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

2010

Department of the Treasury
Internal Revenue Service

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

For calendar year 2010, or tax year beginning

, 2010, and ending

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

Name of foundation

SEVEN CITIES FOUNDATION

Number and street (or P O box number if mail is not delivered to street address)

Room/suite

314 S 11TH STREET

City or town

MCALLEN

State ZIP code

TX 78501

<input checked="" type="checkbox"/> Check type of organization	<input checked="" type="checkbox"/> Section 501(c)(3) exempt private foundation
<input type="checkbox"/> Section 4947(a)(1) nonexempt charitable trust	<input type="checkbox"/> Other taxable private foundation
I Fair market value of all assets at end of year (from Part II, column (c), line 16)	J Accounting method: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) _____
► \$ 3,044,820. (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)
--	------------------------------------	---------------------------	-------------------------	---

1 Contributions, gifts, grants, etc., received (att sch)				
2 Ck ► <input type="checkbox"/> if the foundn is not req to att Sch B				
3 Interest on savings and temporary cash investments	8,009.	8,009.		
4 Dividends and interest from securities				
5a Gross rents				
b Net rental income or (loss)				
6a Net gain/(loss) from sale of assets not on line 10				
b Gross sales price for all assets on line 6a				
7 Capital gain net income (from Part IV, line 2)				
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	8,009.	8,009.		
13 Compensation of officers, directors trustees etc				
14 Other employee salaries and wages				
15 Pension plans, employee benefits				
16a Legal fees (attach schedule)				
b Accounting fees (attach sch)	684.	684.		
c Other prof fees (attach sch)				
17 Interest				
18 Taxes (attach schedule) <input checked="" type="checkbox"/> FEDERAL INCOME TA	280.			
19 Depreciation (attach sch) and depletion				
20 Occupancy				
21 Travel, conferences, and meetings				
22 Printing and publications	18.		18.	
23 Other expenses (attach schedule)				
24 Total operating and administrative expenses. Add lines 13 through 23	982.	684.		18.
25 Contributions, gifts, grants paid	10,000.			10,000.
26 Total expenses and disbursements. Add lines 24 and 25	10,982.	684.		10,018.
27 Subtract line 26 from line 12:				
a Excess of revenue over expenses and disbursements	-2,973.			
b Net investment income (if negative, enter -0-)		7,325.		
c Adjusted net income (if negative, enter -0-)				

SCANNED JUL 26 2011

ADMINISTRATIVE EXPENSES

400

OPEN

P14

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	End of year	
			(a) Book Value	(b) Book Value	(c) Fair Market Value
ASSETS	1 Cash – non-interest-bearing	34,812.	33,648.	33,648.	
	2 Savings and temporary cash investments	3,012,981.	2,036,246.	2,036,246.	
	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)	874,744.	L-7 Stmt		
	Less allowance for doubtful accounts	0.	0.	874,744.	
	8 Inventories for sale or use				
	9 Prepaid expenses and deferred charges				
	10a Investments – U S and state government obligations (attach schedule)				
	b Investments – corporate stock (attach schedule)	L-10b Stmt		100,000.	
	c Investments – corporate bonds (attach schedule)			100,000.	
	11 Investments – land, buildings, and equipment basis				
Less accumulated depreciation (attach schedule)					
12 Investments – mortgage loans					
13 Investments – other (attach schedule)					
14 Land, buildings, and equipment basis					
Less accumulated depreciation (attach schedule)					
15 Other assets (describe ► INCOME TAX REPOSIT)			182.		
16 Total assets (to be completed by all filers – see instructions Also, see page 1, item I)	3,047,793.	3,044,820.	3,044,820.		
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)				
NET FUND	Foundations that follow SFAS 117, check here and complete lines 24 through 26 and lines 30 and 31.	►			
	24 Unrestricted				
	25 Temporarily restricted				
	26 Permanently restricted				
	Foundations that do not follow SFAS 117, check here and complete lines 27 through 31.	►	X		
	27 Capital stock, trust principal, or current funds		3,047,793.	3,044,820.	
	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)	3,047,793.	3,044,820.		
	31 Total liabilities and net assets/fund balances (see the instructions)	3,047,793.	3,044,820.		

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	3,047,793.
2 Enter amount from Part I, line 27a	2	-2,973.
3 Other increases not included in line 2 (itemize) ►	3	
4 Add lines 1, 2, and 3	4	3,044,820.
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	3,044,820.

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)
1 a					
b					
c					
d					
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					
b					
c					
d					
e					
Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69				(I) Gains (Column (h)) gain minus column (k), but not less than -0- or Losses (from column (h))	
(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		
a					
b					
c					
d					
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 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	

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))
2009	159,959.	2,978,319.	0.053708
2008	163,659.	2,244,714.	0.072909
2007	38,596.	3,357,496.	0.011495
2006	0.	3,100,109.	0.000000
2005			

- 2 Total of line 1, column (d) 2 0.138112
- 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 0.034528
- 4 Enter the net value of noncharitable-use assets for 2010 from Part X, line 5 4 2,940,154.
- 5 Multiply line 4 by line 3 5 101,518.
- 6 Enter 1% of net investment income (1% of Part I, line 27b) 6 73.
- 7 Add lines 5 and 6 7 101,591.
- 8 Enter qualifying distributions from Part XII, line 4 8 10,018.

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 ► <input type="checkbox"/> 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 ► <input type="checkbox"/> and enter 1% of Part I, line 27b	
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-)	147.
3 Add lines 1 and 2	2 0.
4 Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-)	3 147.
5 Tax based on investment income. Subtract line 4 from line 3 If zero or less, enter -0-	4 0.
6 Credits/Payments	5 147.
a 2010 estimated tax pmts and 2009 overpayment credited to 2010	6a 282.
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	7 282.
8 Enter any penalty for underpayment of estimated tax Check here <input type="checkbox"/> 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
10 Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid	10 135.
11 Enter the amount of line 10 to be Credited to 2011 estimated tax ►	11 Refunded

Part VII-A Statements Regarding Activities

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?

	Yes	No
1a	X	

b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see the instructions for definition)?

	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

1c	X
----	---

c Did the foundation file Form 1120-POL for this year?

1d	
----	--

d Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year

(1) On the foundation ► \$ _____ (2) On foundation managers ► \$ _____

1e	
----	--

e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers ► \$ _____

2	X
---	---

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

3	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

4a	X
----	---

4a Did the foundation have unrelated business gross income of \$1,000 or more during the year?

4b	
----	--

b If 'Yes,' has it filed a tax return on Form 990-T for this year?

5	X
---	---

5 Was there a liquidation, termination, dissolution, or substantial contraction during the year?

If 'Yes,' attach the statement required by General Instruction T

6	X
---	---

6 Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either

• By language in the governing instrument, or

7	X
---	---

• 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?

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

8a Enter the states to which the foundation reports or with which it is registered (see the instructions) ► _____

TX – Texas

8b	
----	--

b If the answer is 'Yes' to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General

Part VII-A Statements Regarding Activities (Continued)

11		X
12		X
13	X	
14	CHARLES E THOMPSON, JR	Telephone no (956) 688-5757
	Located at 314 S 11TH STREET McALLEN TX ZIP + 4 78501-2822	
15	Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of Form 1041 — Check here and enter the amount of tax-exempt interest received or accrued during the year ► 15	
16	Yes	No
	X	

See the instructions for exceptions and filing requirements for Form TD F 90-22 1 If 'Yes,' enter the name of the foreign country ►

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.

	Yes	No
1a 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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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)	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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)?		
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 2010?		
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 2010, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2010?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If 'Yes,' list the years ► 20__ , 20__ , 20__ , 20__		
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)		
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__		
3a Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
b If 'Yes,' did it have excess business holdings in 2010 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 2010)		
4a Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?		
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 2010?		

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)?

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?

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 Nob Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No

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?

5b

6b

X

7b

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
CHARLES E THOMPSON, JR 314 S 11TH ST, McALLEN TX 78501	PRESIDENT 5.00	0.	0.	0.
JONATHAN BEVIL 314 S 11TH ST, McALLEN TX 78501	VICE PRESIDENT 1.00	0.	0.	0.
MARLA LUCE 314 S 11TH ST, McALLEN TX 78501	SECRETARY 1.00	0.	0.	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
NONE				
0				
0				
0				
0				

Total number of other employees paid over \$50,000

►

None

BAA

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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

None

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	
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	<hr/> <hr/>
2	<hr/> <hr/>

All other program-related investments See instructions

3

Total. Add lines 1 through 3

BAA

Form 990-PF (2010)

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	7,692.
1b	2,769,623.
1c	207,613.
1d	2,984,928.

b Average of monthly cash balances

c Fair market value of all other assets (see instructions)

d **Total** (add lines 1a, b, and c)

e Reduction claimed for blockage or other factors reported on lines 1a and 1c
 (attach detailed explanation)

1e

2	
3	2,984,928.
4	44,774.
5	2,940,154.
6	147,008.

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	147,008.
---	----------

2a Tax on investment income for 2010 from Part VI, line 5

2a	147.
----	------

b Income tax for 2010 (This does not include the tax from Part VI)

2b	
----	--

c Add lines 2a and 2b

2c	147.
----	------

3 Distributable amount before adjustments Subtract line 2c from line 1

3	146,861.
---	----------

4 Recoveries of amounts treated as qualifying distributions

4	
---	--

5 Add lines 3 and 4

5	146,861.
---	----------

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	146,861.
---	----------

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	10,018.
----	---------

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	10,018.
---	---------

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	0.
---	----

6 **Adjusted qualifying distributions**. Subtract line 5 from line 4

6	10,018.
---	---------

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 2009	(c) 2009	(d) 2010
1 Distributable amount for 2010 from Part XI, line 7				146,861.
2 Undistributed income, if any, as of the end of 2010			100,144.	
a Enter amount for 2009 only				
b Total for prior years 20 __, 20 __, 20 __				
3 Excess distributions carryover, if any, to 2010				
a From 2005 0.				
b From 2006 0.				
c From 2007 0.				
d From 2008 0.				
e From 2009				
f Total of lines 3a through e 0.				
4 Qualifying distributions for 2010 from Part XII, line 4 ► \$ 10,018.			10,018.	
a Applied to 2009, but not more than line 2a				
b Applied to undistributed income of prior years (Election required — see instructions)				
c Treated as distributions out of corpus (Election required — see instructions)				
d Applied to 2010 distributable amount				
e Remaining amount distributed out of corpus 0.				
5 Excess distributions carryover applied to 2010 (If an amount appears in column (d), the same amount must be shown in column (a))				
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				
d Subtract line 6c from line 6b Taxable amount — see instructions 0.				
e Undistributed income for 2009 Subtract line 4a from line 2a Taxable amount — see instructions 90,126.				
f Undistributed income for 2010 Subtract lines 4d and 5 from line 1 This amount must be distributed in 2011 146,861.				
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see instructions)				
8 Excess distributions carryover from 2005 not applied on line 5 or line 7 (see instructions) 0.				
9 Excess distributions carryover to 2011. Subtract lines 7 and 8 from line 6a 0.				
10 Analysis of line 9				
a Excess from 2006 0.				
b Excess from 2007 0.				
c Excess from 2008 0.				
d Excess from 2009 0.				
e Excess from 2010 0.				

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

N/A

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))

CHARLES E THOMPSON, JR

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.

THE NAME, ADDRESS, AND TELEP.

SHARLES E. THOMAS
314 S. 11TH STREET

McALLEN

TX 78501

(956) 688-5757

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

N/A

c Any submission deadlines

NONE

d Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors
NONE

Part XV Supplementary Information (continued)**3 Grants and Contributions Paid During the Year or Approved for Future Payment**

Recipient	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
Name and address (home or business)				
<i>a Paid during the year</i>				
TEXAS MILITARY INSTITUTE SAN ANTONIO TX		NONE	NONE	10,000.
Total				► 3a 10,000.
<i>b Approved for future payment</i>				
Total				► 3b
BAA	TEEA0501	07/23/10		

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) Exclu- sion 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	8,009.
4 Dividends and interest from securities				14	
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	
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)				8,009.	
13 Total Add line 12, columns (b), (d), and (e)				13	8,009.

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)
NONE	

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

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
- (2) Other assets

b Other transactions

- (1) Sales of assets to a noncharitable exempt organization
- (2) Purchases of assets from a noncharitable exempt organization
- (3) Rental of facilities, equipment, or other assets
- (4) Reimbursement arrangements
- (5) Loans or loan guarantees
- (6) Performance of services or membership or fundraising solicitation

c Sharing of facilities, equipment, mailing lists, other assets, or paid employees

	Yes	No
1a (1)		X
1a (2)		X
1b (1)		X
1b (2)		X
1b (3)		X
1b (4)		X
1b (5)		X
1b (6)		X
1c		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.

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

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.

**Sign
Here**

Charles E. Thompson Jr., PRESIDENT
Signature of officer or trustee

1 July 15, 2011
Date

PRESIDENT

Paid Preparer Use Only	Print/Type preparer's name KENNETH F BURFORD	Preparer's signature  KENNETH F BURFORD	Date 07/13/11	Check if <input checked="" type="checkbox"/> if self-employed	PTIN
	Firm's name ► KENNETH BURFORD CPA JD	Firm's EIN ►			
	Firm's address ► 2041 ORCHID AVE	TX 78504	Phone no	(956) 682-2884	

BAA

Form 990-PF (2010)

Name SEVEN CITIES FOUNDATION	Employer Identification Number 32-0181077	
Lender Information		
Loan Receivable Type 4		
Borrower's Name KVS FAMILY LIMITED PARTNERSHIP	Borrower's Title BORROW	
Check Box, if Borrower is a Business <input checked="" type="checkbox"/>	Relationship of Borrower (other loans only) NONE	
Repayment Terms DUE MARCH 30, 2012	Borrower's Security 14.73 ACRES, HODALGO CTY, TEXAS	
Purpose of Loan PURCHASE REAL ESTATE	Description of Consideration CASH	
Original Amount 874,744.	Beginning Year Balance 0. Year End Balance 874,744.	
FMV of at Year End 874,744.	FMV of Consideration 874,744.	
Allowance for Doubtful Accounts (other loans only) 0.		
Date of Note 09/30/10	Maturity Date 03/30/12	Interest Rate 7.50
Loan Receivable Type		
Borrower's Name	Borrower's Title	
Check Box, if Borrower is a Business <input type="checkbox"/>	Relationship of Borrower (other loans only)	
Repayment Terms	Borrower's Security	
Purpose of Loan	Description of Consideration	
Original Amount	Beginning Year Balance	Year End Balance
FMV of at Year End	FMV of Consideration	
Allowance for Doubtful Accounts (other loans only)		
Date of Note	Maturity Date	Interest Rate
Loan Receivable Type		
Borrower's Name	Borrower's Title	
Check Box, if Borrower is a Business <input type="checkbox"/>	Relationship of Borrower (other loans only)	
Repayment Terms	Borrower's Security	
Purpose of Loan	Description of Consideration	
Original Amount	Beginning Year Balance	Year End Balance
FMV of at Year End	FMV of Consideration	
Allowance for Doubtful Accounts (other loans only)		
Date of Note	Maturity Date	Interest Rate
Loan Receivable Type		
Borrower's Name	Borrower's Title	
Check Box, if Borrower is a Business <input type="checkbox"/>	Relationship of Borrower (other loans only)	
Repayment Terms	Borrower's Security	
Purpose of Loan	Description of Consideration	
Original Amount	Beginning Year Balance	Year End Balance
FMV of at Year End	FMV of Consideration	
Allowance for Doubtful Accounts (other loans only)		
Date of Note	Maturity Date	Interest Rate