schedule)(see instr) SEE STM 3	29,835.	3,969.		9,016.
	19 Depreciation (attach sch) and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings	7,654.	1,914.		5,740.
	22 Printing and publications				
	23 Other expenses (attach schedule) SEE STATEMENT 4	20,293.	7,645.		12,648.
	24 **Total operating and administrative expenses.** Add lines 13 through 23	344,493.	85,207.		242,436.
	25 Contributions, gifts, grants paid PART XV	1,170,170.			1,170,170.
	26 **Total expenses and disbursements.** Add lines 24 and 25	1,514,663.	85,207.		1,412,606.
	27 Subtract line 26 from line 12:				
	a **Excess of revenue over expenses and disbursements**	2,928,381.			
	b **Net investment income** (if negative, enter -0-)		4,357,837.		
	C **Adjusted net income** (if negative, enter 0)				

RECEIVED
AUG 1 7 2010
OGDEN, UT
E1-325
IRS-OSC

SCANNED AUG 2 6 2010

Part II Balance Sheets

Attached schedules and amounts in the description column should be for end of-year amounts only (See instructions)

		Beginning of year (a) Book Value	End of year (b) Book Value	End of year (c) Fair Market Value
ASSETS	1 Cash – non-interest-bearing			
	2 Savings and temporary cash investments	2,384,526.	1,186,203.	1,186,203.
	3 Accounts receivable ▶			
	Less allowance for doubtful accounts ▶			
	4 Pledges receivable ▶			
	Less allowance for doubtful accounts ▶			
	5 Grants receivable			
	6 Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see the instructions)			
	7 Other notes and loans receivable (attach sch) ▶			
	Less allowance for doubtful accounts ▶			
	8 Inventories for sale or use			
	9 Prepaid expenses and deferred charges			
	10a Investments – U S and state government obligations (attach schedule)	1,007,315.		
	b Investments – corporate stock (attach schedule) STATEMENT 5	32,628,709.	28,323,385.	34,971,175.
	c Investments – corporate bonds (attach schedule)			
	11 Investments – land, buildings, and equipment basis ▶			
	Less accumulated depreciation (attach schedule) ▶			
	12 Investments – mortgage loans			
	13 Investments – other (attach schedule) STATEMENT 6	2,596,000.	11,975,999.	11,928,935.
	14 Land, buildings, and equipment basis ▶			
	Less accumulated depreciation (attach schedule) ▶			
	15 Other assets (describe ▶ SEE STATEMENT 7)	16,656.	76,000.	76,000.
	16 **Total assets** (to be completed by all filers – see instructions Also, see page 1, item I)	38,633,206.	41,561,587.	48,162,313.
LIABILITIES	17 Accounts payable and accrued expenses			
	18 Grants payable			
	19 Deferred revenue			
	20 Loans from officers, directors, trustees, & other disqualified persons			
	21 Mortgages and other notes payable (attach schedule)			
	22 Other liabilities (describe ▶)			
	23 **Total liabilities** (add lines 17 through 22)	0.	0.	
NET ASSETS OR FUND BALANCES	**Foundations that follow SFAS 117, check here ▶ [X] and complete lines 24 through 26 and lines 30 and 31.**			
	24 Unrestricted	38,633,206.	41,561,587.	
	25 Temporarily restricted			
	26 Permanently restricted			
	Foundations that do not follow SFAS 117, check here ▶ [ ] and complete lines 27 through 31.			
	27 Capital stock, trust principal, or current funds			
	28 Paid-in or capital surplus, or land, building, and equipment fund			
	29 Retained earnings, accumulated income, endowment, or other funds			
	30 **Total net assets or fund balances** (see the instructions)	38,633,206.	41,561,587.	
	31 **Total liabilities and net assets/fund balances** (see the instructions)	38,633,206.	41,561,587.	

Part III Analysis of Changes in Net Assets or Fund Balances

1	Total net assets or fund balances at beginning of year – Part II, column (a), line 30 (must agree with end-of-year figure reported on prior year's return)	1	38,633,206.
2	Enter amount from Part I, line 27a	2	2,928,381.
3	Other increases not included in line 2 (itemize) ▶	3	
4	Add lines 1, 2, and 3	4	41,561,587.
5	Decreases not included in line 2 (itemize) ▶	5	
6	Total net assets or fund balances at end of year (line 4 minus line 5) – Part II, column (b), line 30	6	41,561,587.

Part IV Capital Gains and Losses for Tax on Investment Income

(a) List and describe the kind(s) of property sold (e g , real estate, 2-story brick warehouse, or common stock, 200 shares MLC Company)	(b) How acquired P — Purchase D — Donation	(c) Date acquired (month, day, year)	(d) Date sold (month, day, year)
1a HARTE HANKS STOCK	D	VARIOUS	VARIOUS
b WESTERN UNION	P	VARIOUS	VARIOUS
c VARIAN MEDICAL SYSTEMS	P	5/27/09	2/05/10
d MSCI INC-A	P	VARIOUS	VARIOUS
e			

	(e) Gross sales price	(f) Depreciation allowed (or allowable)	(g) Cost or other basis plus expense of sale	(h) Gain or (loss) (e) plus (f) minus (g)
a	7,941,371.		4,825,056.	3,116,315.
b	24,290.		21,793.	2,497.
c	9,520.		7,548.	1,972.
d	17,193.		16,604.	589.
e				

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69

	(i) Fair Market Value as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of column (i) over column (j), if any	(l) Gains (Column (h) gain minus column (k), but not less than -0-) or Losses (from column (h))
a				3,116,315.
b				2,497.
c				1,972.
d				589.
e				

2 Capital gain net income or (net capital loss) — If gain, also enter in Part I, line 7; If (loss), enter -0- in Part I, line 7	2	3,121,373.
3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6) If gain, also enter in Part I, line 8, column (c) (see the instructions) If (loss), enter -0- in Part I, line 8	3	5,058.

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to the section 4940(a) tax on net investment income.)

If section 4940(d)(2) applies, leave this part blank

Was the foundation liable for the section 4942 tax on the distributable amount of any year in the base period? ☐ Yes ☒ No

If 'Yes,' the foundation does not qualify under section 4940(e) Do not complete this part

1 Enter the appropriate amount in each column for each year, see the instructions before making any entries

(a) Base period years Calendar year (or tax year beginning in)	(b) Adjusted qualifying distributions	(c) Net value of noncharitable-use assets	(d) Distribution ratio (column (b) divided by column (c))
2008	4,334,560.	37,777,691.	0.114739
2007	6,131,813.	79,015,080.	0.077603
2006	5,978,486.	120,307,054.	0.049694
2005	6,674,464.	127,342,321.	0.052414
2004	5,297,703.	130,952,437.	0.040455

2 **Total** of line 1, column (d)	2	0.334905
3 Average distribution ratio for the 5-year base period — divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years	3	0.066981
4 Enter the net value of noncharitable-use assets for 2009 from Part X, line 5	4	51,458,245.
5 Multiply line 4 by line 3	5	3,446,725.
6 Enter 1% of net investment income (1% of Part I, line 27b)	6	43,578.
7 Add lines 5 and 6	7	3,490,303.
8 Enter qualifying distributions from Part XII, line 4	8	1,412,606.

If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate See the Part VI instructions

Part VI Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948 – see the instructions)

1 a	Exempt operating foundations described in section 4940(d)(2), check here ► [ ] and enter 'N/A' on line 1 Date of ruling or determination letter: _______ (attach copy of letter if necessary - see instr.)			
b	Domestic foundations that meet the section 4940(e) requirements in Part V, check here ► [ ] and enter 1% of Part I, line 27b		1	87,157.
c	All other domestic foundations enter 2% of line 27b Exempt foreign organizations enter 4% of Part I, line 12, column (b)			
2	Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-)		2	0.
3	Add lines 1 and 2		3	87,157.
4	Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-)		4	0.
5	**Tax based on investment income.** Subtract line 4 from line 3. If zero or less, enter -0-		5	87,157.
6	Credits/Payments			
a	2009 estimated tax pmts and 2008 overpayment credited to 2009	6a 76,000.		
b	Exempt foreign organizations – tax withheld at source	6b		
c	Tax paid with application for extension of time to file (Form 8868)	6c		
d	Backup withholding erroneously withheld	6d		
7	Total credits and payments Add lines 6a through 6d		7	76,000.
8	Enter any **penalty** for underpayment of estimated tax Check here [ ] if Form 2220 is attached		8	
9	**Tax due** If the total of lines 5 and 8 is more than line 7, enter amount owed ►		9	11,157.
10	**Overpayment** If line 7 is more than the total of lines 5 and 8, enter the amount overpaid ►		10	
11	Enter the amount of line 10 to be Credited to 2010 estimated tax ►	Refunded ►	11	

Part VII-A Statements Regarding Activities

			Yes	No
1 a	During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?	1a		X
b	Did it spend more than $100 during the year (either directly or indirectly) for political purposes (see the instructions for definition)?	1b		X
	If the answer is 'Yes' to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities			
c	Did the foundation file **Form 1120-POL** for this year?	1c		X
d	Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year **(1)** On the foundation ► $ 0. **(2)** On foundation managers ► $ 0.			
e	Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers ► $ 0.			
2	Has the foundation engaged in any activities that have not previously been reported to the IRS? *If 'Yes,' attach a detailed description of the activities*	2		X
3	Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? *If 'Yes,' attach a conformed copy of the changes*	3		X
4a	Did the foundation have unrelated business gross income of $1,000 or more during the year?	4a		X
b	If 'Yes,' has it filed a tax return on **Form 990-T** for this year?	4b	N/A	
5	Was there a liquidation, termination, dissolution, or substantial contraction during the year? *If 'Yes,' attach the statement required by General Instruction T*	5		X
6	Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	6	X	
7	Did the foundation have at least $5,000 in assets at any time during the year? *If 'Yes,' complete Part II, column (c), and Part XV*	7	X	
8a	Enter the states to which the foundation reports or with which it is registered (see the instructions) ► TX			
b	If the answer is 'Yes' to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by *General Instruction G? If 'No,' attach explanation*	8b	X	
9	Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2009 or the taxable year beginning in 2009 (see instructions for Part XIV)? *If 'Yes,' complete Part XIV*	9		X
10	Did any persons become substantial contributors during the tax year? *If 'Yes,' attach a schedule listing their names and addresses*	10		X

Part VII-A Statements Regarding Activities *Continued*

		Line	Yes	No
11	At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If 'Yes', attach schedule (see instructions)	11		X
12	Did the foundation acquire a direct or indirect interest in any applicable insurance contract before August 17, 2008?	12		X
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application?	13	X	

Website address ► N/A

14 The books are in care of ► DAVID L. COPELAND, PRESIDENT Telephone no ► (325) 676-7724

Located at ► 273 WALNUT ABILENE TX ZIP + 4 ► 79601

15 Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of **Form 1041** – Check here N/A ► ☐

and enter the amount of tax-exempt interest received or accrued during the year ► 15 N/A

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required

File Form 4720 if any item is checked in the 'Yes' column, unless an exception applies.

			Line	Yes	No
1 a	During the year did the foundation (either directly or indirectly)				
	(1) Engage in the sale or exchange, or leasing of property with a disqualified person?	☐ Yes ☒ No			
	(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person?	☐ Yes ☒ No			
	(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person?	☒ Yes ☐ No			
	(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person?	☒ Yes ☐ No			
	(5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)?	☐ Yes ☒ No			
	(6) Agree to pay money or property to a government official? (**Exception.** Check 'No' if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days)	☐ Yes ☒ No			
b	If any answer is 'Yes' to 1a(1)-(6), did **any** of the acts fail to qualify under the exceptions described in Regulations section 53 4941(d)-3 or in a current notice regarding disaster assistance (see the instructions)?		1 b		X
	Organizations relying on a current notice regarding disaster assistance check here	► ☐			
c	Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2009?		1 c		X
2	Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5))				
a	At the end of tax year 2009, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2009? If 'Yes,' list the years ► 20__ , 20__ , 20__ , 20__	☐ Yes ☒ No			
b	Are there any years listed in 2a for which the foundation is **not** applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to **all** years listed, answer 'No' and attach statement – see the instructions)		2 b	N/A	
c	If the provisions of section 4942(a)(2) are being applied to **any** of the years listed in 2a, list the years here ► 20__ , 20__ , 20__ , 20__				
3 a	Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year?	☒ Yes ☐ No			
b	If 'Yes,' did it have excess business holdings in 2009 as a result of **(1)** any purchase by the foundation or disqualified persons after May 26, 1969, **(2)** the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest, or **(3)** the lapse of the 10-, 15-, or 20-year first phase holding period? *(Use Schedule C, Form 4720, to determine if the foundation had excess business holdings in 2009)*		3 b		X
4 a	Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?		4 a		X
b	Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2009?		4 b		X

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required *(continued)*

5a During the year did the foundation pay or incur any amount to:

(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))? ☐ Yes ☒ No

(2) Influence the outcome of any specific public election (see section 4955), or to carry on, directly or indirectly, any voter registration drive? ☐ Yes ☒ No

(3) Provide a grant to an individual for travel, study, or other similar purposes? ☐ Yes ☒ No

(4) Provide a grant to an organization other than a charitable, etc, organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)? (see instructions) ☐ Yes ☒ No

(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals? ☐ Yes ☒ No

b If any answer is 'Yes' to 5a(1)-(5), did **any** of the transactions fail to qualify under the exceptions described in Regulations section 53.4945 or in a current notice regarding disaster assistance (see instructions)? **5b** N/A

Organizations relying on a current notice regarding disaster assistance check here ► ☐

c If the answer is 'Yes' to question 5a(4), does the foundation claim exemption from the tax because it maintained expenditure responsibility for the grant? N/A ☐ Yes ☐ No

If 'Yes,' attach the statement required by Regulations section 53.4945-5(d)

6a Did the foundation, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? ☐ Yes ☒ No

b Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract? **6b** No: X

If 'Yes' to 6b, file Form 8870

7a At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction? ☐ Yes ☒ No

b If yes, did the foundation receive any proceeds or have any net income attributable to the transaction? **7b** N/A

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors

1 List all officers, directors, trustees, foundation managers and their compensation (see instructions).

(a) Name and address	**(b)** Title and average hours per week devoted to position	**(c)** Compensation **(If not paid, enter -0-)**	**(d)** Contributions to employee benefit plans and deferred compensation	**(e)** Expense account, other allowances
SEE STATEMENT 8		166,550.	16,393.	0.

2 Compensation of five highest-paid employees (other than those included on line 1 — see instructions). If none, enter 'NONE.'

(a) Name and address of each employee paid more than $50,000	**(b)** Title and average hours per week devoted to position	**(c)** Compensation	**(d)** Contributions to employee benefit plans and deferred compensation	**(e)** Expense account, other allowances
MITTIE BLACKBURN P.O. BOX 2791 ABILENE, TX 79604	32	59,369.	7,637.	0.

Total number of other employees paid over $50,000 ► 0

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors *(continued)*

3 Five highest-paid independent contractors for professional services – (see instructions). If none, enter 'NONE.'

(a) Name and address of each person paid more than $50,000	(b) Type of service	(c) Compensation
NONE		

Total number of others receiving over $50,000 for professional services ►	0

Part IX-A Summary of Direct Charitable Activities

List the foundation's four largest direct charitable activities during the tax year. Include relevant statistical information such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc.	Expenses
1 N/A	
2	
3	
4	

Part IX-B Summary of Program-Related Investments (see instructions)

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2	Amount
1 N/A	
2	
All other program-related investments See instructions 3	
Total. Add lines 1 through 3 ►	0.

Part X Minimum Investment Return (All domestic foundations must complete this part. Foreign foundations, see instructions.)

1 Fair market value of assets not used (or held for use) directly in carrying out charitable, etc, purposes			
a Average monthly fair market value of securities		1a	50,332,461.
b Average of monthly cash balances		1b	1,909,412.
c Fair market value of all other assets (see instructions)		1c	
d **Total** (add lines 1a, b, and c)		1d	52,241,873.
e Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1e 4,719,848.		
2 Acquisition indebtedness applicable to line 1 assets		2	0.
3 Subtract line 2 from line 1d		3	52,241,873.
4 Cash deemed held for charitable activities Enter 1-1/2% of line 3 (for greater amount, see instructions)		4	783,628.
5 **Net value of noncharitable-use assets.** Subtract line 4 from line 3 Enter here and on Part V, line 4		5	51,458,245.
6 **Minimum investment return.** Enter 5% of line 5		6	2,572,912.

Part XI Distributable Amount (see instructions) (Section 4942(j)(3) and (j)(5) private operating foundations and certain foreign organizations check here ► ☐ and do not complete this part.)

1 Minimum investment return from Part X, line 6		1	2,572,912.
2a Tax on investment income for 2009 from Part VI, line 5	2a 87,157.		
b Income tax for 2009. (This does not include the tax from Part VI)	2b		
c Add lines 2a and 2b		2c	87,157.
3 Distributable amount before adjustments Subtract line 2c from line 1		3	2,485,755.
4 Recoveries of amounts treated as qualifying distributions		4	
5 Add lines 3 and 4		5	2,485,755.
6 Deduction from distributable amount (see instructions)		6	
7 **Distributable amount** as adjusted Subtract line 6 from line 5 Enter here and on Part XIII, line 1		7	2,485,755.

Part XII Qualifying Distributions (see instructions)

1 Amounts paid (including administrative expenses) to accomplish charitable, etc, purposes		
a Expenses, contributions, gifts, etc — total from Part I, column (d), line 26	1a	1,412,606.
b Program-related investments — total from Part IX-B	1b	
2 Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc, purposes	2	
3 Amounts set aside for specific charitable projects that satisfy the		
a Suitability test (prior IRS approval required)	3a	
b Cash distribution test (attach the required schedule)	3b	
4 **Qualifying distributions** Add lines 1a through 3b Enter here and on Part V, line 8, and Part XIII, line 4	4	1,412,606.
5 Foundations that qualify under section 4940(e) for the reduced rate of tax on net investment income Enter 1% of Part I, line 27b (see instructions)	5	
6 **Adjusted qualifying distributions.** Subtract line 5 from line 4	6	1,412,606.

Note: The amount on line 6 will be used in Part V, column (b), in subsequent years when calculating whether the foundation qualifies for the section 4940(e) reduction of tax in those years

Part XIII Undistributed Income (see instructions)

	(a) Corpus	(b) Years prior to 2008	(c) 2008	(d) 2009
1 Distributable amount for 2009 from Part XI, line 7				2,485,755.
2 Undistributed income, if any, as of the end of 2009				
a Enter amount for 2008 only			1,104,467.	
b Total for prior years 20___, 20___, 20___		0.		
3 Excess distributions carryover, if any, to 2009.				
a From 2004				
b From 2005				
c From 2006				
d From 2007				
e From 2008				
f **Total** of lines 3a through e	0.			
4 Qualifying distributions for 2009 from Part XII, line 4: ► $ 1,412,606.				
a Applied to 2008, but not more than line 2a			1,104,467.	
b Applied to undistributed income of prior years (Election required — see instructions)		0.		
c Treated as distributions out of corpus (Election required — see instructions)	0.			
d Applied to 2009 distributable amount				308,139.
e Remaining amount distributed out of corpus	0.			
5 Excess distributions carryover applied to 2009 *(If an amount appears in column (d), the same amount must be shown in column (a).)*	0.			0.
6 **Enter the net total of each column as indicated below:**				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	0.			
b Prior years' undistributed income. Subtract line 4b from line 2b		0.		
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed		0.		
d Subtract line 6c from line 6b. Taxable amount — see instructions		0.		
e Undistributed income for 2008. Subtract line 4a from line 2a. Taxable amount — see instructions			0.	
f Undistributed income for 2009. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2010				2,177,616.
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see instructions)	0.			
8 Excess distributions carryover from 2004 not applied on line 5 or line 7 (see instructions)	0.			
9 **Excess distributions carryover to 2010.** Subtract lines 7 and 8 from line 6a	0.			
10 Analysis of line 9				
a Excess from 2005				
b Excess from 2006				
c Excess from 2007				
d Excess from 2008				
e Excess from 2009				

Part XIV **Private Operating Foundations** (see instructions and Part VII-A, question 9) N/A

1 a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2009, enter the date of the ruling ▶

b Check box to indicate whether the foundation is a private operating foundation described in section ☐ 4942(j)(3) or ☐ 4942(j)(5)

	Tax year	Prior 3 years			
	(a) 2009	**(b)** 2008	**(c)** 2007	**(d)** 2006	**(e) Total**
2 a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed					
b 85% of line 2a					
c Qualifying distributions from Part XII, line 4 for each year listed					
d Amounts included in line 2c not used directly for active conduct of exempt activities					
e Qualifying distributions made directly for active conduct of exempt activities Subtract line 2d from line 2c					
3 Complete 3a, b, or c for the alternative test relied upon					
a 'Assets' alternative test – enter **(1)** Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b 'Endowment' alternative test – enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed					
c 'Support' alternative test – enter **(1)** Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii)					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income					

Part XV **Supplementary Information (Complete this part only if the organization had $5,000 or more in assets at any time during the year – see instructions.)**

1 Information Regarding Foundation Managers:

a List any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than $5,000). (See section 507(d)(2))

NONE

b List any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest

NONE

2 Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc, Programs:

Check here ▶ ☐ if the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds If the foundation makes gifts, grants, etc, (see instructions) to individuals or organizations under other conditions, complete items 2a, b, c, and d

a The name, address, and telephone number of the person to whom applications should be addressed

SEE STATEMENT 9

b The form in which applications should be submitted and information and materials they should include

SEE STATEMENT FOR LINE 2A

c Any submission deadlines

SEE STATEMENT FOR LINE 2A

d Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors

SEE STATEMENT FOR LINE 2A

Part XV | **Supplementary Information** (continued)

3 Grants and Contributions Paid During the Year or Approved for Future Payment

Recipient Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
a *Paid during the year*				
SEE ATTACHED SCHEDULE-PAGE 15	N/A	PUBLIC	VARIOUS	1,170,170.
,				
Total			▶ **3a**	1,170,170.
b *Approved for future payment*				
SEE ATTACHED SCHEDULE				812,000.
,				
Total			▶ **3b**	812,000.

Part XVI-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated.	Unrelated business income		Excluded by section 512, 513, or 514		(e) Related or exempt function income (see the instructions)
	(a) Business code	(b) Amount	(c) Exclusion code	(d) Amount	
1 Program service revenue.					
a					
b					
c					
d					
e					
f					
g Fees and contracts from government agencies					
2 Membership dues and assessments					
3 Interest on savings and temporary cash investments			14	54,256.	
4 Dividends and interest from securities			14	1,267,415.	
5 Net rental income or (loss) from real estate					
a Debt-financed property					
b Not debt-financed property					
6 Net rental income or (loss) from personal property					
7 Other investment income					
8 Gain or (loss) from sales of assets other than inventory			18	3,121,373.	
9 Net income or (loss) from special events					
10 Gross profit or (loss) from sales of inventory					
11 Other revenue					
a					
b					
c					
d					
e					
12 Subtotal Add columns (b), (d), and (e)				4,443,044.	

13 **Total.** Add line 12, columns (b), (d), and (e) 13 4,443,044.

(See worksheet in the instructions for line 13 to verify calculations)

Part XVI-B Relationship of Activities to the Accomplishment of Exempt Purposes

Line No. ▼	Explain below how each activity for which income is reported in column (e) of Part XVI-A contributed importantly to the accomplishment of the foundation's exempt purposes (other than by providing funds for such purposes) (See the instructions)
N/A	

Part XVII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

			Yes	No
1	Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?			
a	Transfers from the reporting foundation to a noncharitable exempt organization of			
	(1) Cash	1 a (1)		X
	(2) Other assets	1 a (2)		X
b	Other transactions			
	(1) Sales of assets to a noncharitable exempt organization	1 b (1)		X
	(2) Purchases of assets from a noncharitable exempt organization	1 b (2)		X
	(3) Rental of facilities, equipment, or other assets	1 b (3)		X
	(4) Reimbursement arrangements	1 b (4)		X
	(5) Loans or loan guarantees	1 b (5)		X
	(6) Performance of services or membership or fundraising solicitations	1 b (6)		X
c	Sharing of facilities, equipment, mailing lists, other assets, or paid employees	1 c		X

d If the answer to any of the above is 'Yes,' complete the following schedule Column **(b)** should always show the fair market value of the goods, other assets, or services given by the reporting foundation If the foundation received less than fair market value in any transaction or sharing arrangement, show in column **(d)** the value of the goods, other assets, or services received

(a) Line no.	(b) Amount involved	(c) Name of noncharitable exempt organization	(d) Description of transfers, transactions, and sharing arrangements
N/A			

2a Is the foundation directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? ☐ Yes ☒ No

b If 'Yes,' complete the following schedule

(a) Name of organization	(b) Type of organization	(c) Description of relationship
N/A		

SIGN HERE

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete Declaration of preparer (other than taxpayer or fiduciary) is based on all information of which preparer has any knowledge

► [signature] | 8/12/10 | ► President

Signature of officer or trustee | Date | Title

Paid Preparer's Use Only			
Preparer's signature ► Joe Milam, CPA	Date 8/9/10	Check if self employed ► ☐	Preparer's Identifying number (See **Signature** in the instrs) P00158111
Firm's name (or yours if self-employed), address, and ZIP code ► DAVIS KINARD & CO, PC 400 PINE ST., STE. 600 ABILENE, TX 79601		EIN ► 75-1332266	
		Phone no ► (325) 672-4000	

TEEA0503L 07/06/09

STATEMENT 1
FORM 990-PF, PART I, LINE 16B
ACCOUNTING FEES

	(A) EXPENSES PER BOOKS	(B) NET INVESTMENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
DAVIS KINARD & COMPANY	$ 10,210.	$ 2,553.		$ 7,657.
TOTAL	$ 10,210.	$ 2,553.		$ 7,657.

STATEMENT 2
FORM 990-PF, PART I, LINE 16C
OTHER PROFESSIONAL FEES

	(A) EXPENSES PER BOOKS	(B) NET INVESTMENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
APPRAISAL FEES-PHALON GEORGE ASSOC	$ 3,528.	$ 882.		$ 2,646.
TOTAL	$ 3,528.	$ 882.		$ 2,646.

STATEMENT 3
FORM 990-PF, PART I, LINE 18
TAXES

	(A) EXPENSES PER BOOKS	(B) NET INVESTMENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
2008 EXCISE TAX	$ 16,850.			
PAYROLL TAXES	12,022.	$ 3,006.		$ 9,016.
FOREIGN TAXES	963.	963.		
TOTAL	$ 29,835.	$ 3,969.		$ 9,016.

STATEMENT 4
FORM 990-PF, PART I, LINE 23
OTHER EXPENSES

	(A) EXPENSES PER BOOKS	(B) NET INVESTMENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
INSURANCE EXPENSE	$ 5,243.	$ 1,311.		$ 3,932.
OFFICE EXPENSE	1,012.	253.		759.
PROFESSIONAL DUES	4,562.	1,141.		3,421.
GRANTS-SOFTWARE/UPGRADES	4,536.			4,536.
INVESTMENT FEE	4,940.	4,940.		
TOTAL	$ 20,293.	$ 7,645.		$ 12,648.

STATEMENT 5
FORM 990-PF, PART II, LINE 10B
INVESTMENTS - CORPORATE STOCKS

CORPORATE STOCKS	VALUATION METHOD	BOOK VALUE	FAIR MARKET VALUE
HARTE HANKS STOCK	COST	$ 27,549,805.	$ 34,155,283.
CAPITAL COUNSEL EQUITY ACCOUNT	COST	773,580.	815,892.
	TOTAL	$ 28,323,385.	$ 34,971,175.

STATEMENT 6
FORM 990-PF, PART II, LINE 13
INVESTMENTS - OTHER

	VALUATION METHOD	BOOK VALUE	FAIR MARKET VALUE
OTHER INVESTMENTS			
CERTIFICATES OF DEPOSIT AND SAVINGS	COST	$ 4,461,000.	$ 4,461,000.
TOTAL OTHER INVESTMENTS		$ 4,461,000.	$ 4,461,000.
OTHER PUBLICLY TRADED SECURITIES			
ARTISAN INTERNATIONAL FUND	COST	1,076,000.	1,038,277.
DODGE & COX STOCK FUND	COST	102,500.	116,353.
HARBOR INTERNATIONAL FUND	COST	1,077,500.	1,048,579.
VANGUARD DEVELOPED MARKETS INDEX	COST	2,152,999.	2,034,910.
VANGUARD TOTAL BOND MKT. INDEX	COST	3,003,000.	3,115,106.
VANGUARD TOTAL STOCK MKT.	COST	103,000.	114,710.
TOTAL OTHER PUBLICLY TRADED SECURITIES		$ 7,514,999.	$ 7,467,935.
	TOTAL	$ 11,975,999.	$ 11,928,935.

STATEMENT 7
FORM 990-PF, PART II, LINE 15
OTHER ASSETS

	BOOK VALUE	FAIR MARKET VALUE
PRE-PAID FEDERAL EXCISE TAX	$ 76,000.	$ 76,000.
TOTAL	$ 76,000.	$ 76,000.

STATEMENT 8
FORM 990-PF, PART VIII, LINE 1
LIST OF OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES

NAME AND ADDRESS	TITLE AND AVERAGE HOURS PER WEEK DEVOTED	COMPEN-SATION	CONTRI-BUTION TO EBP & DC	EXPENSE ACCOUNT/ OTHER
DAVID L. COPELAND P.O. BOX 2791 ABILENE, TX 79604	PRES/TREAS/DIR 30.00	$ 154,050.	$ 16,393.	$ 0.
RUBY W. SHELTON P.O. BOX 2791 ABILENE, TX 79604	DIRECTOR 3.00	0.	0.	0.
SHAY SHELTON HOFFMAN P.O. BOX 2791 ABILENE, TX 79604	DIRECTOR 3.00	0.	0.	0.
SINDY SHELTON DURHAM P.O. BOX 2791 ABILENE, TX 79604	DIRECTOR 3.00	0.	0.	0.
STANLEY P. WILSON P.O. BOX 3679 ABILENE, TX 79604	VP/DIRECTOR 3.00	12,500.	0.	0.
C. CHRISTINE NICHOLS P.O. BOX 2791 ABILENE, TX 79604	ADVISORY DIR. 1.00	0.	0.	0.
WENDY H. DURHAM P.O. BOX 2791 ABILENE, TX 79604	DIRECTOR 3.00	0.	0.	0.
ANDREW D. DURHAM P.O. BOX 2791 ABILENE, TX 79604	DIRECTOR 3.00	0.	0.	0.
DAVID R. DURHAM P.O. BOX 2791 ABILENE, TX 79604	DIRECTOR 3.00	0.	0.	0.
LEONARD R. HOFFMAN P.O. BOX 2791 ABILENE, TX 79604	DIRECTOR 3.00	0.	0.	0.
	TOTAL	$ 166,550.	$ 16,393.	$ 0.

STATEMENT 9
FORM 990-PF, PART XV, LINE 2A-D
APPLICATION SUBMISSION INFORMATION

NAME OF GRANT PROGRAM:
NAME: SHELTON FAMILY FOUNDATION
CARE OF: DAVID L. COPELAND, PRESIDENT
STREET ADDRESS: P.O. BOX 2791

STATEMENT 9 (CONTINUED)
FORM 990-PF, PART XV, LINE 2A-D
APPLICATION SUBMISSION INFORMATION

CITY, STATE, ZIP CODE:	ABILENE, TX 79604
TELEPHONE:	325-676-7724
FORM AND CONTENT:	CONTACT FOUNDATION MANAGER TO RECEIVE APPLICATION GUIDELINES.
SUBMISSION DEADLINES:	NONE
RESTRICTIONS ON AWARDS:	LIMITED TO 501(C)(3) ORGANIZATIONS OR GOVERNMENTAL ENTITIES, PRIMARILY IN WEST CENTRAL TEXAS.

BLOCKAGE DISCOUNT MEMO

990-PF, PART X, LINE 1(E)

FOR THE YEAR ENDED: JUNE 30, 2010

AT THE BEGINNING OF THE CURRENT FISCAL YEAR, JULY 1, 2009, THE FOUNDATION OWNED 4,251,000 SHARES OF HARTE-HANKS,INC., COMMON STOCK. DURING THE YEAR THE FOUNDATION SOLD 619,391 SHARES AND AT YEAR END OWNED 3,631,609 SHARES OF HARTE-HANKS, INC., WHICH REPRESENTS 5.71% OF THE OUTSTANDING COMMON SHARES OF THE COMPANY.

THE APPRAISAL FIRM OF PHALON GEORGE CAPITAL ADVISORS APPRAISED THE VALUE OF THE SHARES IN 2009, TO DETERMINE THE PROPER DISCOUNT TO BE APPLIED. THEIR APPRAISAL CONCLUDED THAT A 13.4% BLOCKAGE DISCOUNT SHOULD BE USED. A COPY OF THEIR REPORT IS ATTACHED.

UNDER THE INTERNAL REVENUE CODE SECTION 4942, THE MAXIMUM BLOCKAGE DISCOUNT AVAILABLE FOR TAX PURPOSES IS 10%. THEREFORE, A 10% DISCOUNT WAS USED IN DETERMINING THE FAIR MARKET VALUE OF THE HARTE-HANKS, INC., STOCK. THE AVERAGE BLOCKAGE DISCOUNT AMOUNTED TO $4,719,848.

EXECUTIVE SUMMARY REPORT
FAIR MARKET VALUE
HARTE-HANKS, INC.
JUNE 30, 2009

PREPARED BY:

GEORGE VALUATION ADVISORS
555 REPUBLIC DRIVE, SUITE 200
PLANO, TEXAS 75074-5469

Table of Contents

Page

GEORGE VALUATION ADVISORS
VALUATION & FINANCIAL CONSULTING

555 REPUBLIC DRIVE, SUITE 200
PLANO, TEXAS 75074-5469

TEL: 972-690-5401
FAX: 972-422-9106

August 29, 2009

Mr. David L. Copeland, President
Shelton Family Foundation
273 Walnut Street
Abilene, Texas 79601

Re: Harte-Hanks, Inc.

Dear Mr. Copeland:

You asked us to express an opinion concerning the fair market value of 4,503,675 shares of common stock (the "Subject Shares" or the "Block") in Harte-Hanks, Inc. ("Harte-Hanks" or the "Company") held by the Shelton Family Foundation as of June 30, 2009 (the "Valuation Date"). Harte-Hanks is a Delaware corporation whose shares are publicly traded on the New York Stock Exchange ("NYSE") under the symbol HHS. We understand the Subject Shares may be subject to the following restrictions: (a) Securities and Exchange Commission ("SEC") Rule 144; (b) a discount due to the size of the Subject Shares relative to the number of shares actively traded; and (c) corporate policies regarding insider trading. The sole purpose of this appraisal is to assist you in establishing the fair market value of the Subject Shares for federal income tax calculations.

The term "fair market value" means the price at which the Subject Shares would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.

In reaching our conclusion with respect to fair market value, we took into account applicable factors set forth in Revenue Ruling 59-60, 1959-1 CB 237, including:

- The nature of the business and the history of the enterprise from its inception;
- The economic outlook in general and the condition and outlook of the specific industry in particular;
- The book value of the stock and the financial condition of the business;
- The earning capacity of the company;
- The dividend-paying capacity of the company;
- Whether the enterprises has goodwill or other intangible value; and
- Prior sales of the stock of corporations engaged in the same or similar line of business, having their stocks actively traded in a free and open market, either on an exchange or over-the-counter.

We also considered the factors in Revenue Ruling 77-287, 1977-2, CB 319, which provides valuation guidelines of securities for federal tax purposes that cannot be resold immediately because they are restricted from resale pursuant to federal securities laws. The factors considered in the valuation included but were not limited to the following:

- The latest public quarterly and annual reports of the Company;
- Copies of agreements relating to shares held by insiders in the Company;
- Summaries of analysts opinions indicating interest in buying or selling shares in the Company;
- The trading prices and trading volume of the related class of traded securities;
- The relationship of the parties concerning the restricted stock; and

- Whether the block being valued represents a majority or minority ownership interest.

In accordance with general valuation principles and guidelines set forth in Revenue Rulings 59-60 and 77-287, we conducted our analysis by utilizing procedures deemed relevant to the valuation, including:

Investigation - We gathered data regarding the financial condition and operating performance of the Company. The scope of our investigation included review of documents provided by and discussions with representatives of the Shelton Family Foundation. We are independent of any party involved.

Analysis - We analyzed information, including: (a) the national economic outlook; (b) the outlook for the direct marketing industry; (c) the Company's financial condition and operating performance based on information in filings with the SEC; (d) expectations of future operating performance based on analysts' reports; (e) information regarding trading activity obtained from the capital markets; and (f) other information deemed relevant.

Approaches, Methods, and Procedures - We selected and applied appropriate valuation approaches, methods, and procedures to develop the conclusion of value pursuant to the valuation assignment.

Documentation - We documented and will retain information and work product upon which we relied in reaching our conclusion. This report presents a summary of our analysis. We previously presented a comprehensive report detailing the analysis and conclusions.

Fundamental Position of the Company

We relied on SEC Form 10-K for the fiscal year ended December 31, 2008; SEC Form 14A the 2009 Definitive Proxy Statement; SEC Form 10-Q for the quarter ended March 31, 2009; the 2008 and 2007 Annual Reports; and information provided on the Company's website (*www.harte-hanks.com*) for this analysis. A summary of the financial statements is presented in Exhibit A.

Corporate Overview

Harte-Hanks is a worldwide direct and targeted marketing company with operations in two segments: (1) direct and interactive marketing and (2) shopper publications. The Company is the successor to a newspaper business started in West Texas in the early 1920s by Houston Harte and Bernard Hanks. In 1972, the Company offered its common stock to the public and was listed on the NYSE. In 1984, the Company went private in a leveraged buyout initiated by management. The Company went public again in 1993 and was listed on the NYSE. The Company sold all remaining traditional media operations (consisting of newspapers, television, and radio companies) in October 1997 to focus on direct and interactive services and shopper publications.

Harte-Hanks manages operations through two operating segments: Direct Marketing, which operates both nationally and internationally, and Shoppers, which operates in local and regional markets in California and Florida.

Direct Marketing

Direct Marketing is targeted to specific industries or markets with services and software products tailored to each industry or market. This segment services several markets, including retail, high-tech/telecom, financial services, and pharmaceutical/healthcare. In general Harte-Hanks believes it is able to provide services to new industries and markets by modifying existing services and applications as opportunities are presented. Depending on the needs of clients, Direct Marketing is offered in an integrated approach through more than 30 facilities worldwide, more than 10 of which are located outside of the U.S. Each of these facilities possesses some specialization and is linked with other offices to support the clients' needs.

Direct Marketing uses various capabilities and technologies by which to capture, analyze, and disseminate customer and prospect data during the course of customer contact. With these data, the Company can help clients identify, reach, influence, and nurture their customers. Harte-Hanks focuses both on business-to-business and business-to-consumer environments, and develops data-driven strategies for customer acquisition and retention as well as customer contact in many different ways, such as direct mail, email, and telephone calls. Harte-Hanks also helps clients measure their marketing and customer-care campaigns by providing them with knowledge that can be applied to refine campaigns, even during the marketing campaign.

In 2008, 2007 and 2006, Direct Marketing had revenue of $732,700,000, $732,500,000, and $709,700,000, respectively, which accounted for approximately 68 percent, 63 percent, and 60 percent of total revenue, respectively.

Shoppers

Shoppers is the largest owner, operator and distributor of shopper publications in North America, based on weekly circulation and revenue. Shoppers consists of weekly advertising publications that are distributed free by standard mail to households and businesses in a specific geographic area. Shoppers offers advertisers a targeted, local advertising system, with virtually 100 percent penetration in their distribution area. Shoppers is particularly effective in large markets with high media fragmentation in which major metropolitan newspapers generally have low penetration. Shoppers also provides advertising and other services through its websites, *PennySaverUSA.com* and *TheFlyer.com*. These websites are online advertising portals that bring buyers and sellers together through online products, including local classifieds, business listings, coupons, special offers, and "Power Sites." Power Sites are template-based websites specifically designed to help small- and medium-sized business owners easily establish a web presence and improve their lead generation. During 2008, Shoppers formally changed the names of its print publications to *PennySaverUSA.com* in California and *TheFlyer.com* in Florida.

As of December 31, 2008, Shoppers delivered over 12,000,000 shopper packages in five major markets each week covering the greater Los Angeles market, the greater San Diego market, northern California, South Florida and the greater Tampa market. Two editions of Shoppers are delivered to approximately 230,000 households and businesses in South Orange County, where both an "early" and "late" edition *PennySaverUSA.com* are published each week. The Company's publications in California account for approximately 82 percent of Shoppers' weekly circulation.

As of the Valuation Date, Harte-Hanks published more than 1,000 individual Shoppers each week that were distributed to zones with circulation of approximately 12,000 each. This distribution system allows single-location, local advertisers to saturate a single geographic zone, while enabling multiple-location advertisers to saturate multiple zones. This system also gives large and small advertisers alike a cost-effective way to reach their target markets. Harte-Hanks believes its zoning capabilities and production technologies have enabled it to saturate and target areas in a number of ways, including geographic, demographic, lifestyle, behavioral and language, and allows advertisers to target their customers effectively.

In 2008, 2007, and 2006, Shoppers had revenue of $350,100,000, $430,400,000, and $475,000,000, respectively, and accounted for approximately 32 percent, 37 percent, and 40 percent of total revenue, respectively.

As a result of the difficult economic environment in California and Florida, Harte-Hanks curtailed more than 1,400,000 in circulation from July 2008 to February 2009 that consisted of approximately 850,000 in circulation in California and approximately 550,000 in circulation in Florida. After the February circulation curtailment, Shoppers circulation still reached approximately 11,500,000 addresses each week. Harte-Hanks continues to evaluate all circulation performance and may make further circulation reductions in response to difficult economic conditions in these two states.

Valuation Principles Regarding the Subject Shares

The average of the high and low stock price of Harte-Hanks' common stock on June 30, 2009 was $9.155 per share. However, the Subject Shares could not be readily sold at this price because the Block, although not legally restricted from trading, was expected to be treated as though restricted under SEC Rule 144.

Additional restrictions include blockage and insider trading restrictions. We considered the size of the Block relative to historical trading volume to determine the applicability of a discount for the inability of the market to absorb the Subject Shares. Moreover, because David Copeland is a member of the Board of Directors, he may be privy to material nonpublic information that would subject him to insider trading restrictions and might preclude the holder of the Subject Shares from selling on demand. Our analysis considered the impact of these trading restrictions on the fair market value of the Subject Shares.

We considered various means of disposing of restricted stock. Generally, a holder of restricted stock can dispose of the shares by using three alternative methods. First, the holder could sell the restricted stock in a private placement. Second, the holder could register the restricted stock and conduct a secondary offering at the holder's own expense. Third, the holder could gradually sell restricted stock into the public market over an extended time period, which is commonly called the "dribble-out method" and represented the most probable method of disposing of the Subject Shares.

Restricted Security Discount Analysis

The first step in our restricted security discount analysis was to examine the requirements imposed under SEC Rule 144. We then considered a review of several major studies conducted by the SEC and others that analyzed the transaction price for sales of restricted securities compared with the publicly traded stock price of the same company at the same point in time. We calculated the appropriate restricted stock discount using an option pricing methodology for each group of shares sold, and calculated a value indication for the Subject Shares by taking a weighted average of the number of shares at the end of each dribble out period.

SEC Rule 144 allows a holder of restricted securities considered to be an affiliate to sell the greater of 1.0 percent of the total outstanding stock or the average of the four-week trading volume preceding the Valuation Date over a three-month period. In Harte-Hanks' SEC Form 10-Q for the quarter ended March 31, 2007, the Company reported 63,566,315 shares issued and outstanding as of April 30, 2009 (the latest information available prior to the Valuation Date). Therefore, 1.0 percent of the common stock outstanding as of the Valuation Date was 635,663 shares. The average weekly trading volume in the four calendar weeks preceding the Valuation Date for Harte-Hanks' common stock was 1,383,650 (Exhibit B).

The cost of locking in the current price during the period of trading the restrictions under SEC Rule 144 can be estimated using the Black-Scholes-Merton model. The Black-Scholes-Merton model is the most often used and cited option valuation methodology.

We applied the Black-Scholes-Merton model to determine the cost of preserving the average of the high and low price ($9.155) as of the Valuation Date. We used the model to estimate the cost of a put option because options in Harte-Hanks' common stock are not publicly traded. The calculations were used to develop the value of a put option at the first available trading window, which was August 4, 2009, and subsequent quarterly trading windows. Our calculations used the average of the high and low stock price of Harte-Hanks on the Valuation Date as both the current stock price and the exercise price. The risk-free interest rate was the one-month U.S. treasury bill rate at the Valuation Date, as reported by the Federal Reserve. The volatility was based on the assumptions used in the Company's financial statements as of December 31, 2008. Dividend yield was based on the most recent dividend rate and assumed to remain constant over all dribble-out periods.

A weighted average discount for each quarter was calculated by dividing the number of shares sold by the total shares in the Block and multiplying the result by the discount for the quarter. Exhibit B summarizes the weighted average discounts for each disposition period. We concluded the total discount from the publicly traded price applicable to SEC Rule 144 restrictions was 6.0 percent (rounded) as of June 30, 2009.

Blockage Discount Analysis

The International Glossary of Business Valuation Terms defines a Blockage Discount as an amount or percentage deducted from the current market price of a publicly traded stock to reflect the decrease in the per share value of a block of stock that is of a size that could not be sold in a reasonable period of time given normal trading volume.

We analyzed the average daily and weekly trading volume of Harte-Hanks' common stock in relation to the size of the Subject Shares in order to determine if a discount from the quoted market price would be required in order to sell the Subject Shares without upsetting the supply/demand balance.

To estimate the appropriate blockage discount, our analysis considered Harte-Hanks' financial performance in addition to the following:

- Empirical research on price impacts of block trades;
- Summary of analysts recommendations on Harte-Hanks' common stock;
- Major shareholders; and
- Large block trading analysis of Harte-Hanks' common stock;
- Analysis of high trading volume days of Harte-Hanks' common stock; and
- Prior court cases on blockage discounts.

The Block (4,503,675 shares) comprised approximately 7.1 percent of the total shares outstanding (63,566,315 shares) and 11.9 percent of the float (37,890,000 shares). The Block represented 12.4 times the average daily trading volume (362,187 shares, see Exhibit C) based on the year preceding the Valuation Date. However, by dribbling out the Subject Shares into smaller blocks of 1,383,650 shares, liquidity can be improved. This smaller block represents 3.8 days of trading volume.

From the block trading data (all trades 5,000 shares and greater), we analyzed the block trading activity in which the block trades exceeded 500,000 shares for a period of 24 months preceding the Valuation Date. As shown in Exhibit C, the date with largest block trades occurred on June 27, 2008, when a large block of 1,591,000 shares was traded. Overall, large block trades are not common, but when large block trades do occur, they appear to have a slightly depressing effect on the prevailing stock price (based on the average of the high and low for the date of trade) for Harte-Hanks of approximately -0.1 percent. However, we observed no block trades comparable in size to the Subject Shares (4,503,675 shares).

During calendar year 2008, the total volume of Harte-Hanks' stock traded on the NYSE was approximately 123,800,000, and Harte-Hanks repurchased 4,900,000 shares. Thus, the Company itself was responsible for 4 percent of the year's total trading volume.

We also analyzed high-volume days to determine the historical sensitivity of Harte-Hanks' stock price to volume traded. As shown in Exhibit D, the days on which daily trading volume exceeded 900,000 shares showed a decrease in the closing stock price from the previous day and three days prior to the high volume day. The days of high trading volume also showed a slight decrease in stock price of about 1.3 percent from the prior day's trading price, and an even greater impact on the trading price three days prior to the large volume activity days.

Based on the previous analyses, we concluded an additional 3.0 percent discount from the publicly traded price applicable to the dribble-out block as of June 30, 2009. If, however, the Subject Shares are not dribbled out, then a separate large blockage discount would be appropriate and would be significantly greater than 3.0 percent.

- <u>Insider Trading Restrictions</u>

SEC Rule 10b-5 provides for insider trading restrictions. In addition, Harte-Hanks has various policies in place that restrict officers, directors, and other persons deemed "insiders" from freely trading their shares.

Both SEC Rule 10b-5 and Harte-Hanks' own restrictions on insider trading apply to the Subject Shares because two directors of the Shelton Family Foundation are also on the Board of Directors for Harte-Hanks. Therefore, the Shelton Family Foundation (i.e., the holder of the Subject Shares) could be prevented from selling if the directors had material inside information.

Harte-Hanks' policy limits the number of days the Subject Shares would be available for trading by approximately one-half the trading days. This assumes there will be no specific events occurring that might affect trading in the stock. Thus, the holder of the Subject Shares ability to sell the Block in the short term could be severely restricted. Due to the increased risk associated with this additional trading restriction, we estimated the discount applicable to the Subject Shares was 5.0 percent as of the Valuation Date.

<u>Summary and Conclusion Regarding the Fair Market Value of the Block</u>

For the Subject Shares, we considered the impact of selling the Block under the volume restrictions imposed by SEC Rule 144. We also recognized the valuation concept of a blockage discount, which considers that the Subject Shares might not be sold on the open market without disturbing the supply/demand balance as well as insider trading restrictions for the Block. Based on the information presented above, we concluded the fair market value per share of the Block was $7.93 as of June 30, 2009, which represented a cumulative discount of 13.4 percent from the freely traded market price of $9.155 per share (the average of the high and low stock price on June 30, 2009). The discount was derived in a multiplicative manner using a 6.0 percent discount for dribbling out the Subject Shares, an additional 3.0 percent discount for blockage, and a 5.0 percent discount insider trading restrictions.

Conclusion

Based on and subject to the facts, limiting conditions, and assumptions presented in this report and attached exhibits, the fair market value of one share of common stock in Harte-Hanks, Inc. was reasonably represented in the amount of $7.93 per share as of June 30, 2009. Therefore, the fair market value of 4,503,675 shares of common stock in Harte-Hanks, Inc. held by the Shelton Family Foundation was reasonably represented in the amount of $35,714,143 as of June 30, 2009. This value represents a 13.4 percent adjustment from the average of the high and low stock price as of June 30, 2009.

Limiting Conditions and Assumptions

This conclusion is subject to the terms and conditions of our engagement letter. This opinion should be limited to transactions having an effective date of June 30, 2009.

To the best of our knowledge, all data set forth in this report are true and accurate and gathered from reliable sources. Although we have no reason to believe that any of the information provided to us is inaccurate, no guarantee is made or liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others who have been used in formulating this analysis. The value or values presented in this report are based upon the premises outlined herein and are valid only for the purpose or purposes stated. Possession of this report or any copy thereof does not carry with it the right of publication. No portion of this report shall be disseminated to the general public without the prior written approval of George Valuation Advisors. The taxpayer identification number for George Valuation Advisors is 20-8176969.

Certification

I certify, to the best of my knowledge and belief that: (1) the statements of fact contained in this report are true and correct; (2) the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, unbiased professional analyses, opinions, and conclusions; (3) I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved; (4) my compensation is not contingent on any action or event resulting from the analyses, opinions, or conclusions in, or the use of this report; (5) my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers; and (6) anyone providing significant professional assistance to the person signing this report is listed below.

Very truly yours,

GEORGE VALUATION ADVISORS

Mark E. George

Mark E. George, CPA/ABV
Managing Director

MEG:mos

Enclosures

EXHIBIT A

FINANCIAL STATEMENT ANALYSIS

(4 PAGES)

Company Name· HARTE-HANKS INC
Ticker Symbol· HHS

Balance Sheet

In Thousands (Except Per Share L	For the years ended 2004/12	2005/12	2006/12	2007/12	2008/12	For the quarter ended 2009/03
Cash and Equivalents	$38,807	$24,561	$38,270	$22,847	$30,161	$49,715
Receivables	168,755	184,537	189,444	199,222	169,418	144,024
Inventories	6,086	7,947	7,956	6,007	7,481	5,799
Prepaid Expenses	16,664	14,783	18,207	15,473	14,169	14,793
Current Deferred Income Taxes	13,812	14,158	17,319	12,628	13,000	12,615
Other Current Assets	6,373	7,718	8,779	9,503	6,974	4,915
Total Current Assets	**250,497**	**253,704**	**279,975**	**265,680**	**241,203**	**231,861**
Gross Fixed Assets	318,439	327,784	336,905	341,544	328,630	323,943
Accumulated Depreciation	204,669	214,873	220,314	229,190	231,197	233,199
Net Fixed Assets	113,770	112,911	116,591	112,354	97,433	90,744
Intangibles	460,238	519,419	23,448	20,939	17,989	17,536
Cost in Excess	0	0	545,347	543,583	552,877	552,889
Other Non-Current Assets	3,848	3,629	3,924	9,370	4,064	4,100
Total Non-Current Assets	**577,856**	**635,959**	**689,310**	**686,246**	**672,363**	**665,269**
Total Assets	**$828,353**	**$889,663**	**$969,285**	**$951,926**	**$913,566**	**$897,130**
Accounts Payable	$55,632	$62,978	$58,853	$67,167	$48,182	$40,866
Short Term Debt	10,000	0	0	0	30,938	34,875
Accrued Expenses	36,539	0	27,966	26,443	0	0
Accrued Liabilities	0	35,735	0	0	22,177	21,182
Deferred Revenues	53,707	0	0	0	58,227	51,695
Other Current Liabilities	26,314	76,634	84,417	86,498	28,211	24,011
Total Current Liabilities	**182,192**	**175,347**	**171,236**	**180,108**	**187,735**	**172,629**
Long Term Debt	0	62,000	205,000	259,125	239,687	228,625
Capital Lease Obligations	0	0	0	0	0	0
Deferred Income Taxes	0	0	0	66,060	65,723	0
Other Non-Current Liabilities	74,362	90,970	99,573	38,121	64,049	135,862
Total Non-Current Liabilities	**74,362**	**152,970**	**304,573**	**363,306**	**369,459**	**364,487**
Total Liabilities	**256,554**	**328,317**	**475,809**	**543,414**	**557,194**	**537,116**
Common Par	114,505	115,453	116,497	117,693	118,085	118,241
Additional Paid In Capital	253,515	269,865	295,555	323,182	331,227	331,352
Retained Earnings	882,750	980,505	1,073,395	1,145,736	1,189,376	1,191,713
Treasury Stock	(663,779)	(782,495)	(974,625)	(1,160,205)	(1,236,581)	(1,236,542)
Other Equity Adjustments	(15,192)	(21,982)	(17,346)	(17,894)	(45,735)	(44,750)
Total Equity	**571,799**	**561,346**	**493,476**	**408,512**	**356,372**	**360,014**
Total Liabilities & Stock Equity	**$828,353**	**$889,663**	**$969,285**	**$951,926**	**$913,566**	**$897,130**

ıpany Name. HARTE-HANKS INC
er Symbol. HHS

ʌnnual Income Statement

'n Thousands (Except Per Share Data)	2004/12	2005/12	2006/12	2007/12	2008/12	For the latest 12 months ended 2009/03
Ͻperating Revenue	**$1,030,461**	**$1,134,993**	**$1,184,688**	**$1,162,886**	**$1,082,821**	**$1,023,727**
ʌdjustments to Revenue	0	0	0	0	0	0
Ͻost of Revenue	361,298	825,568	874,088	871,468	398,701	265,641
Ɜross Profit	669,163	309,425	310,600	291,418	684,120	758,086
Ͻperating Expenses						
Selling, General & Administrative	475,099	88,067	0	89,787	0	106,676
ʌdvertising	0	0	90,516	0	530,424	509,226
Ͻepreciation	28,169	29,918	31,566	33,195	33,429	32,009
ʌmortization	600	1,427	2,466	3,509	2,950	2,666
Total Operating Expenses	503,868	119,412	124,548	126,491	566,803	650,577
Operating Income	**165,295**	**190,013**	**186,052**	**164,927**	**117,317**	**107,509**
Plus: Depreciation & Amortization	28,870	31,506	34,032	36,704	36,379	19,369
EBITDA	**194,165**	**221,519**	**220,084**	**201,631**	**153,696**	**126,878**
Other Income (Expense)						
Interest Expense	(1,020)	(1,957)	(6,333)	(12,992)	(14,201)	(13,139
Interest Income	341	197	231	539	378	328
Other Income, Net	(1,648)	(1,774)	(702)	(1,337)	(1,925)	(2,639
Total Other Income (Expense)	(2,327)	(3,534)	(6,804)	(13,790)	(15,748)	(15,450
Income Before Taxes	162,968	186,479	179,248	151,137	101,569	92,059
Income Taxes	65,400	72,021	67,456	58,497	38,828	34,474
Total Net Income	**$97,568**	**$114,458**	**$111,792**	**$92,640**	**$62,741**	**$57,585**
Per Share Data						
Basic Weighted Shares	86,169	83,734	79,049	72,524	63,933	64,285
Basic EPS from Continuing Operations	$1.13	$1 37	$1 41	$1 28	$0 98	$0 90
Basic EPS from Total Operations	$1.13	$1 37	$1 41	$1 28	$0 98	$0.90
Diluted Weighted Shares	87,806	85,406	80,646	73,703	64,104	64,538
Diluted EPS from Continuing Operations	$1.11	$1 34	$1.39	$1 26	$0 98	$0 89
Diluted EPS from Total Operations	$1.11	$1 34	$1.39	$1 26	$0 98	$0 89
Dividends Paid Per Share	$0.16	$0.20	$0 24	$0.28	$0 30	$0 30
Year-Over-Year Growth Rates						
Operating Revenue	NA	10.1%	4 4%	-1 8%	-6 9%	-5 5%
Operating Income	NA	15.0%	-2.1%	-11 4%	-28 9%	-8 4%
EBITDA	NA	14 1%	-0.6%	-8 4%	-23 8%	-17 4%
Total Net Income	NA	17.3%	-2 3%	-17.1%	-32 3%	-8.2%
Profit Margins						
Gross Profit	64.9%	27.3%	26.2%	25 1%	63 2%	74 1%
Operating Income	16.0%	16.7%	15.7%	14 2%	10 8%	10 5%
EBITDA	18 8%	19.5%	18.6%	17 3%	14.2%	12 4%
Total Net Income	9.5%	10 1%	9.4%	8 0%	5 8%	5 6%

Symbol HHS

nual Cash Flow Statement

Thousands (Except Per Share Data)	2004/12	2005/12	2006/12	2007/12	2008/12	For the latest 1 months endec 2009/06
	For the year ended:					
t Income (Loss)	**$97,568**	**$114,458**	**$111,792**	**$92,640**	**$62,741**	**$51,1**
preciation	28,169	29,918	31,566	33,195	33,429	16,8
ortization	101	161	0	0	0	
nortization of Intangibles	600	1,427	2,466	3,509	2,950	2,3
ferred Income Taxes	6,963	6,555	6,716	8,631	13,529	13,5
erating (Gains) Losses	534	459	0	556	0	(1
traordinary (Gains) Losses	0	0	0	0	0	
crease) Decrease in Receivables	(14,215)	(14,250)	(460)	(10,251)	31,477	51,5
crease) Decrease in Inventories	(873)	(1,083)	23	1,949	(1,474)	1,7
crease) Decrease in Prepaid Expenses	(3,233)	829	(4,180)	2,010	4,063	11,7
crease) Decrease in Other Current Assets	0	0	0	0	0	
crease) Decrease in Payables	7,442	6,171	1,916	8,314	(21,548)	(21,3
crease) Decrease in Other Curr Liabs	26,232	(4,938)	0	2,221	(16,034)	(18,8
crease) Decrease in Other Working Capital	4,029	5,707	(9,529)	(4,171)	1,891	6,2
her Non-Cash Items	0	0	6,061	4,612	5,677	19,7
et Cash from Continuing Operations	153,317	145,414	146,371	143,215	116,701	134,5
et Cash from Operating Activities	**153,317**	**145,414**	**146,371**	**143,215**	**116,701**	**134,5**
rchase of Property, Plant, Equipment	(35,146)	(28,215)	(33,708)	(28,217)	(19,947)	(11,8
ale of Property, Plant, Equipment	268	165	877	120	339	2
quisitions	(29,705)	(63,274)	(53,931)	0	(8,688)	(
et Cash from Investing Activities	**(64,583)**	**(91,324)**	**(86,762)**	**(28,097)**	**(28,296)**	**(11,6**
suance of Debt	55,000	112,000	342,000	123,000	197,000	20,0
suance of Capital Stock	12,452	10,580	12,736	16,747	4,203	1,7
epayment of Long Term Debt	(50,000)	(60,000)	(199,000)	(68,875)	(185,500)	(73,0
epurchase of Capital Stock	(85,738)	(114,213)	(186,003)	(183,867)	(76,649)	
ayment of Cash Dividends	(13,792)	(16,703)	(18,902)	(20,299)	(19,101)	(18,9
ther Financing Charges, Net	0	0	2,950	2,455	342	2
ash from Disc Financing Activities	0	0	0	0	0	
et Cash from Financing Activities	**(82,078)**	**(68,336)**	**(46,219)**	**(130,839)**	**(79,705)**	**(70,0**
ffect of Exchange Rate Changes	0	0	319	298	(1,386)	(9
ash at Beginning of Period	32,151	38,807	24,561	38,270	22,847	22,9
let Change in Cash & Cash Equivalents	6,656	(14,246)	13,709	(15,423)	7,314	51,9
ash at End of Period	$38,807	$24,561	$38,270	$22,847	$30,161	$74,9

Company Name. HARTE-HANKS INC
Ticker Symbol: HHS

Annual Ratio Analysis

	For the years ended:					For the quarter ended
	2004/12	2005/12	2006/12	2007/12	2008/12	2009/06
Profitability Ratios:						
Gross Profit Margin (%)	64.9	27.3	26.2	25 1	63 2	84 7
Pre-Tax Profit Margin (%)	15.8	16.4	15.1	13 0	9.4	8 4
Net Profit Margin (%)	9 5	10.1	9 4	8.0	5 8	5 3
Management Effectiveness Ratios:						
Return on Equity (%)	17.1	20.4	22 7	22 7	17 6	13.7
Return on Invested Capital (%)	17 1	18 4	16 0	13 9	10 5	8 6
Return on Assets (%)	11.8	12 9	11.5	9 7	6 9	5 7
Efficiency Ratios:						
Inventory Turnover	63.9	117.6	109.9	124.8	59 1	25 0
Receivables Turnover	6.4	6.4	6.3	6 0	5.9	6.2
Receivables Per Day Sales	59 0	58.5	57.6	61 7	56 3	48.8
Asset Turnover	1.3	1.3	1.3	1.2	1 2	1.1
Revenue Per Dollar of Cash	$26.55	$46 21	$30 96	$50.90	$35 90	$12 98
Revenue Per Dollar of Plant (Net)	$9.06	$10 05	$10.16	$10.35	$11 11	$11.30
Revenue Per Dollar of Common Equity	$1.80	$2.02	$2 40	$2 85	$3.04	$2 60
Revenue Per Dollar of Invested Capital	$1.80	$1.82	$1.70	$1.74	$1 82	$1 64
Revenue Per Dollar of Receivables	$6.11	$6.15	$6 25	$5.84	$6.39	$7 38
Revenue Per Dollar of Inventory	$169.32	$142.82	$148.90	$193.59	$144 74	$191 14
Revenue to Assets	$1.20	$1 30	$1.20	$1 20	$1 20	$1 10
Liquidity Ratios:						
Quick Ratio	1.1	1.2	1.3	1.2	1 1	1 2
Current Ratio	1 4	1 4	1 6	1.5	1 3	1 4
Valuation Ratios:						
Price to Revenue Ratio	2 1	1 9	1 8	1 0	0 4	0 6
Price to Book Value	3 9	3 8	4.2	2 9	1.1	1.6
Price to Tangible Book Value	19 8	51.8	(27.7)	(7 5)	(1 9)	(3.0)
Price to Cash Flow Ratio	17.4	14 7	14 3	9 1	4 0	8 3
Price to Free Cash Flow Ratio	29 5	57.4	52.3	12 4	5 7	10 2
Close Price to Earnings Ratio	23 4	19.7	19 9	13 7	6.4	11 6
High Price to Earnings Ratio	24.3	23.5	22 3	22.8	18.3	16.4
Low Price to Earnings Ratio	19.3	18.6	16.1	12 3	4 5	5 5
Leverage Ratios:						
Long Term Debt to Equity Ratio	-	0 1	0.4	0.6	0 7	0 6
LT Debt as a % of Invested Capital	-	9 9	29 3	38 8	40 2	36 8
LT Debt as a % of Total Liabilities	-	18 9	43.1	47.7	43 0	41 4
Total Liabilities as a % of Total Assets	31 0	36.9	49.1	57 1	61.0	58 4
Coverage Ratios:						
Interest Coverage From Continuing Ops	160 8	96.3	29 3	12.6	8 2	7 9
Interest as a % of Invested Capital	0.2	0 3	0.9	1 9	2 4	2 0
Per Share Ratios:						
Current Assets Per Share	$2 95	$3.11	$3 72	$3 91	$3 80	$3 77
Total Assets Per Share	$9 75	$10 92	$12 89	$14 01	$14 39	$14 15
Long Term Debt Per Share	$0 00	$0.76	$2 73	$3 81	$3 78	$3 42
Current Liabilities Per Share	$2 14	$2 15	$2 28	$2.65	$2 96	$2 67
Cash Per Share	$0 46	$0 30	$0.51	$0 34	$0 48	$1.18
Revenue Per Share	$12 13	$13 93	$15 75	$17 12	$17 06	$15 30
Book Value Per Share	$6.73	$6 89	$6.56	$6 01	$5.61	$5 88
Tangible Book Value Per Share	$1 31	$0.51	($1.00)	($2.30)	($3 38)	($3.08)
Working Capital Per Share	$0 80	$0.96	$1.45	$1.26	$0.84	$1.10
Cash Flow Per Share	$1.49	$1 79	$1.94	$1 90	$1 56	$1.11
Free Cash Flow Per Share	$0 88	$0.46	$0.53	$1.39	$1 09	$0.91

EXHIBIT B

DRIBBLE-OUT ANALYSIS OF RESTRICTED STOCK

(5 PAGES)

Shelton Family Foundation

Harte Hanks, Inc.

Dribble-Out Analysis of Restricted Stock

June 30, 2009

Trading Volume Information:

	For the Period			
from week ending	6/2/2009	12/30/2008	6/30/2008	6/30/2007
to week ending	6/30/2009	6/30/2009	6/30/2009	6/30/2009
	Last 4 Wks	6 Months	1 Year	2 Year
Average Weekly Trading Volume	1,383,650	1,474,335	1,753,513	2,111,745

Shares Outstanding 63,566,315

1% of Shares Outstanding		4 week average
635,663	<	1,383,650

Rule 144: Greater of 1% of outstanding stock or 4 week trading average

Time Required to Dispose of Stock:

Shares for Disposition 4,503,675

Quarter Ended	Number of Shares Sold	Shares Remaining	Applied Restricted Stock Discount	Weighted Average Discount
8/4/2009	1,383,650	3,120,025	3.18%	1.0%
11/4/2009	1,383,650	1,736,375	6.30%	1.9%
2/4/2010	1,383,650	352,725	8.41%	2.6%
5/4/2010	352,725	0	10.08%	0.8%
Total	4,503,675		**Rounded**	**6.0%**

A weighted average discount was used to conclude the total discount applicable to the restricted shares. The restricted stock discount becomes larger as the time to sell becomes longer. The discount per block was calculated based on the total number of shares sold each quarter, and was based on Black-Scholes put option model for each quarter.

Shelton Family Foundation
Harte Hanks, Inc.
Black-Scholes Model
First Dribble Out Period

Assumptions	
Value of Underlying Stock	$ 9.15500
Exercise Price	$ 9.15500
Dividend Yield	3.28%
Volatility (per Year)	24.60%
Risk free rate	0.17%
Maturity Date	8/4/2009
Pricing Date	6/30/2009
Security Price Adjusted for Dividends	$ 9.13
d_1	(0.00102)
d_2	(0.07720)
Normal Distribution d_1	0.49959
Normal Distribution d_2	0.46923
Put Price of Option	$0.292
Implied discount	3.18%

Shelton Family Foundation
Harte Hanks, Inc.
Black-Scholes Model
Second Dribble Out Period

Assumptions	
Value of Underlying Stock	$ 9.15500
Exercise Price	$ 9.15500
Dividend Yield	3.28%
Volatility (per Year)	24.60%
Risk free rate	0.19%
Maturity Date	11/4/2009
Pricing Date	6/30/2009
Security Price Adjusted for Dividends	$ 9.05
d_1	(0.00147)
d_2	(0.14657)
Normal Distribution d_1	0.49942
Normal Distribution d_2	0.44173
Put Price of Option	$0.577
Implied discount	6.30%

Shelton Family Foundation
Harte Hanks, Inc.
Black-Scholes Model
Third Dribble Out Period

Assumptions		
Value of Underlying Stock	$	9.15500
Exercise Price	$	9.15500
Dividend Yield		3.28%
Volatility (per Year)		24.60%
Risk free rate		0.35%
Maturity Date		2/4/2010
Pricing Date		6/30/2009
Security Price Adjusted for Dividends	$	8.98
d_1		0.00311
d_2		(0.18744)
Normal Distribution d_1		0.50124
Normal Distribution d_2		0.42566
Put Price of Option		$0.770
Implied Discount		8.41%

Shelton Family Foundation
Harte Hanks, Inc.
Black-Scholes Model
Fourth Dribble Out Period

Assumptions	
Value of Underlying Stock	$ 9.15500
Exercise Price	$ 9.15500
Dividend Yield	3.28%
Volatility (per Year)	24.60%
Risk free rate	0.46%
Maturity Date	5/4/2010
Pricing Date	6/30/2009
Security Price Adjusted for Dividends	$ 8.91
d_1	0.00761
d_2	(0.21836)
Normal Distribution d_1	0.50304
Normal Distribution d_2	0.41357
Put Price of Option	$0.923
Implied Discount	10.08%

EXHIBIT C

WEEKLY TRADING VOLUME SUMMARY
AND
ANALYSIS OF BLOCK TRADING ACTIVITY

(2 PAGES)

Sl[illegible]on Family Foundation
Harte Hanks, Inc.
Weekly Trading Volume Summary

	Calendar Week Ending:	Volume		Calendar Week Ending:	Volume
1	6/26/2009	1,737,700	53	6/27/2008	4,951,700
2	6/19/2009	1,201,700	54	6/20/2008	1,142,100
3	6/12/2009	1,096,900	55	6/13/2008	1,374,800
4	6/5/2009	1,498,300	56	6/6/2008	1,928,400
5	5/29/2009	1,193,400	57	5/30/2008	1,527,500
6	5/22/2009	1,322,600	58	5/23/2008	1,872,200
7	5/15/2009	1,256,500	59	5/16/2008	2,204,300
8	5/8/2009	2,090,500	60	5/9/2008	1,671,100
9	5/1/2009	2,335,700	61	5/2/2008	2,095,000
10	4/24/2009	1,344,000	62	4/25/2008	2,697,800
11	4/17/2009	909,400	63	4/18/2008	3,474,300
12	4/10/2009	768,000	64	4/11/2008	1,483,700
13	4/3/2009	1,039,300	65	4/4/2008	2,057,000
14	3/27/2009	1,820,300	66	3/28/2008	3,332,700
15	3/20/2009	2,282,400	67	3/21/2008	2,921,200
16	3/13/2009	1,856,100	68	3/14/2008	4,632,800
17	3/6/2009	1,268,300	69	3/7/2008	2,668,900
18	2/27/2009	938,200	70	2/29/2008	2,896,200
19	2/20/2009	1,198,100	71	2/22/2008	2,108,800
20	2/13/2009	1,468,900	72	2/15/2008	2,436,900
21	2/6/2009	1,465,500	73	2/8/2008	2,536,600
22	1/30/2009	1,737,300	74	2/1/2008	2,778,300
23	1/23/2009	1,927,000	75	1/25/2008	2,728,700
24	1/16/2009	1,781,500	76	1/18/2008	6,139,100
25	1/9/2009	1,860,300	77	1/11/2008	2,692,300
26	1/2/2009	934,800	78	1/4/2008	4,118,900
27	12/26/2008	859,000	79	12/28/2007	908,200
28	12/19/2008	1,608,500	80	12/21/2007	2,068,800
29	12/12/2008	1,265,800	81	12/14/2007	2,366,500
30	12/5/2008	1,531,900	82	12/7/2007	1,843,100
31	11/28/2008	1,378,000	83	11/30/2007	2,279,700
32	11/21/2008	2,027,000	84	11/23/2007	3,129,100
33	11/14/2008	1,824,600	85	11/16/2007	2,253,600
34	11/7/2008	1,229,400	86	11/9/2007	3,147,100
35	10/31/2008	1,623,500	87	11/2/2007	3,400,300
36	10/24/2008	1,792,000	88	10/26/2007	2,829,300
37	10/17/2008	2,250,700	89	10/19/2007	3,082,600
38	10/10/2008	4,174,000	90	10/12/2007	2,318,500
39	10/3/2008	3,662,500	91	10/5/2007	3,730,100
40	9/26/2008	1,761,400	92	9/28/2007	4,650,000
41	9/19/2008	3,584,300	93	9/21/2007	2,777,700
42	9/12/2008	1,931,500	94	9/14/2007	1,262,500
43	9/5/2008	1,912,600	95	9/7/2007	1,257,700
44	8/29/2008	1,128,400	96	8/31/2007	766,100
45	8/22/2008	1,352,100	97	8/24/2007	1,076,700
46	8/15/2008	2,274,800	98	8/17/2007	2,499,400
47	8/8/2008	2,306,500	99	8/10/2007	3,818,600
48	8/1/2008	2,313,800	100	8/3/2007	1,898,000
49	7/25/2008	2,850,200	101	7/27/2007	2,435,200
50	7/18/2008	2,428,300	102	7/20/2007	1,156,000
51	7/11/2008	1,987,200	103	7/13/2007	385,900
52	7/4/2008	1,792,000	104	7/6/2007	626,800
	Average daily volume	362,187		Average daily volume	505,448

Shelton Family Foundation

Harte Hanks, Inc.

Analysis of Block Trading Activity

June 30, 2009

Date	Open	High	Low	Closing Price	Block Volume	Price of Block Trade	Block Price Change from High-Low Avg	Block Price Change from Prior day Close	Block Price Change from 3 Days Prior
6/27/2008	11.21	11.40	11.21	11.30	1,591,000	11.30	0.0%	0.4%	-3.9%
11/21/2007	15.52	16.03	15.52	15.65	1,006,300	15.69	-0.5%	-0.1%	-4.7%
9/29/2008	10.35	10.90	9.93	10.09	999,800	10.50	0.8%	0.1%	0.1%
1/14/2008	13.84	13.94	13.71	13.88	999,000	13.90	0.5%	1.2%	1.2%
11/21/2007	15.52	16.03	15.52	15.65	849,500	15.85	0.5%	1.0%	-3.8%
10/6/2008	9.29	9.59	9.09	9.52	684,000	9.15	-2.0%	-3.7%	-3.7%
1/4/2008	15.17	15.31	14.59	14.65	535,600	15.10	1.0%	-1.6%	-12.7%
12/10/2007	17.01	17.08	16.75	16.93	524,100	16.75	-1.0%	-1.5%	-1.5%
12/10/2007	17.01	17.08	16.75	16.93	524,100	16.75	-1.0%	-1.5%	-1.5%
1/16/2008	14.00	14.45	13.97	14.37	500,000	14.25	0.3%	2.5%	3.8%
1/16/2008	14.00	14.45	13.97	14.37	500,000	14.25	0.3%	2.5%	3.8%
						Average	-0.1%	0.0%	-2.1%
						Median	0.3%	0.1%	-1.5%

EXHIBIT D

ANALYSIS OF HIGH VOLUME DAYS

(1 PAGE)

Analysis of High Volume Days

Date	Open	High	Low	Closing Price	Volume	Price Change from Prior Day	Price Change from 3 Days Prior
6/27/2008	11.21	11.40	11.21	11.30	3,146,100	0.4%	-3.9%
1/16/2008	14.00	14.45	13.97	14.37	3,009,900	3.4%	4.7%
11/21/2007	15.52	16.03	15.52	15.65	2,318,400	-0.3%	-5.0%
9/29/2008	10.35	10.90	9.93	10.09	2,217,300	-3.8%	-3.8%
1/2/2008	17.08	17.08	15.18	15.61	1,733,200	-9.8%	-8.4%
3/24/2008	13.43	14.01	13.06	13.84	1,559,500	3.4%	3.4%
10/6/2008	9.29	9.59	9.09	9.52	1,524,000	0.2%	0.2%
9/26/2007	21.37	21.49	19.86	19.90	1,355,700	-6.1%	-9.4%
1/14/2008	13.84	13.94	13.71	13.88	1,354,100	1.1%	1.1%
1/4/2008	15.17	15.31	14.59	14.65	1,340,600	-4.5%	-15.3%
3/11/2008	15.56	15.70	14.70	14.76	1,336,500	-3.2%	-5.2%
4/18/2008	13.55	13.59	13.16	13.46	1,319,700	0.6%	0.9%
9/19/2008	12.75	13.10	11.63	11.72	1,228,100	-0.6%	0.4%
10/10/2008	7.61	8.51	7.42	7.77	1,189,500	-2.4%	-12.9%
9/28/2007	19.94	20.02	19.62	19.68	1,181,400	-1.0%	-7.2%
9/27/2007	20.05	20.42	19.87	19.87	1,114,600	-0.2%	-6.7%
8/9/2007	25.86	26.67	25.42	25.73	1,058,900	-1.3%	6.0%
7/24/2008	11.98	13.00	11.25	11.46	1,045,700	-2.3%	3.5%
2/1/2007	26.50	26.85	25.94	26.26	1,014,000	-3.1%	-7.7%
10/1/2007	19.61	19.67	19.11	19.15	1,012,800	-2.7%	-2.7%
1/22/2008	13.31	14.12	13.16	13.60	986,700	-1.4%	-1.4%
4/17/2008	13.47	13.57	13.21	13.38	977,000	-1.3%	-2.8%
11/8/2007	16.66	16.96	16.63	16.75	975,700	1.0%	0.7%
9/16/2005	26.74	26.95	26.51	26.70	970,000	-0.2%	1.1%
10/2/2007	19.15	19.16	18.70	18.85	964,800	-1.6%	-4.2%
3/12/2008	14.77	15.32	14.77	15.00	956,000	1.6%	-3.7%
6/26/2008	11.98	11.98	11.15	11.25	952,700	-6.8%	-7.9%
4/30/2007	26.00	26.16	25.11	26.10	942,400	-3.2%	-3.2%
2/2/2007	26.27	26.50	25.81	26.26	938,100	0.0%	-8.3%
9/4/2008	12.17	12.25	11.81	11.93	937,000	-3.1%	-3.4%
7/24/2007	24.50	24.75	23.28	23.77	935,200	-9.0%	-9.5%
9/18/2007	22.44	22.52	21.29	21.80	908,900	-5.2%	-6.2%

QUALIFICATIONS OF APPRAISER

(1 PAGE)

MARK E. GEORGE, CPA/ABV

GEORGE VALUATION ADVISORS
555 Republic Drive, Suite 200
Plano, Texas 75074-5469
972-690-5401

Mark George is Managing Director of George Valuation Advisors, a Dallas-based business valuation and financial consulting firm. For almost 20 years, Mark George has been focused exclusively on the valuation of businesses, partnership interests, and intangible assets. He has completed hundreds of business appraisals in a wide variety of industries. His valuation opinions have provided the basis for gift and estate tax computations, litigation support, acquisitions and divestitures, purchase price allocation including intangible asset valuations, derivative securities, restricted stock and employee stock ownership plans.

EXPERIENCE:

Active in business valuation since 1989

- CPA licensed in the State of Texas
- Accredited in Business Valuation by the American Institute of CPAs
- Frequent speaker on valuation issues
- Managing Director, Phalon George Capital Advisors, Dallas, Texas
- Managing Director, Bernstein, Phalon & Conklin, Dallas, Texas
- Manager, Valuation Services Group, KPMG, LLP, Dallas, Texas
- Senior Staff, Valuation Services, Ernst & Young, L.L.P., Dallas, Texas
- Senior Staff, Private Business Consulting Group, Weaver & Tidwell, LLP, CPAs

EDUCATION:

- Bachelor of Business Administration — University of Texas at Pan American
- Master of Business Administration — University of Texas at Pan American

PROFESSIONAL ASSOCIATIONS:

Member of the American Institute of Certified Public Accountants
Member of the Texas Society of Certified Public Accountants
Member of the Dallas Chapter of the Texas Society of Certified Public Accountants
Member of the Dallas Estate Planning Council
Member of the Fort Worth Business & Estate Council
Associate member in the American Society of Appraisers
Dallas/Fort Worth Chapter American Society of Appraisers

Schedule of Appropriations and Payments

Fiscal Year 2009

6/30/2010

Recipient and/or Purpose	Tax Status	Beginning Balance 2009	Newly Allocated 2009	Amended 2009	Amount Paid 2009	Ending Balance 2009
Abilene Arts Alliance 1101 North 1st Abilene, TX 79601 *Young Audiences Live Performances for 2010 NCCIL Exhibits* $4,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$4,000.00	$0.00	$4,000.00	$0.00
Abilene Arts Alliance 1101 North 1st Abilene, TX 79601 *"Ride with Bob" Concert Fundraiser* $5,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$5,000.00	$0.00	$5,000.00	$0.00
Abilene Arts Alliance 1101 North 1st Abilene, TX 79601 *2010-2011 Broadway in Abilene Series* $1,000.00 2009	501(c)(3) - Tax Exempt	$0 00	$1,000.00	$0.00	$1,000.00	$0 00
Abilene Chamber of Commerce Foundation P O Box 2281 Abilene, TX 79604 *Martin Luther King, Jr. Annual Dinner-2010* $500.00 2009	501(c)(3) - Tax Exempt	$0.00	$500.00	$0.00	$500.00	$0.00
Abilene Christian Schools, Inc. 2550 North Judge Ely Blvd. Abilene, TX 79601 *2010 Annual Community Dinner* $250.00 2009	501(c)(3) - Tax Exempt	$0.00	$250.00	$0.00	$250.00	$0.00

Fiscal Year 2009

Recipient and/or Purpose	Tax Status	Beginning Balance 2009	Newly Allocated 2009	Amended 2009	Amount Paid 2009	Ending Balance 2009
Abilene Christian University ACU Box 29100 Abilene, TX 76999 *An Evening with Royce & Pam Money* $2,500.00 2009	501(c)(3) - Tax Exempt	$0.00	$2,500.00	$0.00	$2,500.00	$0.00
The Abilene Education Fund P O Box 1999 Abilene, TX 79604 *Dr. David Polnick Appreciation Dinner* $1,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$1,000.00	$0.00	$1,000.00	$0.00
Abilene Habitat for Humanity 101 Fulwiler Road Abilene, TX 79603 *2007 Minda Street Housing Development* $90,000.00 2007	501(c)(3) - Tax Exempt	$30,000.00	$0.00	$0.00	$30,000.00	$0.00
Abilene Performing Arts Company, Inc. 1049 Industrial Blvd., Suite 200 Abilene, TX 79602 *Scholarship Fund* $1,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$1,000.00	$0.00	$1,000.00	$0.00
Abilene Philharmonic Association, Inc. 402 Cypress, Suite 130 Abilene, TX 79601 *2009-2010 Season* $5,000.00 2008	501(c)(3) - Tax Exempt	$5,000.00	$0.00	$0.00	$5,000 00	$0.00

Fiscal Year 2009

Recipient and/or Purpose	Tax Status	Beginning Balance 2009	Newly Allocated 2009	Amended 2009	Amount Paid 2009	Ending Balance 2009
Abilene Philharmonic Association, Inc. 402 Cypress, Suite 130 Abilene, TX 79601 *2010-2011 Season* $5,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$5,000.00	$0.00	$0.00	$5,000.00
Alliance For Women & Children 1350 North Tenth Abilene, TX 79601 *Women's Economic Empowerment Program* $5,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$5,000.00	$0.00	$5,000.00	$0.00
American Cancer Society High Plains Division c/o 209 South Danville, B107 Abilene, TX 79605 *Relay for Life for 2010* $250.00 2009	501(c)(3) - Tax Exempt	$0.00	$250.00	$0.00	$250.00	$0.00
American Heart Association, Inc. 149 North Willis #110 Abilene, TX 79603 *2010 Go Red for Women Luncheon* $500.00 2009	501(c)(3) - Tax Exempt	$0.00	$500.00	$0.00	$500.00	$0.00
Abilene Boys Ranch 501 Ben Richey Drive P O Box 6839 Abilene, TX 79608 *Corner-Post Project* $50,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$50,000.00	$0.00	$0.00	$50,000.00

Fiscal Year 2009

Recipient and/or Purpose	Tax Status	Beginning Balance 2009	Newly Allocated 2009	Amended 2009	Amount Paid 2009	Ending Balance 2009
Abilene Boys Ranch 501 Ben Richey Drive P O Box 6839 Abilene, TX 79608 *Hole-In-One Shootout* $350.00 2009	501(c)(3) - Tax Exempt	$0.00	$350.00	$0.00	$350.00	$0.00
American National Red Cross 1610 North 2nd Street Abilene, TX 79601 *2010 Heroes Campaign* $500.00 2009	501(c)(3) - Tax Exempt	$0.00	$500.00	$0.00	$500.00	$0.00
Boy Scouts of America 1208 North 5th Abilene, TX 79601 *2009 Distinguished Citizen Award Dinner* $2,500.00 2009	501(c)(6)	$0.00	$2,500.00	$0.00	$2,500.00	$0.00
Boys and Girls Club of Abilene, Inc. 465 Cypress, Suite 12 P O Box 2013 Abilene, TX 79604 *2009 Operating Funds* $15,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$15,000.00	$0 00	$15,000.00	$0 00
Callahan County Aging Services County Courthouse #302 Baird, TX 79504 *2009-2010 Operating Funds* $5,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$5,000.00	$0.00	$5,000.00	$0.00

Fiscal Year 2009

Recipient and/or Purpose	Tax Status	Beginning Balance 2009	Newly Allocated 2009	Amended 2009	Amount Paid 2009	Ending Balance 2009
Gifts of Hope Foundation P O Box 2026 Abilene, TX 79604 *Patient Assistance* $15,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$15,000.00	$0 00	$15,000.00	$0.00
Center for Contemporary Arts 220 Cypress Abilene, TX 79601 *2008-2010 ArtReach Program* $7,500.00 2008	501(c)(3) - Tax Exempt	$5,000.00	$0.00	$0 00	$2,500.00	$2,500 00
CFA - Board DAF P O Box 1001 Abilene, TX 79604 *SFF Board DAF February 2010* $305,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$305,000.00	$0.00	$305,000.00	$0.00
CFA - Shelton Family Foundation DAF P O Box 1001 Abilene, TX 79604 *Life to Life Fund* $50,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$50,000.00	$0.00	$50,000.00	$0.00
CFA - Shelton Family Foundation DAF P O Box 1001 Abilene, TX 79604 *Manasseh Ministries 2010 Operating Expenses* $150,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$150,000.00	$0.00	$150,000.00	$0.00

Recipient and/or Purpose	Tax Status	Beginning Balance 2009	Newly Allocated 2009	Amended 2009	Amount Paid 2009	Ending Balance 2009
Chorus Abilene P.O. Box 3358 Abilene, TX 79604 *2010 Annual Spotlight Dinner* $250.00 2009	501(c)(3) - Tax Exempt	$0.00	$250.00	$0.00	$250.00	$0.00
Christian Homes of Abilene P O Box 270 Abilene, TX 79604 *2010 Call Her Blessed Luncheon* $500.00 2009	501(c)(3) - Tax Exempt	$0.00	$500.00	$0.00	$500.00	$0.00
Christian Service Center of Abilene, Inc. 901 Mesquite Abilene, TX 79601 *Standing in the Gap* $22,500.00 2008	501(c)(3) - Tax Exempt	$12,500.00	$0.00	$0.00	$7,500.00	$5,000.00
Cisco Junior College 101 College Heights Cisco, TX 76437 *Health Sciences Wing* $250,000.00 2007	509(a)(1)	$250,000.00	$0.00	$0.00	$0.00	$250,000.00
Community Action Program, Inc. of Taylor County P.O. Box 144 Abilene, TX 79604 *Financial Resources for Economic Empowerment Program Assets Building Program Match Funding* $250,000.00 2005	501(c)(3) - Tax Exempt	$100,000.00	$0.00	-$50,000.00	$50,000.00	$0.00

Recipient and/or Purpose	Tax Status	Beginning Balance 2009	Newly Allocated 2009	Amended 2009	Amount Paid 2009	Ending Balance 2009
Connecting Caring Communities 402 Cypress St., Ste. 420 Abilene, TX 79601 *2008-2014 Operating Funds & Model Friendship House* $75,000.00 2007	501(c)(3) - Tax Exempt	$25,000.00	$0.00	$0.00	$25,000.00	$0.00
Connecting Caring Communities 402 Cypress St., Ste. 420 Abilene, TX 79601 *Dog Park* $1,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$1,000.00	$0.00	$1,000.00	$0.00
Cornerstone Assistance Network 3500 Noble Avenue Ft Worth, TX 76111 *Cornerstone Assistance Network Endowment 2007-2009* $150,000.00 2006	501(c)(3) - Tax Exempt	$50,000.00	$0.00	$0.00	$50,000.00	$0.00
Cystic Fibrosis Foundation c/o Northeast Texas Chapter 1008 Winscott Rd., Ste. B Fort Worth, TX 76126 *Great Strides Walk 2010* $250.00 2009	501(c)(3) - Tax Exempt	$0.00	$250.00	$0.00	$250.00	$0.00
Day Nursery of Abilene 702 Cedar Street Abilene, TX 79601 *Mandated Minimum Wage Increases* $90,620.00 2008	501(c)(3) - Tax Exempt	$50,000.00	$0.00	-$9,380.00	$40,620.00	$0.00

Recipient and/or Purpose	Tax Status	Beginning Balance 2009	Newly Allocated 2009	Amended 2009	Amount Paid 2009	Ending Balance 2009
Day Nursery of Abilene 702 Cedar Street Abilene, TX 79601 *Putt "Fore" Children* $1,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$500.00	$500.00	$1,000.00	$0.00
Fellowship of Christian Athletes P.O. Box 6605 Abilene, TX 79608 *2010 Benefit Dinner* $1,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$1,000.00	$0.00	$1,000.00	$0.00
First Baptist Church 1333 North Third Street Abilene, TX 79601 *Family Life Center* $600,000.00 2009	501(c)(3) - Church	$0.00	$600,000.00	$0.00	$0.00	$600,000.00
Friends for Life P.O. Box 23491 Waco, TX 76702-3491 *Elder Care Services Expansion* $11,750.00 2009	501(c)(3) - Tax Exempt	$0.00	$11,750.00	$0.00	$11,750.00	$0.00
Friends of Safety City Foundation P.O. Box 174 Abilene, TX 79604-0174 *Police Classroom* $50,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$50,000.00	$0.00	$0.00	$50,000.00

Recipient and/or Purpose	Tax Status	Beginning Balance 2009	Newly Allocated 2009	Amended 2009	Amount Paid 2009	Ending Balance 2009
Friends of the Abilene Public Library c/o 202 Cedar Abilene, TX 79601 *2010 West Texas Book & Music Festival* $2,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$2,000.00	$0.00	$2,000.00	$0.00
Grace Museum P.O. Box 33 Abilene, TX 79604 *2009 Annual Fall Benefit* $5,000.00 2008	501(c)(3) - Tax Exempt	$5,000.00	$0.00	$0.00	$5,000.00	$0.00
Grace Museum P.O. Box 33 Abilene, TX 79604 *2010 Annual Fall Benefit* $5,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$5,000.00	$0.00	$0.00	$5,000.00
Hendrick Medical Center 1242 North 19th Street Abilene, TX 79601 *Construction of Children's Hospital & Labor and Delivery Wing* $2,500,000.00 2007	501(c)(3) - Tax Exempt	$1,500,000.00	$0.00	$0.00	$0.00	$1,500,000.00
Hispanic Leadership Council P O Box 2255 Abilene, TX 79604 *2010 Career and College Planning Seminar* $250.00 2009	501(c)(3) - Tax Exempt	$0 00	$250.00	$0.00	$250.00	$0.00

Recipient and/or Purpose	Tax Status	Beginning Balance 2009	Newly Allocated 2009	Amended 2009	Amount Paid 2009	Ending Balance 2009
Historic Paramount Theatre, Inc. P O Box 1818 Abilene, TX 79604 *Children's Production-Godspell, Junior* $500.00 2009	501(c)(3) - Tax Exempt	$0.00	$500.00	$0.00	$500.00	$0.00
Interested Citizens of Abilene North 701 Mesquite Street Abilene, TX 79601 *I-Can Annual Community Hero Luncheon* $200.00 2009	501(c)(3) - Tax Exempt	$0.00	$200.00	$0.00	$200.00	$0.00
Junior League of Abilene, Inc. 774 Butternut Abilene, TX 79602 *2009 Christmas Carousel* $500.00 2009	501(c)(3) - Tax Exempt	$0.00	$500.00	$0.00	$500.00	$0.00
Just People, Inc. 304 Grape Street Abilene, TX 79601-3660 *2010 Operations* $66,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$66,000.00	$0.00	$44,000.00	$22,000.00
Kenley School 1434 Matador Abilene, TX 79605 *2009 Great Pumpkin Carve* $500.00 2009	501(c)(3) - Tax Exempt	$0.00	$500.00	$0.00	$500.00	$0.00

Fiscal Year 2009

Recipient and/or Purpose	Tax Status	Beginning Balance 2009	Newly Allocated 2009	Amended 2009	Amount Paid 2009	Ending Balance 2009
Kenley School 1434 Matador Abilene, TX 79605 *2009-2010 Operations* $45,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$45,000.00	$0.00	$45,000.00	$0.00
Meals on Wheels Plus, Incorporated P O Box 903 Abilene, TX 79604 *Charity Golf Tournament* $500.00 2009	501(c)(3) - Tax Exempt	$0.00	$500.00	$0.00	$500.00	$0.00
National Center for Children's Illustrated Literature 102 Cedar Abilene, TX 79601 *2010 Operations Support* $42,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$42,000.00	$0.00	$42,000.00	$0.00
New Horizons Ranch & Center, Inc. 500 Chestnut, Suite 1101 Abilene, TX 79602 *Abilene Community Center of Care: Audrey Grace House* $100,000.00 2008	501(c)(3) - Tax Exempt	$50,000.00	$0.00	$0.00	$50,000.00	$0.00
Parents Who Care P O Box 5855 Abilene, TX 79608 *2010 Project Graduation for AHS & CHS* $250.00 2009	501(c)(3) - Tax Exempt	$0.00	$250.00	$0.00	$250.00	$0.00

Recipient and/or Purpose	Tax Status	Beginning Balance 2009	Newly Allocated 2009	Amended 2009	Amount Paid 2009	Ending Balance 2009
Presbyterian Medical Care Mission 1857 Pine St., Ste. 100 Abilene, TX 79601 *Dental Program Expansion 2007 through 2009* $375,000.00 2007	501(c)(3) - Tax Exempt	$75,000.00	$0.00	$0.00	$75,000.00	$0.00
Regional Crime Victim Crisis Center P O Box 122 Abilene, TX 79604 *2009-2010 Men of Strength & Style* $750.00 2009	501(c)(3) - Tax Exempt	$0.00	$750.00	$0.00	$750.00	$0.00
Regional Crime Victim Crisis Center P O Box 122 Abilene, TX 79604 *Crisis Counselor Position* $10,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$10,000.00	$0.00	$0.00	$10,000.00
Rescue the Animals 4620 North First Street Abilene, TX 79603 *2010 Operating Expenses* $20,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$20,000.00	$0.00	$20,000.00	$0.00
Rotary Clubs of Abilene Charitable Fund P.O. Box 5421 Abilene, TX 79608-5421 *World Polio Day Dinner* $1,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$1,000.00	$0.00	$1,000.00	$0.00

Recipient and/or Purpose	Tax Status	Beginning Balance 2009	Newly Allocated 2009	Amended 2009	Amount Paid 2009	Ending Balance 2009
Salvation Army & Its Components 1726 Butternut Abilene, TX 79602 *2010-2012 Operating Funds* $75,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$75,000.00	$0.00	$25,000.00	$50,000.00
San Antonio Area Foundation 110 Broadway, Suite 230 San Antonio, TX 78205 *Franklin Family Charitable Fund* $10,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$10,000.00	$0.00	$10,000.00	$0.00
Sears Methodist Centers, Inc. One Village Drive Suite 102 Abilene, TX 79606 *2010 Festival of Trees* $1,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$1,000.00	$0.00	$1,000.00	$0.00
The Serenity Foundation of Texas 1546 North 2nd Street Abilene, TX 79601 *25th Anniversary of Serenity House* $500.00 2009	501(c)(3) - Tax Exempt	$0.00	$500.00	$0.00	$500.00	$0.00
Special Olympics Texas, Inc. 104 Pine Street Suite 413 Abilene, TX 79601 *2009 Sports Program Operations* $5,000.00 2008	501(c)(3) - Tax Exempt	$5,000.00	$0.00	$0.00	$5,000.00	$0.00

Recipient and/or Purpose	Tax Status	Beginning Balance 2009	Newly Allocated 2009	Amended 2009	Amount Paid 2009	Ending Balance 2009
Special Olympics Texas, Inc. 104 Pine Street Suite 413 Abilene, TX 79601 *2010 Sports Program Operations* $5,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$5,000.00	$0.00	$0.00	$5,000.00
Spirithorse Therapeutic Riding Center 1960 Post Oak Drive Corinth, TX 76210 *At-Risk Youth Program* $10,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$10,000.00	$0.00	$10,000.00	$0.00
Texas Ramp Project Box 832065 Richardson, TX 75083 *Big Country Region Challenge Grant* $10,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$10,000.00	$0.00	$7,500.00	$2,500.00
United Way of Abilene P O Box 82 Abilene, TX 79604 *United Way 2010 Campaign* $12,500.00 2008	501(c)(3) - Tax Exempt	$12,500.00	$0.00	$0.00	$12,500.00	$0.00
United Way of Abilene P O Box 82 Abilene, TX 79604 *United Way 2011 Campaign* $12,500.00 2009	501(c)(3) - Tax Exempt	$0.00	$12,500.00	$0.00	$0.00	$12,500.00

Recipient and/or Purpose	Tax Status	Beginning Balance 2009	Newly Allocated 2009	Amended 2009	Amount Paid 2009	Ending Balance 2009
Young Men's Christian Association P O Box 3137 Abilene, TX 79604 *Redbud Roof Repair* $20,000.00 2009	501(c)(3) - Tax Exempt	$0.00	$20,000.00	$0.00	$20,000.00	$0.00
Young Men's Christian Association P O Box 3137 Abilene, TX 79604 *2010 Scholarship Campaign* $500.00 2009	501(c)(3) - Tax Exempt	$0.00	$500.00	$0.00	$500.00	$0.00
Grand Totals (72 items)		$2,175,000.00	$1,623,550 00	-$58,880.00	$1,170,170.00	$2,569,500.00

SHELTON FAMILY FOUNDATION
CY GRANTS WITH SCHEDULED BALANCES @ JUNE 30, 2010

Grantee Organization	Tax Status 1	Request Project Title	Request Grant Amount	Request Balance
Abilene Philharmonic Association, Inc. 402 Cypress, Suite 130 Abilene, TX 79601	501(c)(3) - Tax Exempt	2010-2011 Season	$5,000.00	$5,000.00
Ben Richey Boys Ranch 501 Ben Richey Drive P O Box 6839 Abilene, TX 79608	501(c)(3) - Tax Exempt	Corner-Post Project	$50,000.00	$50,000.00
First Baptist Church 1333 North Third Street Abilene, TX 79601	501(c)(3) - Church	Family Life Center	$600,000 00	$600,000 00
Friends of Safety City Foundation P.O. Box 174 Abilene, TX 79604-0174	501(c)(3) - Tax Exempt	Police Classroom	$50,000.00	$50,000 00
Grace Museum P.O. Box 33 Abilene, TX 79604	501(c)(3) - Tax Exempt	2010 Annual Fall Benefit	$5,000.00	$5,000.00
Just People, Inc 304 Grape Street Abilene, TX 79601-3660	501(c)(3) - Tax Exempt	2010 Operations	$66,000.00	$22,000.00
Regional Crime Victim Crisis Center P O Box 122 Abilene, TX 79604	501(c)(3) - Tax Exempt	Crisis Counselor Position	$10,000.00	$10,000.00
Special Olympics Texas, Inc. 104 Pine Street Suite 413 Abilene, TX 79601	501(c)(3) - Tax Exempt	2010 Sports Program Operations	$5,000.00	$5,000.00
Texas Ramp Project Box 832065 Richardson, TX 75083	501(c)(3) - Tax Exempt	Big Country Region Challenge Grant	$10,000.00	$2,500.00
The Salvation Army 1726 Butternut Abilene, TX 79602	501(c)(3) - Tax Exempt	2010-2012 Operating Funds	$75,000.00	$50,000.00
United Way of Abilene P O Box 82 Abilene, TX 79604	501(c)(3) - Tax Exempt	United Way 2011 Campaign	$12,500.00	$12,500.00
			$888,500.00	$812,000.00