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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

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

THE PHASE FOUNDATION
P.O. BOX 59136
POTOMAC, MD 20859

A Employer identification number

52-1611434

B Telephone number (see the instructions)

(410) 208-6699

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: ☐ 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)

▶ \$ 1,827,718.

J Accounting method ☐ 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)

1 Contributions, gifts, grants, etc., received (att sch)**2** CK ▶ ☒ if the foundn is not req to att Sch B**3** Interest on savings and temporary cash investments**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 32,186.**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**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) SEE ST 1**c** Other prof fees (attach sch)**17** Interest**18** Taxes (attach schedule) (see instr) SEE STM 2**19** Depreciation (attach sch) and depletion**20** Occupancy**21** Travel, conferences, and meetings**22** Printing and publications**23** Other expenses (attach schedule) SEE STATEMENT 3**24** Total operating and administrative expenses. Add lines 13 through 23**25** Contributions, gifts, grants paid PART XV**26** Total expenses and disbursements. Add lines 24 and 25**27** Subtract line 26 from line 12:**a** Excess of revenue over expenses and disbursements**b** Net investment income (if negative, enter -0-)**c** Adjusted net income (if negative, enter -0-)

25

Part II Balance Sheets		Beginning of year	End of year	
			(a) Book Value	(b) Book Value
ASSETS	1 Cash — non-interest-bearing			
	2 Savings and temporary cash investments	135,364.	58,370.	58,370.
	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)			
	b Investments — corporate stock (attach schedule) STATEMENT 4	1,149,448.	1,179,933.	1,359,116.
	c Investments — corporate bonds (attach schedule)			
	11 Investments — land, buildings, and equipment basis			
LIABILITIES	Less: accumulated depreciation (attach schedule)			
	12 Investments — mortgage loans			
	13 Investments — other (attach schedule) STATEMENT 5	336,465.	410,232.	410,232.
	14 Land, buildings, and equipment basis			
	Less: accumulated depreciation (attach schedule)			
	15 Other assets (describe)			
	16 Total assets (to be completed by all filers — see instructions. Also, see page 1, item I)	1,621,277.	1,648,535.	1,827,718.
	17 Accounts payable and accrued expenses	85,000.	85,000.	
	18 Grants payable			
	19 Deferred revenue			
NET ASSETS OR FUND BALANCES	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)	85,000.	85,000.	
	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			
	28 Paid-in or capital surplus, or land, building, and equipment fund			
	29 Retained earnings, accumulated income, endowment, or other funds	1,536,277.	1,563,535.	
	30 Total net assets or fund balances (see the instructions)	1,536,277.	1,563,535.	
	31 Total liabilities and net assets/fund balances (see the instructions)	1,621,277.	1,648,535.	

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	1,536,277.
2 Enter amount from Part I, line 27a	2	-21,163.
3 Other increases not included in line 2 (itemize) SEE STATEMENT 6	3	48,421.
4 Add lines 1, 2, and 3	4	1,563,535.
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	1,563,535.

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 K-1 KENSINGTON REALTY INCOME FUND, LP		P	1/01/10	12/31/10
b K-1 KENSINGTON REALTY INCOME FUND, LP		P	12/30/09	12/31/10
c K-1 CONDOR PARTNERS, LP		P	1/01/10	12/31/10
d K-1 CONDOR PARTNERS, LP		P	12/30/09	12/31/10
e LPL CAPITAL GAIN DISTRIBUTIONS		P	12/30/09	12/31/10

(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 3,934.			3,934.
b 6,885.			6,885.
c		20,689.	-20,689.
d 16,480.			16,480.
e 4,887.			4,887.

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(l) 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			3,934.
b			6,885.
c			-20,689.
d			16,480.
e			4,887.

2 Capital gain net income or (net capital loss)	<div style="border: 1px solid black; padding: 2px;"> If gain, also enter in Part I, line 7 If (loss), enter -0- in Part I, line 7 </div>		2	11,497.
3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6)	<div style="border: 1px solid black; padding: 2px;"> If gain, also enter in Part I, line 8, column (c) (see the instructions) If (loss), enter -0- in Part I, line 8 </div>		3	-16,755.

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	95,730.	1,417,971.	0.067512
2008	121,090.	1,698,263.	0.071302
2007	133,934.	2,154,875.	0.062154
2006	121,404.	2,021,783.	0.060048
2005	117,684.	1,906,308.	0.061734

2 Total of line 1, column (d)	2	0.322750
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	0.064550
4 Enter the net value of noncharitable-use assets for 2010 from Part X, line 5	4	1,705,357.
5 Multiply line 4 by line 3	5	110,081.
6 Enter 1% of net investment income (1% of Part I, line 27b)	6	740.
7 Add lines 5 and 6	7	110,821.
8 Enter qualifying distributions from Part XII, line 4	8	95,206.

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		1	1,481.
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	1,481.
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	1,481.
6 Credits/Payments			
a 2010 estimated tax pmts and 2009 overpayment credited to 2010	6a	800.	
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	800.	
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	681.	
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 2011 estimated tax <input type="checkbox"/> Refunded <input type="checkbox"/>	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?		X
b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see the instructions for definition)? <i>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.</i>		X
c Did the foundation file Form 1120-POL for this year?		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? <i>If 'Yes,' attach a detailed description of the activities</i>		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? <i>If 'Yes,' attach a conformed copy of the changes</i>		X
4 a Did the foundation have unrelated business gross income of \$1,000 or more during the year?		X
b If 'Yes,' has it filed a tax return on Form 990-T for this year?		N/A
5 Was there a liquidation, termination, dissolution, or substantial contraction during the year? <i>If 'Yes,' attach the statement required by General Instruction T.</i>		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?	X	
7 Did the foundation have at least \$5,000 in assets at any time during the year? <i>If 'Yes,' complete Part II, column (c), and Part XIV</i>	X	
8 a Enter the states to which the foundation reports or with which it is registered (see the instructions): MD		
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? <i>If 'No,' attach explanation</i>	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 2010 or the taxable year beginning in 2010 (see instructions for Part XIV)? <i>If 'Yes,' complete Part XIV</i>		X
10 Did any persons become substantial contributors during the tax year? <i>If 'Yes,' attach a schedule listing their names and addresses</i>		X

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Part VII-A Statements Regarding Activities (Continued)

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? Website address <u>N/A</u>	13	X	
14	The books are in care of <u>MICHAEL C. RHOADES, CPA</u> Telephone no <u>(410) 208-6699</u> Located at <u>17 BEACH COURT BERLIN MD</u> ZIP + 4 <u>21811</u>			
15	Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of Form 1041 — Check here <u>N/A</u> and enter the amount of tax-exempt interest received or accrued during the year <u>15</u> <u>N/A</u>			
16	At any time during calendar year 2010, did the foundation have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country?	16	Yes	No
	See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If 'Yes,' enter the name of the foreign country <u></u>			X

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 <input type="checkbox"/>	1b	N/A
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?	1c	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 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 <u>20__</u> , <u>20__</u> , <u>20__</u> , <u>20__</u>		
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)	2b	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. <u>20__</u> , <u>20__</u> , <u>20__</u> , <u>20__</u>		
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.)	3b	N/A
4a Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?	4a	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 2010?	4b	X

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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 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

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
CATHERINE L. HEKIMIAN GERMANTOWN, MD 20876	TRUSTEE 0	5,975.	0.	0.
JOAN E. HEKIMIAN ROCKVILLE, MD 20850	TRUSTEE 0	0.	0.	0.
CHRISTOPHER D. HEKIMIAN GERMANTOWN, MD 20874	TRUSTEE 0	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				

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.

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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	1,634,460.
b Average of monthly cash balances	1b	96,867.
c Fair market value of all other assets (see instructions)	1c	
d Total (add lines 1a, b, and c)	1d	1,731,327.
e Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1e	0.
2 Acquisition indebtedness applicable to line 1 assets	2	0.
3 Subtract line 2 from line 1d	3	1,731,327.
4 Cash deemed held for charitable activities. Enter 1-1/2% of line 3 (for greater amount, see instructions)	4	25,970.
5 Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	1,705,357.
6 Minimum investment return. Enter 5% of line 5	6	85,268.

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	85,268.
2a Tax on investment income for 2010 from Part VI, line 5	2a	1,481.
b Income tax for 2010 (This does not include the tax from Part VI)	2b	
c Add lines 2a and 2b	2c	1,481.
3 Distributable amount before adjustments. Subtract line 2c from line 1	3	83,787.
4 Recoveries of amounts treated as qualifying distributions	4	
5 Add lines 3 and 4	5	83,787.
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	83,787.

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	95,206.
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	95,206.
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	95,206.

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				83,787.
2 Undistributed income, if any, as of the end of 2010				
a Enter amount for 2009 only			0.	
b Total for prior years 20__, 20__, 20__		0.		
3 Excess distributions carryover, if any, to 2010				
a From 2005	25,255.			
b From 2006	24,571.			
c From 2007	31,142.			
d From 2008	37,761.			
e From 2009	26,121.			
f Total of lines 3a through e	144,850.			
4 Qualifying distributions for 2010 from Part XII, line 4 ▶ \$ 95,206.				
a Applied to 2009, but not more than line 2a			0.	
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 2010 distributable amount				83,787.
e Remaining amount distributed out of corpus	11,419.			
5 Excess distributions carryover applied to 2010 (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	156,269.			
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 2009 Subtract line 4a from line 2a Taxable amount — see instructions			0.	
f Undistributed income for 2010 Subtract lines 4d and 5 from line 1 This amount must be distributed in 2011				0.
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 2005 not applied on line 5 or line 7 (see instructions)	25,255.			
9 Excess distributions carryover to 2011. Subtract lines 7 and 8 from line 6a	131,014.			
10 Analysis of line 9:				
a Excess from 2006	24,571.			
b Excess from 2007	31,142.			
c Excess from 2008	37,761.			
d Excess from 2009	26,121.			
e Excess from 2010	11,419.			

N/A

- (4) Gross investment income**

[illegible]Form **990-PF** (2010)

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
<i>a</i> Paid during the year SEE ATTACHED SCHEDULE ,		N/A		85,000.
Total				3a 85,000.
<i>b</i> Approved for future payment				
Total				3b

Part XVI-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated.

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	1,520.	
4	Dividends and interest from securities			14	79,265.	
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	11,497.	
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)				92,282.	
13	Total. Add line 12, columns (b), (d), and (e)				13	92,282.

(See worksheet in line 13 instructions to verify calculations)

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

[illegible]

THE PHASE FOUNDATION

52-1611434

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
TAX PREPARATION FEE	\$ 2,800.			\$ 2,800.
TOTAL	\$ 2,800.	\$ 0.	\$ 0.	\$ 2,800.

STATEMENT 2
FORM 990-PF, PART I, LINE 18
TAXES

	(A) EXPENSES PER BOOKS	(B) NET INVESTMENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
TAX BASED ON INVESTMENT INCOME	\$ 645.			\$ 645.
TOTAL	\$ 645.	\$ 0.	\$ 0.	\$ 645.

STATEMENT 3
FORM 990-PF, PART I, LINE 23
OTHER EXPENSES

	(A) EXPENSES PER BOOKS	(B) NET INVESTMENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
INVESTMENT ADVISORY FEES	\$ 7,463.	\$ 7,463.	\$ 7,463.	
OFFICE EXPENSE	116.			\$ 116.
TOTAL	\$ 7,579.	\$ 7,463.	\$ 7,463.	\$ 116.

STATEMENT 4
FORM 990-PF, PART II, LINE 10B
INVESTMENTS - CORPORATE STOCKS

CORPORATE STOCKS	VALUATION METHOD	BOOK VALUE	FAIR MARKET VALUE
LPL FINANCIAL MUTUAL FUNDS	COST	\$ 1,179,933.	\$ 1,359,116.
TOTAL		\$ 1,179,933.	\$ 1,359,116.

THE PHASE FOUNDATION

52-1611434

**STATEMENT 5
FORM 990-PF, PART II, LINE 13
INVESTMENTS - OTHER**

	<u>VALUATION METHOD</u>	<u>BOOK VALUE</u>	<u>FAIR MARKET VALUE</u>
<u>OTHER INVESTMENTS</u>			
KENSINGTON REALTY INCOME FUND LP	COST	\$ 175,139.	\$ 175,139.
CONDOR PARTNERS LP	COST	235,093.	235,093.
	TOTAL	<u>\$ 410,232.</u>	<u>\$ 410,232.</u>

**STATEMENT 6
FORM 990-PF, PART III, LINE 3
OTHER INCREASES**

UNREALIZED MARKET VALUE CHANGE		\$ 48,421.
	TOTAL	<u>\$ 48,421.</u>

**STATEMENT 7
FORM 990-PF, PART XV, LINE 2A-D
APPLICATION SUBMISSION INFORMATION**

NAME OF GRANT PROGRAM:	THE PHASE FOUNDATION
NAME:	
CARE OF:	
STREET ADDRESS:	P.O. BOX 59136
CITY, STATE, ZIP CODE:	POTOMAC, MD 20859
TELEPHONE:	(410) 208-6699
FORM AND CONTENT:	CURRENT FINANCIAL INFORMATION AND SUMMARY OF CHARITABLE PURPOSE
SUBMISSION DEADLINES:	NONE
RESTRICTIONS ON AWARDS:	NONE

PHASE FOUNDATION FY10 GRANT RECIPIENTS
(\$85,500 to 25 Charities)

Allegany College of Maryland Foundation \$3000
ALS Association \$2500
Alzheimer's Association NCA Chapter \$5000
Baltimore and Ohio Railroad Museum, Inc. \$3000
Bread for the City \$2500
Breast Cancer Awareness - Cumberland Valley \$5000
For Love of Children \$2000
Frederick Alliance for Youth \$2500
Friends of the MD State Library for the Blind & Physically Handicapped \$2000
House of Ruth \$3000
Housing Unlimited \$4000
Interages \$5000
Maryland Zoo in Baltimore \$3500
Metropolitan Washington Ear \$4500
Miriam's House \$2500
National Aquarium in Baltimore \$5000
National Children's Cancer Society \$2000
Noyes Children's Library Foundation \$4000
Partner for Surgery \$5000
Point Lookout Lighthouse Preservation Society \$3000
Second Chance Wildlife Center \$5000
Shepherd's Table \$4000
UC-Cumberland College \$2500
Visitors' Services Center \$3000
WETA (Greater Washington Educational Telecom. Assoc. Inc.) \$2000

PHASE FOUNDATION FY10 GRANT RECIPIENTS
((\$85,500 to 25 Charities))

Allegany College of Maryland Foundation \$3000

Attn: Executive Director David Jones

12401 Willowbrook Rd. SE

Cumberland MD 21502

For general scholarship fund

ALS Association \$2500

Attn: Executive Director Ronnie Gunnerson

7507 Standish Place

Rockville MD 20855

For medical equipment purchase, repair, and delivery

Alzheimer's Association NCA Chapter \$5000

Attn: Corporate and Foundations Manager Susan P. Sandler

3701 Pender Drive, Suite 400

Fairfax VA 22030

For education materials for Alzheimer's sufferers and their families

Baltimore and Ohio Railroad Museum, Inc. \$3000

Attn: Executive Director Mr. Courtney B. Wilson

901 West Pratt St.

Baltimore MD 21223

For support of Early Childhood Education Initiative exhibits

Bread for the City \$2500

Attn: Associate Director of Development Ryan Hill

1525 Seventh St., NW

Washington DC 20001

For food, clothing, and medical supplies

Breast Cancer Awareness - Cumberland Valley \$5000

Attn: Community Liaison Janet Lung

322 E. Antietam St., Suite 101

Hagerstown MD 21740

For Moving Forward After Surgery program (handbooks, exercise aids)

For Love of Children \$2000

Attn: FLOC Scholars Program Manager Kathleen St. Villier

1763 Columbia Rd, NW

Washington DC 20009

For college application fees and SAT prep materials for high-schoolers

Frederick Alliance for Youth \$2500

Attn: CEO Scott Alexander

1150 Orchard Terrace

Frederick MD 21703

*For educational material for after-school programs***Friends of the Maryland State Library****for the Blind and Physically Handicapped \$2000**

Attn: Vice President Sharon Maneki

672 Old Mill Rd. #128

Millersville MD 21108

*To buy shelving to hold braille books and other materials***House of Ruth \$3000**

Attn: Director of Development Carolyn Stevens

5 Thomas Circle

Washington DC 20005

*For housing for abused women and children***Housing Unlimited \$4000**

Attn: Executive Director Abe Schuchman

1398 Lamberton Drive, Suite G1

Silver Spring MD 20902

*For administration of Tenant Empowerment Program***Intorages \$5000**

Attn: Executive Director Carol Croll

3950 Ferrara Drive

Wheaton MD 20906

*To buy books for the Grand Reader program***Maryland Zoo in Baltimore \$3500**

Attn: Assistant Director of Foundation Relations Holly Fritz

1876 Mansion House Drive

Druid Hill Park

Baltimore MD 21217

*To purchase a Wentz microscope for Base Camp Discovery center***Metropolitan Washington Ear \$4500**

Attn: Development Officer Rosemary Roussil

12061 Tech Rd.

Silver Spring MD 20904

For Ethernet switches and other equipment for computer room

Miriam's House \$2500

Attn: Development Director Timothy Fretz

PO Box 73618

Washington DC 20056

For counseling and medical care for women with HIV and AIDS

(The physical address of Miriam's House is 1300 Florida Ave., NW Washington DC 20009, but they do not publish that address for the protection of the women residing there.)

National Aquarium in Baltimore \$5000

Attn: Grants Manager Tina Miller

501 East Pratt St.

Baltimore MD 21202

To buy supplies for Chesapeake Bay Initiative's efforts to restore wetlands

National Children's Cancer Society \$2000

Attn: President and CEO Mark Stolze

1 South Memorial Drive, Suite 800

St. Louis MO 63102

To fund Pediatric Oncology Program

Noyes Children's Library Foundation \$4000

Attn: Co-President Sheila Dinn

PO Box 31

Kensington MD 20895

Operational funding to keep the library from closing due to budget cuts

(The library's physical address is 10237 Carroll Place, Kensington MD 20895.)

Partner for Surgery \$5000

Attn: President Frank Peterson

6804 Melrose Drive

McLean VA 22101

To fund cervical & breast cancer screening & treatment in Guatemala

Point Lookout Lighthouse Preservation Society \$3000

Attn: President Robert Hall

PO Box 135

Saint Leonard MD 20685

To purchase drywall, wood, electrical fixtures for lighthouse restoration

(The lighthouse is located at 1175 Point Lookout Rd, Scotland MD 20687.)

Second Chance Wildlife Center \$5000

Attn: Executive Director Christine Montuori

7101 Barcellona Drive

Gaithersburg MD 20879

To buy food for injured and orphaned wildlife during rehabilitation

Shepherd's Table \$4000

Attn: Executive Director Jacki Coyle

8210-A Colonial Lane

Silver Spring MD 20910

To fund eye clinic supplies

UC-Cumberland College \$2500

Attn: Dr. Jim Taylor, president

6191 College Station Drive

Williamsburg KY 40769

To buy supplies for Mountain Outreach Program (for building and repairing homes for those living in poverty)

Visitors' Services Center \$3000

Attn: Executive Director Ann Keep

1422 Massachusetts Ave., SE

Washington DC 20003

To buy bus tokens and pay for resume' assistance and production for newly released inmates of the DC jail system

WETA (Greater Washington Educational Telecom. Assoc. Inc.) \$2000

Attn: Dir. of Foundation & Government Development Teri Blandon

3939 Campbell Avenue

Arlington VA 22206

To fund acquisition of "Nature" episodes to air on TV26