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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

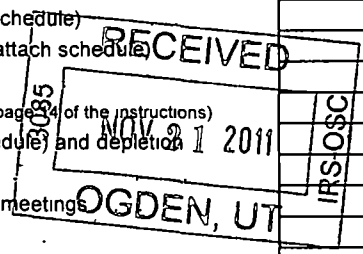
For calendar year 2010, or tax year beginning _____, and ending _____

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

Name of foundation THE VARNEY FOUNDATION		A Employer identification number 62-1811033
Number and street (or P O box number if mail is not delivered to street address) P.O. BOX 140260	Room/suite	B Telephone number (see page 10 of the instructions) (615) 883-8881
City or town, state, and ZIP code NASHVILLE TN 37214		C If exemption application is pending, check here <input type="checkbox"/>
H 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		D 1. Foreign organizations, check here <input type="checkbox"/> 2. Foreign organizations meeting the 85% test, check here and attach computation <input type="checkbox"/>
I Fair market value of all assets at end of year (from Part II, col. (c), line 16) ▶ \$ 1,800,094	J Accounting method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) _____ (Part I, column (d) must be on cash basis)	E If private foundation status was terminated under section 507(b)(1)(A), check here <input type="checkbox"/> F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here <input type="checkbox"/>

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 page 11 of 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 (attach schedule)				
2 Check <input checked="" type="checkbox"/> if the foundation is not required to attach Sch B				
3 Interest on savings and temporary cash investments	0	0		
4 Dividends and interest from securities	60,996	60,996		
5 a Gross rents		0		
b Net rental income or (loss)	0			
6 a Net gain or (loss) from sale of assets not on line 10	4,993			
b Gross sales price for all assets on line 6a	100,000			
7 Capital gain net income (from Part IV, line 2)		4,993		
8 Net short-term capital gain			0	
9 Income modifications				
10 a Gross sales less returns and allowances	0			
b Less Cost of goods sold	0			
c Gross profit or (loss) (attach schedule)	0			
11 Other income (attach schedule)	17,860	0	0	
12 Total. Add lines 1 through 11	83,849	65,989	0	
13 Compensation of officers, directors, trustees, etc	1,800	1,800		
14 Other employee salaries and wages				
15 Pension plans, employee benefits				
16 a Legal fees (attach schedule)	12,777	12,777	0	0
b Accounting fees (attach schedule)	10,374	10,374	0	0
c Other professional fees (attach schedule)	0	0	0	0
17 Interest				
18 Taxes (attach schedule) (see page 4 of the instructions)	852	852	0	0
19 Depreciation (attach schedule) and depletion	0	0	0	
20 Occupancy				
21 Travel, conferences, and meetings	2,156			2,156
22 Printing and publications				
23 Other expenses (attach schedule)	2,485	2,485	0	0
24 Total operating and administrative expenses. Add lines 13 through 23	30,444	28,288	0	2,156
25 Contributions, gifts, grants paid	103,000			103,000
26 Total expenses and disbursements. Add lines 24 and 25	133,444	28,288	0	105,156
27 Subtract line 26 from line 12				
a Excess of revenue over expenses and disbursements	-49,595			
b Net investment income (if negative, enter -0-)		37,701		
c Adjusted net income (if negative, enter -0-)			0	

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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	46,370	18,975	18,975
	2 Savings and temporary cash investments			
	3 Accounts receivable ▶	0		
	Less allowance for doubtful accounts ▶	0	0	0
	4 Pledges receivable ▶	0		
	Less allowance for doubtful accounts ▶	0	0	0
	5 Grants receivable			
	6 Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see page 15 of the instructions)	0	0	0
	7 Other notes and loans receivable (attach schedule) ▶	0		
	Less allowance for doubtful accounts ▶	0	0	0
	8 Inventories for sale or use			
	9 Prepaid expenses and deferred charges			
	10 a Investments—U S and state government obligations (attach schedule)	0	0	0
	b Investments—corporate stock (attach schedule)	1,016,198	1,038,382	1,249,786
	c Investments—corporate bonds (attach schedule)	589,703	545,394	531,333
	11 Investments—land, buildings, and equipment basis ▶	0		
Less accumulated depreciation (attach schedule) ▶	0	0	0	
12 Investments—mortgage loans				
13 Investments—other (attach schedule)	0	0	0	
14 Land, buildings, and equipment basis ▶	0			
Less accumulated depreciation (attach schedule) ▶	0	0	0	
15 Other assets (describe ▶)	0	0	0	
16 Total assets (to be completed by all filers—see the instructions Also, see page 1, item I)	1,652,271	1,602,751	1,800,094	
Liabilities	17 Accounts payable and accrued expenses			
	18 Grants payable			
	19 Deferred revenue			
	20 Loans from officers, directors, trustees, and other disqualified persons	0	0	
	21 Mortgages and other notes payable (attach schedule)	0	0	
	22 Other liabilities (describe ▶)	0	0	
23 Total liabilities (add lines 17 through 22)	0	0		
Net Assets or Fund Balances	Foundations that follow SFAS 117, check here and complete lines 24 through 26 and lines 30 and 31. ▶ <input type="checkbox"/>			
	24 Unrestricted			
	25 Temporarily restricted			
	26 Permanently restricted			
	Foundations that do not follow SFAS 117, check here and complete lines 27 through 31. ▶ <input type="checkbox"/>			
	27 Capital stock, trust principal, or current funds		0	
	28 Paid-in or capital surplus, or land, bldg, and equipment fund			
29 Retained earnings, accumulated income, endowment, or other funds	1,652,271	1,602,751		
30 Total net assets or fund balances (see page 17 of the instructions)	1,652,271	1,602,751		
31 Total liabilities and net assets/fund balances (see page 17 of the instructions)	1,652,271	1,602,751		

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	1,652,271
2 Enter amount from Part I, line 27a	2	-49,595
3 Other increases not included in line 2 (itemize) ▶ PRIOR TAX ADJUSTMENT	3	75
4 Add lines 1, 2, and 3	4	1,602,751
5 Decreases not included in line 2 (itemize) ▶	5	0
6 Total net assets or fund balances at end of year (line 4 minus line 5)—Part II, column (b), line 30	6	1,602,751

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 shs. MLC Co.)		(b) How acquired P—Purchase D—Donation	(c) Date acquired (mo., day, yr.)	(d) Date sold (mo., day, yr.)
1a HARTFORD LIFE INSURANCE 5% NOTES		P	9/19/2007	8/16/2010
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 100,000	0	95,007	4,993	
b 0	0	0	0	
c 0	0	0	0	
d 0	0	0	0	
e 0	0	0	0	
Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(l) Gains (Col. (h) gain minus col. (k), but not less than -0-) or Losses (from col. (h))	
(i) FMV as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col. (j), if any		
a 0	0	0	4,993	
b 0	0	0	0	
c 0	0	0	0	
d 0	0	0	0	
e 0	0	0	0	
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 4,993
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 pages 13 and 17 of the instructions). If (loss), enter -0- in Part I, line 8		3 0

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 page 18 of 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 (col. (b) divided by col. (c))
2009	154,426	1,559,651	0.099013
2008	124,368	1,925,813	0.064579
2007	123,402	2,275,297	0.054236
2006	463,402	2,044,419	0.226667
2005	62,280	1,982,836	0.031410
2 Total of line 1, column (d)			2 0.475905
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 0.095181
4 Enter the net value of noncharitable-use assets for 2010 from Part X, line 5			4 1,696,824
5 Multiply line 4 by line 3			5 161,505
6 Enter 1% of net investment income (1% of Part I, line 27b)			6 377
7 Add lines 5 and 6			7 161,882
8 Enter qualifying distributions from Part XII, line 4			8 105,156

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 on page 18.

Part VI Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948—see page 18 of 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 instructions)			
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	754	
c	All other domestic foundations enter 2% of line 27b Exempt foreign organizations enter 4% of Part I, line 12, col (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	754	
4	Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-)	4		
5	Tax based on investment income. Subtract line 4 from line 3 If zero or less, enter -0-	5	754	
6	Credits/Payments			
a	2010 estimated tax payments and 2009 overpayment credited to 2010	6a	0	
b	Exempt foreign organizations—tax withheld at source	6b		
c	Tax paid with application for extension of time to file (Form 8868)	6c	0	
d	Backup withholding erroneously withheld	6d		
7	Total credits and payments Add lines 6a through 6d	7	0	
8	Enter any penalty for underpayment of estimated tax Check here <input type="checkbox"/> if Form 2220 is attached	8	0	
9	Tax due. If the total of lines 5 and 8 is more than line 7, enter amount owed	9	754	
10	Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid	10	0	
11	Enter the amount of line 10 to be Credited to 2011 estimated tax <input type="checkbox"/> 0 Refunded <input type="checkbox"/>	11	0	

Part VII-A Statements Regarding Activities

	Yes	No
1 a		X
b		X
c		X
d		
e		
2		X
3		X
4 a		X
4 b	N/A	
5		X
6	X	
7	X	
8 a		
8 b	X	
9		X
10		X

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 page 20 of the instructions)			X
12	Did the foundation acquire a direct or indirect interest in any applicable insurance contract before August 17, 2008?			X
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application? Website address		X	
14	The books are in care of <u>E. C. HARDISON, III</u> Telephone no <u>(615) 883-8881</u> Located at <u>2821 LEBANON ROAD, SUITE 102 NASHVILLE TN</u> ZIP+4 <u>37214</u>			
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	<input type="checkbox"/>
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? See page 20 of the instructions for exceptions and filing requirements for Form TD F 90-22 1 If "Yes," enter the name of the foreign country		16	Yes No 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 page 22 of 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 page 22 of 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

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 page 22 of the 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 page 22 of the instructions)? Organizations relying on a current notice regarding disaster assistance check here **5b** N/A

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? 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? Yes No
If "Yes" to 6b, file Form 8870 **6b** X

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? Yes No **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 page 22 of the 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
E.C. HARDISON, III PO BOX 140260 NASHVILLE TN 37214	DIRECTOR 2.00	600	0	0
JANE HALE-VARNEY PO BOX 140260 NASHVILLE TN 37214	DIRECTOR 2.00	600	0	0
WILLIAM W. GIBSON PO BOX 140260 NASHVILLE TN 37214	DIRECTOR 2.00	600	0	0
		.00	0	0

2 Compensation of five highest-paid employees (other than those included on line 1—see page 23 of the 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

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 page 23 of the instructions). If none, enter "NONE."

(a) Name and address of each person paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		0
.....		0
.....		0
.....		0
.....		0
.....		0
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 <u>N/A</u>	
2	
3	
4	

Part IX-B Summary of Program-Related Investments (see page 24 of the instructions)

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2	Amount	
1 <u>NONE</u>		
2		
3 All other program-related investments See page 24 of the instructions		
Total. Add lines 1 through 3		0

Part X Minimum Investment Return (All domestic foundations must complete this part. Foreign foundations, see page 24 of the 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	1,667,479
b	Average of monthly cash balances	1b	55,185
c	Fair market value of all other assets (see page 25 of the instructions)	1c	
d	Total (add lines 1a, b, and c)	1d	1,722,664
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1e	
2	Acquisition indebtedness applicable to line 1 assets	2	
3	Subtract line 2 from line 1d	3	1,722,664
4	Cash deemed held for charitable activities. Enter 1½% of line 3 (for greater amount, see page 25 of the instructions)	4	25,840
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	1,696,824
6	Minimum investment return. Enter 5% of line 5	6	84,841

Part XI Distributable Amount (see page 25 of the 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	84,841
2a	Tax on investment income for 2010 from Part VI, line 5	2a	754
b	Income tax for 2010 (This does not include the tax from Part VI)	2b	0
c	Add lines 2a and 2b	2c	754
3	Distributable amount before adjustments. Subtract line 2c from line 1	3	84,087
4	Recoveries of amounts treated as qualifying distributions	4	
5	Add lines 3 and 4	5	84,087
6	Deduction from distributable amount (see page 25 of the instructions)	6	
7	Distributable amount as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1	7	84,087

Part XII Qualifying Distributions (see page 25 of the 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	105,156
b	Program-related investments—total from Part IX-B	1b	0
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	0
4	Qualifying distributions. Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	4	105,156
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 page 26 of the instructions)	5	0
6	Adjusted qualifying distributions. Subtract line 5 from line 4	6	105,156

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 page 26 of the instructions)

	(a) Corpus	(b) Years prior to 2009	(c) 2009	(d) 2010
1 Distributable amount for 2010 from Part XI, line 7				84,087
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	0			
b From 2006	361,448			
c From 2007	15,489			
d From 2008	28,477			
e From 2009	76,561			
f Total of lines 3a through e	481,975			
4 Qualifying distributions for 2010 from Part XII, line 4. ▶ \$ 105,156				
a Applied to 2009, but not more than line 2a			0	
b Applied to undistributed income of prior years (Election required—see page 26 of the instructions)		0		
c Treated as distributions out of corpus (Election required—see page 26 of the instructions)	0			
d Applied to 2010 distributable amount				84,087
e Remaining amount distributed out of corpus	21,069			
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	503,044			
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 page 27 of the instructions		0		
e Undistributed income for 2009 Subtract line 4a from line 2a Taxable amount—see page 27 of the 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 page 27 of the instructions)				
8 Excess distributions carryover from 2005 not applied on line 5 or line 7 (see page 27 of the instructions)	0			
9 Excess distributions carryover to 2011. Subtract lines 7 and 8 from line 6a	503,044			
10 Analysis of line 9				
a Excess from 2006	361,448			
b Excess from 2007	15,489			
c Excess from 2008	28,477			
d Excess from 2009	76,561			
e Excess from 2010	21,069			

Part XIV Private Operating Foundations (see page 27 of the 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 2010, 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)

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

	Tax year				(e) Total
	(a) 2010	(b) 2009	(c) 2008	(d) 2007	
	0				0
b 85% of line 2a	0	0	0	0	0
c Qualifying distributions from Part XII, line 4 for each year listed	0				0
d Amounts included in line 2c not used directly for active conduct of exempt activities					0
e Qualifying distributions made directly for active conduct of exempt activities Subtract line 2d from line 2c	0	0	0	0	0
3 Complete 3a, b, or c for the alternative test relied upon					
a "Assets" alternative test—enter					
(1) Value of all assets					0
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					0
b "Endowment" alternative test—enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed	0				0
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)					0
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii)					0
(3) Largest amount of support from an exempt organization					0
(4) Gross investment income					0

Part XV Supplementary Information (Complete this part only if the foundation had \$5,000 or more in assets at any time during the year—see page 28 of the 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 page 28 of the 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

NOT APPLICABLE

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

NOT APPLICABLE

c Any submission deadlines

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

NOT APPLICABLE

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)				
<p>a <i>Paid during the year</i> JIM VARNEY SCHOLARSHIP FUND 10920 WILSHIRE BLVD, SUITE 1400 LOS ANGELES CA 90024</p>		PUBLIC	SEE ATTACHED	103,000
Total				▶ 3a 103,000
<p>b <i>Approved for future payment</i> JIM VARNEY SCHOLARSHIP FUND 10920 WILSHIRE BLVD, SUITE 1400 LOS ANGELES CA 90024</p>		PUBLIC	SEE ATTACHED	344,100
Total				▶ 3b 344,100

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PART 1-LINE 11-OTHER INCOME

RESIDUALS FROM DECEASED ACTOR/FOUNDER	\$17,860.00
TOTAL	<u>\$17,860.00</u>

PART 1-LINE 16A-LEGAL FEES

WYATT, TARRANT & COMBS, LLP FOR CONTRACT NEGOTIATION ON RESIDUALS, AND REVIEW OF POSSIBLE NEW INCOME SOURCES USING NAME OF JIM VARNEY	<u>\$12,777.00</u>
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PART 1-LINE 16B-ACCOUNTING FEES

ERWIN HARDISON & CO , P C. FOR MONTHLY AND ANNUAL ACCOUNTING PAYING OF BILLS, INSURANCE RENEWALS, PREPARATION OF FORM 990-PF	<u>\$10,374.00</u>
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PART 1-LINE 18-TAXES

FOREIGN TAX PAID ON DIVIDENDS FROM INVESTMENT ACCOUNT	\$734 00
990-PF INVESTMENT TAX	<u>\$118 00</u>
TOTAL	<u>\$852.00</u>

PART 1-LINE 21-TRAVEL, CONFERENCES AND MEETINGS

2 DIRECTORS TO UCLA FOR SCHOLARSHIP MEETINGS	<u>\$2,156.00</u>
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PART 1-LINE 23-OTHER EXPENSES

STORAGE	\$864 00
SECRETARY OF STATE ANNUAL FEE	\$20 00
STOP PAYMENT FEES	\$0.00
INSURANCE-DIRECTOR'S LIABILITY	\$1,106 00
ASSOCIATION OF SMALL FOUNDATIONS-DUES	<u>\$495 00</u>
TOTAL	<u>\$2,485.00</u>

**THE VARNEY FOUNDATION
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PART II-LINE 10B-INVESTMENTS CORPORATE STOCK

	COST	FAIR VALUE
HENDERSON GLOBAL FUNDS	\$118,364.00	\$111,191 00 /
EURO PACIFIC GROWTH FUND	\$107,713 00	\$145,499 00 /
FUNDAMENTAL INVESTORS INCOME FUND	\$209,698 00	\$275,313 00 /
GROWTH FUND OF AMERICA, INC.	\$197,924.00	\$268,891 00
INCOME FUND OF AMERICA, INC.	\$206,837 00	\$205,423 00
SMALL CAP WORLD FUND, INC.	\$111,856 00	\$163,222 00
WASHINGTON MUTUAL INVESTORS FUND, INC.	\$85,990 00	\$80,247 00
TOTAL	<u>\$1,038,382.00</u>	<u>\$1,249,786.00</u>

PART II-LINE 10C-INVESTMENTS-CORPORATE BONDS

	COST	FAIR VALUE
KENTUCKY ECON DFA NOTES	\$99,986 00	\$85,266 00
GENERAL ELECTRIC CAPITAL CORP INTERNOTES	\$22,006.00	\$21,962 00
BANKAMERICA CAP NOTES	\$55,284.00	\$50,312 00
BEXAR, TEXAS MET WATER DIST	\$25,389.00	\$24,900 00
LINCOLN NATIONAL CORP NOTES	\$82,911.00	\$83,790 00
MERRILL LYNCH CORE NOTES	\$29,018.00	\$29,758 00
DE MOTTE IN MUNI FACS	\$25,310 00	\$25,301 00
ONEOK, INC INSURED NOTES	\$45,052.00	\$44,712 00
LAWRENCE, IN WATERWORKS BONDS	\$89,556 00	\$91,896 00
GENERAL ELECTRIC CAPITAL CORP NOTES	\$70,882.00	\$73,436 00
TOTAL	<u>\$545,394.00</u>	<u>\$531,333.00</u>

THE VARNEY FOUNDATION

FORM 990-PF

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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 SHS, MLC CO)

1a 100000 Hartford Life Insurance 5% notes

(B) HOW ACQUIRED
P-PURCHASE
D-DONATION

P

(C) DATE ACQUIRED (MO, DAY, YR.)

09/19/07

(D) DATE SOLD (MO, DAY, YR.)

08/16/10

(E) GROSS SALES PRICE

1a 100,000

(F) DEPRECIATION ALLOWED (OR ALLOWABLE)

(G) COST OR OTHER BASIS PLUS EXPENSE OF SALE

95,007

(H) GAIN OR (LOSS) (E) PLUS (F) MINUS (G)

4,993

2 CAPITAL GAIN NET INCOME OR (NET CAPITAL LOSS)

{IF GAIN, ALSO ENTER IN PART 1, LINE 7}

{IF (LOSS), ENTER -0- IN PART 1, LINE 7}

4,993

**PURPOSE OF GRANT OR CONTRIBUTION
(ATTACHMENT FOR PART XV)**

**PART XV SUPPLEMENTARY INFORMATION
#3 GRANTS AND CONTRIBUTIONS PAID DURING THE YEAR OR APPROVED
FOR FUTURE PAYMENT**

**PURPOSE OF GRANT OR CONTRIBUTION (FOR BOTH PAYMENT DURING
THE YEAR AND FUTURE PAYMENT)**

THE PURPOSE SHALL BE TO PROVIDE FULL SCHOLARSHIP SUPPORT,
INCLUDING TUITION, BOOKS, ROOM, BOARD, AND SUPPLIES, TO THREE
ENTERING COLLEGE STUDENTS IN GOOD STANDING WHO: (A) ARE
PURSUING A DEGREE IN THE COLLEGE OF LETTERS AND SCIENCE, (B)
HAVE AN INTEREST IN PURSUING A CAREER IN ACTING AND/OR DRAMA,
(C) PREFERABLY ARE RESIDENTS OF THE STATES OF TENNESSEE AND/OR
KENTUCKY, AND (D) DEMONSTRATE FINANCIAL NEED.