Form **990-PF**

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0052

2010

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

Morton and Marcine Friedman Foundation
3610 American River Drive #100
Sacramento, CA 95864

A Employer identification number
68-0282444

B Telephone number (see the instructions)
916-979-9199

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)* ► $ 6,576,373.

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)
REVENUE	1 Contributions, gifts, grants, etc, received (att sch)	83,000.			
	2 Ck ► ☐ if the foundn is **not** req to att Sch B				
	3 Interest on savings and temporary cash investments	8.	8.		
	4 Dividends and interest from securities	55,348.	55,348.		
	5a Gross rents				
	b Net rental income or (loss)				
	6a Net gain/(loss) from sale of assets not on line 10	-8,778.			
	b Gross sales price for all assets on line 6a 9,783,809.				
	7 Capital gain net income (from Part IV, line 2)		0.		
	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	129,578.	55,356.	0.	
OPERATING AND ADMINISTRATIVE EXPENSES	13 Compensation of officers, directors, trustees, etc	0.			
	14 Other employee salaries and wages				
	15 Pension plans, employee benefits				
	16a Legal fees (attach schedule)				
	b Accounting fees (attach sch) See St 1	1,855.	1,855.		
	c Other prof fees (attach sch) See St 2	9,837.	9,837.		
	17 Interest				
	18 Taxes (attach schedule)(see instr) See Stm 3	43.	10.		
	19 Depreciation (attach sch) and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings				
	22 Printing and publications				
	23 Other expenses (attach schedule) See Statement 4	22,139.	117.		
	24 **Total operating and administrative expenses.** Add lines 13 through 23	33,874.	11,819.		
	25 Contributions, gifts, grants paid Part XV	352,520.			352,520.
	26 **Total expenses and disbursements.** Add lines 24 and 25	386,394.	11,819.	0.	352,520.
	27 Subtract line 26 from line 12:				
	a **Excess of revenue over expenses and disbursements**	-256,816.			
	b **Net investment income** (if negative, enter -0-)		43,537.		
	c **Adjusted net income** (if negative, enter -0-)			0.	

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1

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			
	2	Savings and temporary cash investments	128,384.	6,887.	6,887.
	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)	6,704,805.	6,569,486.	6,569,486.
	b	Investments – corporate stock (attach schedule)			
	c	Investments – corporate bonds (attach schedule)			
	11	Investments – land, buildings, and equipment basis ►			
		Less accumulated depreciation (attach schedule) ►			
	12	Investments – mortgage loans			
	13	Investments – other (attach schedule)			
	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)	6,833,189.	6,576,373.	6,576,373.
LIABILITIES	17	Accounts payable and accrued expenses			
	18	Grants payable			
	19	Deferred revenue			
	20	Loans from officers, directors, trustees, & other disqualified persons			
	21	Mortgages and other notes payable (attach schedule)			
	22	Other liabilities (describe ►)			
	23	**Total liabilities** (add lines 17 through 22)	0.	0.	
NET ASSETS OR FUND BALANCES		**Foundations that follow SFAS 117, check here ► ☐ 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.			
	27	Capital stock, trust principal, or current funds	5,000.	5,000.	
	28	Paid-in or capital surplus, or land, building, and equipment fund			
	29	Retained earnings, accumulated income, endowment, or other funds	6,828,189.	6,571,373.	
	30	**Total net assets or fund balances** (see the instructions)	6,833,189.	6,576,373.	
	31	**Total liabilities and net assets/fund balances** (see the instructions)	6,833,189.	6,576,373.	

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	6,833,189.
2	Enter amount from Part I, line 27a	2	-256,816.
3	Other increases not included in line 2 (itemize) ►	3	
4	Add lines 1, 2, and 3	4	6,576,373.
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	6,576,373.

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	See Attached	P	Various	12/31/10
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	9,783,809.		9,792,587.	-8,778.
b				
c				
d				
e				

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

	(i) Fair Market Value as of 12/31/69	**(j)** Adjusted basis as of 12/31/69	**(k)** Excess of column (i) over column (j), if any	**(l)** Gains (Column (h) gain minus column (k), but not less than -0-) or Losses (from column (h))
a				-8,778.
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	-8,778.
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	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 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	475,291.	6,839,740.	0.069490
2008	341,819.	6,921,139.	0.049388
2007	303,534.	6,850,242.	0.044310
2006	355,210.	6,708,948.	0.052946
2005	327,067.	6,542,538.	0.049991

2	**Total** of line 1, column (d)	2	0.266125
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	0.053225
4	Enter the net value of noncharitable-use assets for 2010 from Part X, line 5	4	6,604,210.
5	Multiply line 4 by line 3	5	351,509.
6	Enter 1% of net investment income (1% of Part I, line 27b)	6	435.
7	Add lines 5 and 6	7	351,944.
8	Enter qualifying distributions from Part XII, line 4	8	352,520.

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

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

1 a	Exempt operating foundations described in section 4940(d)(2), check here ► ☐ and enter 'N/A' on line 1. Date of ruling or determination letter ________ (attach copy of letter if necessary – see instr.)			
b	Domestic foundations that meet the section 4940(e) requirements in Part V, check here ► ☒ and enter 1% of Part I, line 27b		1	435.
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	435.
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	435.
6	Credits/Payments			
a	2010 estimated tax pmts and 2009 overpayment credited to 2010	6a 960.		
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	960.
8	Enter any **penalty** for underpayment of estimated tax Check here ☐ if Form 2220 is attached		8	
9	**Tax due.** If the total of lines 5 and 8 is more than line 7, enter **amount owed** ►		9	0.
10	**Overpayment** If line 7 is more than the total of lines 5 and 8, enter the **amount overpaid** ►		10	525.
11	Enter the amount of line 10 to be. **Credited to 2011 estimated tax** ► 525.	**Refunded** ►	11	0.

Part VII-A Statements Regarding Activities

			Yes	No
1 a	During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?	1a		X
b	Did it spend more than $100 during the year (either directly or indirectly) for political purposes (see the instructions for definition)?	1b		X
	*If the answer is 'Yes' to **1a** or **1b**, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities*			
c	Did the foundation file **Form 1120-POL** for this year?	1c		X
d	Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year **(1)** On the foundation ► $ 0. **(2)** On foundation managers ► $ 0.			
e	Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers ► $ 0.			
2	Has the foundation engaged in any activities that have not previously been reported to the IRS? *If 'Yes,' attach a detailed description of the activities.*	2		X
3	Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? *If 'Yes,' attach a conformed copy of the changes*	3		X
4a	Did the foundation have unrelated business gross income of $1,000 or more during the year?	4a		X
b	If 'Yes,' has it filed a tax return on **Form 990-T** for this year?	4b	N/A	
5	Was there a liquidation, termination, dissolution, or substantial contraction during the year? *If 'Yes,' attach the statement required by General Instruction T.*	5		X
6	Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either: • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	6	X	
7	Did the foundation have at least $5,000 in assets at any time during the year? *If 'Yes,' complete Part II, column (c), and Part XV*	7	X	
8a	Enter the states to which the foundation reports or with which it is registered (see the instructions) ► CA			
b	If the answer is 'Yes' to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by *General Instruction G? If 'No,' attach explanation*	8b	X	
9	Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2010 or the taxable year beginning in 2010 (see instructions for Part XIV)? *If 'Yes,' complete Part XIV*	9		X
10	Did any persons become substantial contributors during the tax year? *If 'Yes,' attach a schedule listing their names and addresses*	10		X

Part VII-A Statements Regarding Activities *(Continued)*

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

Website address ► N/A

14 The books are in care of ► Morton Friedman Telephone no ► 916-979-9199

Located at ► 3610 American River Drive #100 Sacramento CA ZIP + 4 ► 95864

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

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

			Yes	No
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		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

1 a During the year did the foundation (either directly or indirectly)

(1) Engage in the sale or exchange, or leasing of property with a disqualified person? ☐ Yes ☒ No

(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? ☐ Yes ☒ No

(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person? ☐ Yes ☒ No

(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person? ☐ Yes ☒ No

(5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)? ☐ Yes ☒ No

(6) Agree to pay money or property to a government official? (**Exception.** Check 'No' if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days) ☐ Yes ☒ No

b If any answer is 'Yes' to 1a(1)-(6), did **any** of the acts fail to qualify under the exceptions described in Regulations section 53 4941(d)-3 or in a current notice regarding disaster assistance (see the instructions)? 1b N/A

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? 1c No: 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? ☐ Yes ☒ 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) 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

► 20__ , 20__ , 20__ , 20__

3a Did the foundation hold more than 2% direct or indirect interest in any business enterprise at any time during the year? ☐ Yes ☒ No

b If 'Yes,' did it have excess business holdings in 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

			Yes	No
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 instructions) ☐ **Yes** ☒ **No**

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

b If any answer is 'Yes' to 5a(1)-(5), did **any** of the transactions fail to qualify under the exceptions described in Regulations section 53 4945 or in a current notice regarding disaster assistance (see instructions)? **5b** N/A

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

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

If 'Yes,' attach the statement required by Regulations section 53 4945-5(d).

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

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

If 'Yes' to 6b, file Form 8870

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

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

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
Morton Friedman 3610 American River Drive #100 Sacramento, CA 95864	President 0	0.	0.	0.
Marcine Friedman 3610 American River Drive #100 Sacrmento, CA 95864	Secretary 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.

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	6,637,146.
b	Average of monthly cash balances			1b	67,636.
c	Fair market value of all other assets (see instructions)			1c	
d	**Total** (add lines 1a, b, and c)			1d	6,704,782.
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	6,704,782.
4	Cash deemed held for charitable activities Enter 1-1/2% of line 3 (for greater amount, see instructions)			4	100,572.
5	**Net value of noncharitable-use assets.** Subtract line 4 from line 3 Enter here and on Part V, line 4			5	6,604,210.
6	**Minimum investment return.** Enter 5% of line 5			6	330,211.

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	330,211.
2a	Tax on investment income for 2010 from Part VI, line 5	2a	435.		
b	Income tax for 2010 (This does not include the tax from Part VI.)	2b			
c	Add lines 2a and 2b			2c	435.
3	Distributable amount before adjustments Subtract line 2c from line 1			3	329,776.
4	Recoveries of amounts treated as qualifying distributions			4	
5	Add lines 3 and 4			5	329,776.
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	329,776.

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	352,520.
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	352,520.
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	435.
6	**Adjusted qualifying distributions.** Subtract line 5 from line 4	6	352,085.

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					329,776.
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					
b From 2006	6,084.				
c From 2007					
d From 2008					
e From 2009	135,210.				
f **Total** of lines 3a through e		141,294.			
4 Qualifying distributions for 2010 from Part XII, line 4 ► $ 352,520.					
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					329,776.
e Remaining amount distributed out of corpus		22,744.			
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		164,038.			
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)		0.			
9 **Excess distributions carryover to 2011.** Subtract lines 7 and 8 from line 6a		164,038.			
10 Analysis of line 9					
a Excess from 2006	6,084.				
b Excess from 2007					
c Excess from 2008					
d Excess from 2009	135,210.				
e Excess from 2010	22,744.				

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

1 a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 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)

	Tax year	Prior 3 years			
	(a) 2010	(b) 2009	(c) 2008	(d) 2007	(e) Total
2a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed					
b 85% of line 2a					
c Qualifying distributions from Part XII, line 4 for each year listed					
d Amounts included in line 2c not used directly for active conduct of exempt activities					
e Qualifying distributions made directly for active conduct of exempt activities Subtract line 2d from line 2c					
3 Complete 3a, b, or c for the alternative test relied upon a 'Assets' alternative test – enter. (1) Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b 'Endowment' alternative test – enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed					
c 'Support' alternative test – enter (1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii)					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income					

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

1 Information Regarding Foundation Managers:

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

None

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

None

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

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

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

See Statement 5

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

See Statement for Line 2a

c Any submission deadlines:

See Statement for Line 2a

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

See Statement for Line 2a

Part XV **Supplementary Information** (continued)

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

Recipient Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
a *Paid during the year*				
See Attached ,			See Attached	352,520.
Total			► **3a**	352,520.
b *Approved for future payment*				
Total			► **3b**	

Part XVI-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated	Unrelated business income		Excluded by section 512, 513, or 514		(e) Related or exempt function income (see the instructions)
	(a) Business code	(b) Amount	(c) Exclusion code	(d) Amount	
1 Program service revenue:					
a					
b					
c					
d					
e					
f					
g Fees and contracts from government agencies					
2 Membership dues and assessments					
3 Interest on savings and temporary cash investments			14	8.	
4 Dividends and interest from securities			14	55,348.	
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					-8,778.
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)				55,356.	-8,778.

13 **Total.** Add line 12, columns (b), (d), and (e) 13 46,578.

(See worksheet in line 13 instructions to verify calculations)

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

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

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

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

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

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

b If 'Yes,' complete the following schedule

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

Sign Here

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

▶ Morton Friedman | 5-9-11 | ▶ President

Signature of officer or trustee | Date | Title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if ☒ if self-employed	PTIN
Mark J Leggio	Mark J Leggio	5/4/11		P01247636

Firm's name ▶ Mark J. Leggio, CPA

Firm's EIN ▶ N/A

Firm's address ▶ 5040 Woodsprings CT
Granite Bay, CA 95746

Phone no 916-791-8367

Schedule B
(Form 990, 990-EZ, or 990-PF)

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

► **Attach to Form 990, 990-EZ, or 990-PF**

OMB No 1545 0047

2010

Name of the organization
Morton and Marcine Friedman Foundation

Employer identification number
68-0282444

Organization type (check one):

Filers of:	**Section:**
Form 990 or 990-EZ	☐ 501(c)(_____) (enter number) organization
	☐ 4947(a)(1) nonexempt charitable trust **not** treated as a private foundation
	☐ 527 political organization
Form 990-PF	☒ 501(c)(3) exempt private foundation
	☐ 4947(a)(1) nonexempt charitable trust treated as a private foundation
	☐ 501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**
Note. Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule See instructions

General Rule

☒ For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, $5,000 or more (in money or property) from any one contributor (Complete Parts I and II)

Special Rules

☐ For a section 501(c)(3) organization filing Form 990 or 990-EZ, that met the 33-1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), and received from any one contributor, during the year, a contribution of the greater of **(1)** $5,000 or **(2)** 2% of the amount on (i) Form 990, Part VIII, line 1h or (ii) Form 990-EZ, line 1 Complete Parts I and II

☐ For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ, that received from any one contributor, during the year, aggregate contributions of more than $1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals Complete Parts I, II, and III

☐ For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ, that received from any one contributor, during the year, contributions for use *exclusively* for religious, charitable, etc, purposes, but these contributions did not aggregate to more than $1,000 If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc, purpose Do not complete any of the parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc, contributions of $5,000 or more during the year ► $__________

Caution: An organization that is not covered by the General Rule and/or the Special Rules does not file Schedule B (Form 990, 990-EZ, or 990-PF) but it **must** answer 'No' on Part IV, line 2 of their Form 990, or check the box on line H of its Form 990-EZ, or on line 2 of its Form 990-PF, to certify that it does not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF)

BAA For Paperwork Reduction Act Notice, see the Instructions for Form 990, 990EZ, or 990-PF.

Schedule B (Form 990, 990-EZ, or 990-PF) (2010)

Name of organization
Morton and Marcine Friedman Foundation

Employer identification number
68-0282444

Part I Contributors (see instructions.)

(a) Number	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
1	Morton & Marcy Friedman 3610 American River Drive #100 Sacramento, CA 95864	$ 83,000.	Person ☒ Payroll ☐ Noncash ☐ (Complete Part II if there is a noncash contribution.)
		$	Person ☐ Payroll ☐ Noncash ☐ (Complete Part II if there is a noncash contribution.)
		$	Person ☐ Payroll ☐ Noncash ☐ (Complete Part II if there is a noncash contribution.)
		$	Person ☐ Payroll ☐ Noncash ☐ (Complete Part II if there is a noncash contribution.)
		$	Person ☐ Payroll ☐ Noncash ☐ (Complete Part II if there is a noncash contribution.)
		$	Person ☐ Payroll ☐ Noncash ☐ (Complete Part II if there is a noncash contribution.)

Name of organization
Morton and Marcine Friedman Foundation

Employer identification number
68-0282444

Part II Noncash Property (see instructions)

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
	N/A	$	

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	

Schedule B (Form 990, 990-EZ, or 990-PF) (2010) Page 1 of 1 of **Part III**

Name of organization	Employer identification number
Morton and Marcine Friedman Foundation	68-0282444

Part III ***Exclusively*** **religious, charitable, etc, individual contributions to section 501(c)(7), (8), or (10) organizations aggregating more than $1,000 for the year.** Complete cols **(a)** through **(e)** and the following line entry

For organizations completing Part III, enter total of *exclusively* religious, charitable, etc, contributions of **$1,000 or less** for the year (Enter this information once. See instructions) ► $ N/A

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
	N/A		

(e) Transfer of gift

Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

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
	$ 1,855.	$ 1,855.		
Total	$ 1,855.	$ 1,855.	$ 0.	$ 0.

Statement 2
Form 990-PF, Part I, Line 16c
Other Professional Fees

	(a) Expenses per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
Investment Fees	$ 9,837.	$ 9,837.		
Total	$ 9,837.	$ 9,837.	$ 0.	$ 0.

Statement 3
Form 990-PF, Part I, Line 18
Taxes

	(a) Expenses per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
Federal Tax	$ 33.			
State Tax	10.	$ 10.		
Total	$ 43.	$ 10.	$ 0.	$ 0.

Statement 4
Form 990-PF, Part I, Line 23
Other Expenses

	(a) Expenses per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
Bank Charges	$ 12.	$ 12.		
Miscellaneous	30.	30.		
Miscellaneous Fees	75.	75.		
Unrealized Capital Loss	22,022.			
Total	$ 22,139.	$ 117.	$ 0.	$ 0.

Statement 5
Form 990-PF, Part XV, Line 2a-d
Application Submission Information

Name of Grant Program:
Name: Morton Friedman
Care Of: Morton and Marcine Friedman Foundation
Street Address: 3610 American River Drive #100
City, State, Zip Code: Sacramento, CA 95864
Telephone: 916-979-9199
Form and Content: No specific form, but the request should provide for a plan, a description of the proposal and the requested needs. The plan should indicate any funds that have already been raised and the total amount of funds requested from all sources.
Submission Deadlines: NONE
Restrictions on Awards: NONE

MORTON AND MARCINE FRIEDMAN FOUNDATION
2010 CONTRIBUTIONS

		contribution description
A.I.E.F. 251 H Street NW, Washington, DC 20001 - TID# 52-1623781	$ 100,000.00	*annual support / Israel education*
America Israel Friendship League 134 E 39th Street, New York, NY 10016	$ 150.00	*annual support*
American Leadership Forum 6507 4th Avenue, Sacramento, CA 95817 - TID#91-1792774	$ 1,500.00	*event sponsorship*
Anti-Defamation League 720 Market Street, Suite 800, San Francisco, CA 94102	$ 5,000.00	*annual support*
B Street Theatre 2711 B Street, Sacramento, CA 95816 - TID# 95-4047805	$ 25,000.00	*capital campaign for new theatre*
B'nai Brith International P O Box 37666, Washington, DC 20013-7666	$ 149.00	*annual support*
B'nai Israel 3600 Riverside Blvd , Sacramento, CA 95818	$ 550.00	*in honor/memory of friends*
California State Sheriff's Association Foundation P O Box 980790, West Sacramento, AC 95798-9916	$ 35.00	*membership*
Capital Public Radio 7055 Folsom Blvd , Sacramento, CA 95816	$ 2,500.00	*annual support / public radio*
Christians United for Israel P O Box 1307, San Antonio, TX 78295-1307 - TID# 20-4374766	$ 5,000.00	*annual support*
Consumer Attorneys Public Interest Foundation 770 L St, Ste 1200, Sacramento, CA 95814	$ 500.00	*annual support*
Crocker Art Museum Association 216 O Street, Sacramento, CA 95814 - TID# 94-2552486	$ 65,000.00	*annual support*
Equality California 2370 Market St 2nd Floor, San Francisco, CA 94114	$ 1,000.00	*annual support*
Hillel at Davis and Sacramento 328 A Street, Davis, CA 95616	$ 1,000.00	*event sponsorship*
Honest Reporting 63 W 38th St, Suite 1103, New York, NY 10018	$ 1,000.00	*annual support*
Israel 21c 15233 Ventura Blvd , Suite 1108, Sherman Oaks, CA 91403	$ 3,000.00	*annual support*
Jewish Federation 2014 Capitol Avenue, Sacramento, CA 95811	$ 5,000.00	*annual support*
JTA 330 7th Avenue, 17th Floor, New York, NY 10001	$ 500.00	*annual support / media*
KVIE, Channel 6 2595 Capitol Oaks Drive, Sacramento, CA 95833	$ 2,500.00	*annual support / public television*
McGeorge School of Law 3200 5th Avenue, Sacramento, CA 95817	$ 1,000.00	*Dean's Council*
MEMRI P O Box 27837, Washington, DC 20038	$ 250.00	*annual support*
Mosaic Law Congregation 2300 Sierra Blvd , Sacramento, CA 95825 - TID# 94-1509709	$ 41,976.00	*gifts / synagogue*
Rose Blumkin Jewish Home 323 S 132nd Street, Omaha, NE 68154-2157	$ 50.00	*in memory of friend*
Sacramento World Music & Dance Festival 1608 I Street, Sacramento, CA 95814	$ 3,000.00	*event sponsorship / arts*
Sacramento Youth Symphony 3443 Ramona Ave , Suite 22, Sacramento, CA 95826	$ 5,000.00	*gift / music education*
Salvation Army P O Box 269, Alexandria, VA 22313	$ 350.00	*annual support*
Shalom School 2320 Sierra Blvd, Sacramento, CA 95825	$ 20,000.00	*annual support / education*
Society for the Blind 2750 24th Street, Sacramento, CA 95818 - TID# 94-1384666	$ 10,000.00	*gift / svcs/education for the blind*
Southern Poverty Law Center 400 Washington Avenue, Montgomery, AL 36104	$ 100.00	*gift / legal services*
Susan G. Komen for the Cure P O Box 1390, Davis, CA 95620	$ 375.00	*in honor of friend / breast cancer research*
Temple Israel 600 New Scotland Avenue, Albany, NY 12208-1998	$ 75.00	*in memory of friend*
The Carmel Foundation P O Box 1050, Carmel, CA 93921	$ 75.00	*in memory of friend*

The Israel Project 2020 K Street, NW, Suite 7600, Washington, DC 20006	$ 500.00	*gift / education*
The Parkinson's Institute 674 Almanor Avenue, Sunnyvale, CA 94085	$ 25,000.00	*gift / Parkinson's research*
Trust Fund for the Jewish Elderly 3610 American River Dr #100, Sacramento, CA 95864 - TID# 33-6350207	$ 2,500.00	*member commitment*
U.C. Davis MIND Institute 2825 50th Street, Sacramento, CA 95817	$ 20,000.00	*gift / research*
U.S. Holocaust Memorial Museum 100 Raoul Wallenberg Place, SW, Washington, DC 20024-2126	$ 150.00	*gift / museum*
University Foundation at Sac State 6000 J Street, Sacramento, CA 95819	$ 2,500.00	*gift / education*
World Jewish Congress P O Box 90400, Washington, DC 20090	$ 100.00	*annual support*
Wounded Warrior Project 7020 AC Skinner Pkwy, Suite 100, Jacksonville, FL 32256	$ 135.00	*gift / wounded soldier support svcs*
TOTAL	$ 352,520.00	

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charles SCHWAB
INSTITUTIONAL

Schwab One® Account of
MORTON & MARCINE FRIEDMAN
FOUNDATION

Account Number
9561-1339

Report Period
January 1 - December 31, 2010

2010 Year-End Schwab Gain/Loss Report

Prepared on January 7, 2011

Your Independent Investment Manager and/or Advisor

GURTIN FIXED INCOME MANAGEMENT
440 STEVENS AVE STE 260
SOLANA BEACH CA 92075
1 (858) 436-2200

RECEIVED
FEB - 7 2011

The custodian of your brokerage account is: Charles Schwab & Co, Inc
For questions about this report, please contact your Independent Investment Manager and/or Advisor.

012071

Table of Contents

Message Center

Your gain/loss report offers helpful information to assist you with tax preparation, including a summarized list of your realized gains/losses for 2010. You can also log in to www.schwab.com/sa_reports to view your documents securely online.

07/01-CG1C1803-012071-SML 958645999 922245
MORTON & MARCINE FRIEDMAN
FOUNDATION
3610 AMERICAN RIVER DRIVE,
SUITE #100
SACRAMENTO CA 95864

Need help reading this report?
See the UNDERSTANDING YOUR YEAR-END SCHWAB GAIN/LOSS REPORT section or visit www.schwab com/GainLossGuide for more information.

GURTIN
FIXED INCOME

SIPC

2010 Year-End Schwab Gain/Loss Report

Accounting Method
Mutual Funds: Average
All Other Investments: First In First Out [FIFO]

Realized Gain or (Loss)

Short-Term	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
FED FARM CR BK 0.84XXX** CALLED **DUE 03/23/11@ PAR EFF 02: 31331GS34	200,000.0000	12/15/09	02/03/10	$200,000.00	$200,024.00	($24.00)
Security Subtotal				**$200,000.00**	**$200,024.00**	**($24.00)**
FED HM LN MTG 1XXX** CALLED **DUE 08/18/11@ PAR EFF 05: 3128X9MJ6	200,000.0000	11/04/09	05/18/10	$200,000 00	$199,860 00	$140 00
Security Subtotal				**$200,000.00**	**$199,860.00**	**$140.00**
FED HM LN MTG 0.5XXX** CALLED **DUE 07/19/12@ PAR EFF 10: 3134G1LH5	200,000.0000	06/29/10	10/19/10	$200.000.00	$200,000 00	$0.00
Security Subtotal				**$200,000.00**	**$200,000.00**	**$0.00**
FED HM LN MTG 1.4XXX** CALLED **DUE 06/15/12@ PAR EFF 09: 3134G1EY6	200,000.0000	05/24/10	09/15/10	$200,000.00	$200,000.00	$0.00
Security Subtotal				**$200,000.00**	**$200,000.00**	**$0.00**
FED HM LN MTG 0.75XXX** CALLED **DUE 06/29/12@ PAR EFF 12: 3134G1GM0	200,000.0000	06/08/10	12/29/10	$200,000.00	$200,000.00	$0.00
Security Subtotal				**$200,000.00**	**$200,000.00**	**$0.00**
FED HM LN MTG 1.25XXX** CALLED **DUE 12/21/11@ PAR EFF 05: 3128X9PG9	200,000.0000	11/30/09	05/21/10	$200,000.00	$200,000 00	$0.00
Security Subtotal				**$200,000.00**	**$200,000.00**	**$0.00**

2010 Year-End Schwab Gain/Loss Report

Realized Gain or (Loss) (continued)

Accounting Method
Mutual Funds: Average
All Other Investments: First In First Out [FIFO]

Short-Term (continued)	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
FED HM LN MTG 1.57XXX** CALLED **DUE 06/29/12@ PAR EFF 12: 3128X9TD2	150,000.0000	11/18/10	12/29/10	$150,000 00	$150,140.63	($140.63)
Security Subtotal				**$150,000.00**	**$150,140.63**	**($140.63)**
FED HM LN MTG 1.65XXX** CALLED **DUE 11/19/12@ PAR EFF 11: 3134G1DE1	200,000.0000	05/25/10	11/19/10	$200,000.00	$200,000.00	$0 00
Security Subtotal				**$200,000.00**	**$200,000.00**	**$0.00**
FED HM LN MTG 2.05XXX** CALLED **DUE 03/09/11@ PAR EFF 03: 3128X8NB4	200,000.0000	11/04/09	03/09/10	$200,000 00	$201,203.60	($1,203.60)
Security Subtotal				**$200,000.00**	**$201,203.60**	**($1,203.60)**
FED HM LN MTG FLT 2010NOTES DUE 07/12/10: 3128X8EW8	250,000.0000	04/16/09	02/08/10	$250,005.00	$250,036.75	($31.75)
Security Subtotal				**$250,005.00**	**$250,036.75**	**($31.75)**
FED HOME LN BK 1XXX** CALLED **DUE 11/10/11@ PAR EFF 08: 3133XYAZ8	200,000.0000	04/21/10	08/10/10	$200,000.00	$200,000.00	$0.00
Security Subtotal				**$200,000.00**	**$200,000.00**	**$0.00**
FED HOME LN BK 2XXX** CALLED **DUE 07/27/12@ PAR EFF 07: 3133XUAE3	200,000.0000	06/23/10	07/27/10	$200,000.00	$200,250.00	($250.00)
Security Subtotal				**$200,000.00**	**$200,250.00**	**($250.00)**

2010 Year-End Schwab Gain/Loss Report

Realized Gain or (Loss) (continued)

Accounting Method
Mutual Funds: Average
All Other Investments: First In First Out [FIFO]

Short-Term (continued)	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
FED HOME LN BK 0.3XXX** CALLED **DUE 05/10/11@ PAR EFF 02: 3133XVM65	200,000.0000	12/16/09	02/10/10	$200,000 00	$199,960.00	$40.00
Security Subtotal				**$200,000.00**	**$199,960.00**	**$40.00**
FED HOME LN BK 0.5XXX** CALLED **DUE 04/06/11@ PAR EFF 04: 3133XUYQ0	200,000 0000	09/17/09	04/06/10	$200,000.00	$200,000.00	$0.00
Security Subtotal				**$200,000.00**	**$200,000.00**	**$0.00**
FED HOME LN BK 0.5XXX** CALLED **DUE 12/30/11@ PAR EFF 03: 3133XWAM1	200,000.0000	12/09/09	03/30/10	$200,000.00	$200,000.00	$0.00
Security Subtotal				**$200,000.00**	**$200,000.00**	**$0.00**
FED HOME LN BK 1 2XXX** CALLED **DUE 12/15/11@ PAR EFF 02: 3133XVVS7	200,000.0000	11/19/09	02/16/10	$200,000.00	$200,000.00	$0.00
Security Subtotal				**$200,000.00**	**$200,000.00**	**$0.00**
FED HOME LN BK 1.4XXX** CALLED **DUE 01/12/12@ PAR EFF 04: 3133XWHE2	200,000.0000	12/23/09	04/12/10	$200,000.00	$199,980.00	$20.00
Security Subtotal				**$200,000.00**	**$199,980.00**	**$20.00**
FED HOME LN BK 1.9%11NOTES DUE 03/25/11: 3133XTDL7	100,000.0000	06/24/09	01/22/10	$100,220.00	$100,470.00	($250.00)
Security Subtotal				**$100,220.00**	**$100,470.00**	**($250.00)**

2010 Year-End Schwab Gain/Loss Report

Realized Gain or (Loss) (continued)

<u>Accounting Method</u>
Mutual Funds· Average
All Other Investments: First In First Out [FIFO]

Short-Term (continued)	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
FED HOME LN BK 1.9XXX** CALLED **DUE 03/25/11@ PAR EFF 03: 3133XTDL7	100,000.0000	06/24/09	03/25/10	$100,000.00	$100,470.00	($470.00)
Security Subtotal				**$100,000.00**	**$100,470.00**	**($470.00)**
FED HOME LN BK 1.05XXX** CALLED **DUE 11/25/11@ PAR EFF 08: 3133XYEJ0	225,000.0000	04/28/10	08/25/10	$225,000.00	$225,000.00	$0.00
Security Subtotal				**$225,000.00**	**$225,000.00**	**$0.00**
FED HOME LN BK 1.85XXX** CALLED **DUE 12/21/12@ PAR EFF 12. 3133XW6C8	200,000.0000	10/27/10	12/21/10	$200,000.00	$200,404 00	($404.00)
Security Subtotal				**$200,000.00**	**$200,404.00**	**($404.00)**
FED HOME LN BK 3 75XXX**MATURED** DUE 01/08/10: 3133XNTD1	200,000.0000	07/30/09	01/08/10	$200,000.00	$202,984.00	($2,984.00)
Security Subtotal				**$200,000.00**	**$202,984.00**	**($2,984.00)**
FED HOME LN BK 4 75%10NOTES DUE 08/13/10: 3133MRCM2	200,000 0000	03/13/09	02/24/10	$204,236.00	$208,912 00	($4,676.00)
Security Subtotal				**$204,236.00**	**$208,912.00**	**($4,676.00)**
FED HOME LN BK FLT 2010NOTES DUE 07/27/10: 3133XSXF0	150,000.0000	02/20/09	02/18/10	$150,007.50	$149,961.00	$46.50
Security Subtotal				**$150,007.50**	**$149,961.00**	**$46.50**

2010 Year-End Schwab Gain/Loss Report

Realized Gain or (Loss) (continued)

Accounting Method
Mutual Funds: Average
All Other Investments: First In First Out [FIFO]

Short-Term (continued)	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
FED HOME LN BK 0.625XXX** CALLED **DUE 05/11/12@ PAR EFF 08. 3133XY4T9	200,000.0000	06/18/10	08/11/10	$200,000.00	$200,000.00	$0.00
Security Subtotal				**$200,000.00**	**$200,000.00**	**$0.00**
FED HOME LN BK 0.875XXX** CALLED **DUE 02/11/11@ PAR EFF 02: 3133XUES8	200,000.0000	07/28/09	02/11/10	$200,000.00	$199,625.00	$375.00
Security Subtotal				**$200,000.00**	**$199,625.00**	**$375.00**
FED HOME LN BK 1 125XXX** CALLED **DUE 12/02/11@ PAR EFF 06: 3133XVRB9	200,000.0000	05/05/10	06/02/10	$200,000.00	$199,980.00	$20 00
Security Subtotal				**$200,000.00**	**$199,980.00**	**$20.00**
FED HOME LN BK 1.375XXX** CALLED **DUE 05/14/12@ PAR EFF 06: 3133XYBR5	200,000 0000	05/20/10	06/14/10	$200,000 00	$200,026 00	($26.00)
Security Subtotal				**$200,000.00**	**$200,026.00**	**($26.00)**
FED NATL MTG 2XXX** CALLED **DUE 09/28/12@ PAR EFF 09. 31398AZF2	200,000.0000	08/23/10	09/28/10	$200,000.00	$200,328.00	($328.00)
Security Subtotal				**$200,000.00**	**$200,328.00**	**($328.00)**
FED NATL MTG 1.5XXX** CALLED **DUE 02/10/12@ PAR EFF 05: 3136FJNM9	200,000.0000	10/21/09	05/10/10	$200,000.00	$200,000.00	$0.00
Security Subtotal				**$200,000.00**	**$200,000.00**	**$0.00**

2010 Year-End Schwab Gain/Loss Report

Accounting Method
Mutual Funds: Average
All Other Investments: First In First Out [FIFO]

Realized Gain or (Loss) (continued)

Short-Term (continued)	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
FED NATL MTG 1.5XXX** CALLED **DUE 06/01/12@ PAR EFF 09: 31398AS52	200,000 0000	05/06/10	09/01/10	$200,000.00	$200,000.00	$0 00
Security Subtotal				**$200,000.00**	**$200,000.00**	**$0.00**
FED NATL MTG 2.1XXX** CALLED **DUE 09/16/13@ PAR EFF 09: 31398AJ29	200,000.0000	09/02/10	09/16/10	$200,000.00	$200,129.60	($129.60)
Security Subtotal				**$200,000.00**	**$200,129.60**	**($129.60)**
FED NATL MTG 2.05XXX** CALLED **DUE 04/01/11@ PAR EFF 04: 31398AWA6	150,000.0000	07/15/09	04/01/10	$150,000.00	$151,320.00	($1,320 00)
Security Subtotal				**$150,000.00**	**$151,320.00**	**($1,320.00)**
FED NATL MTG 1.375%12** CALLED **DUE 04/12/12@ PAR EFF 07: 3136FJG62	200,000.0000	12/18/09	07/12/10	$200,000.00	$200,000.00	$0 00
Security Subtotal				**$200,000.00**	**$200,000.00**	**$0.00**
FED NATL MTG 1 625XXX** CALLED **DUE 10/15/12@ PAR EFF 10: 3136FMJW5	200,000.0000	09/16/10	10/15/10	$200,000 00	$200,205.60	($205.60)
Security Subtotal				**$200,000.00**	**$200,205.60**	**($205.60)**
US TREAS BILL 0%10UST BILL DUE 06/24/10: 912795UV1	200,000.0000	05/18/10	06/18/10	$199,999.67	$199,968.65	$31.02
Security Subtotal				**$199,999.67**	**$199,968.65**	**$31.02**

2010 Year-End Schwab Gain/Loss Report

Realized Gain or (Loss) (continued)

Accounting Method
Mutual Funds. Average
All Other Investments First In First Out [FIFO]

Short-Term (continued)	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
US TREAS BILL 0%04/10U S T BILL DUE 04/29/10. 912795UP4	100,000 0000	03/24/10	04/22/10	$99,997.96	$99,988.82	$9.14
Security Subtotal				**$99,997.96**	**$99,988.82**	**$9.14**
US TREAS BILL 0%05/10UST BILL DUE 05/13/10: 912795UQ2	100,000.0000	04/05/10	05/06/10	$99,999.42	$99,985.06	$14.36
Security Subtotal				**$99,999.42**	**$99,985.06**	**$14.36**
US TREAS BILL 0%07/10UST BILL DUE 07/01/10: 912795U66	200,000.0000	05/20/10	06/29/10	$200,000.06	$199,966.63	$33 43
Security Subtotal				**$200,000.06**	**$199,966.63**	**$33.43**
US TREAS BILL 0%12/10UST BILL DUE 12/02/10: 912795W98	100,000.0000	10/04/10	11/26/10	$99,999.15	$99,977.38	$21.77
US TREAS BILL 0%12/10UST BILL DUE 12/02/10: 912795W98	100,000.0000	10/07/10	11/26/10	$99,999.14	$99,978.22	$20.92
US TREAS BILL 0%12/10UST BILL DUE 12/02/10: 912795W98	100,000 0000	10/07/10	11/26/10	$99,999.17	$99,978.22	$20.95
US TREAS BILL 0%12/10UST BILL DUE 12/02/10: 912795W98	100,000.0000	10/21/10	11/26/10	$99,999.16	$99,983.90	$15.26

2010 Year-End Schwab Gain/Loss Report

Accounting Method
Mutual Funds: Average
All Other Investments: First In First Out [FIFO]

Realized Gain or (Loss) (continued)

Short-Term (continued)	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
US TREAS BILL 0%12/10UST BILL DUE 12/02/10. 912795W98	200,000 0000	10/21/10	11/30/10	$199,999 53	$199,967 80	$31.73
Security Subtotal				**$599,996.15**	**$599,885.52**	**$110.63**
US TREAS BILL 05/27/10UST BILL DUE 05/27/10 912795US8	200,000.0000	04/08/10	05/25/10	$199,998 61	$199,957.26	$41.35
Security Subtotal				**$199,998.61**	**$199,957.26**	**$41.35**
US TREAS BILL 08/26/10UST BILL DUE 08/26/10. 912795U82	100,000.0000	07/16/10	08/24/10	$99,999.42	$99,983 90	$15 52
Security Subtotal				**$99,999.42**	**$99,983.90**	**$15.52**
US TREAS BILL 09/09/10UST BILL DUE 09/09/10: 912795VA6	100,000.0000	07/20/10	09/03/10	$99,998.58	$99,979 03	$19 55
Security Subtotal				**$99,998.58**	**$99,979.03**	**$19.55**
US TREAS NOT 2.125%04XXX**MATURED** DUE 04/30/10. 912828HX1	275,000.0000	02/25/10	04/30/10	$275,000 00	$275,988.28	($988.28)
Security Subtotal				**$275,000.00**	**$275,988.28**	**($988.28)**
US TREAS NOTE 4%04XXX**MATURED** DUE 04/15/10. 912828DR8	275,000.0000	02/23/10	04/15/10	$275,000 00	$276,503.91	($1,503.91)
Security Subtotal				**$275,000.00**	**$276,503.91**	**($1,503.91)**

2010 Year-End Schwab Gain/Loss Report

Accounting Method
Mutual Funds: Average
All Other Investments First In First Out [FIFO]

Realized Gain or (Loss) (continued)

Short-Term (continued)	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
US TREAS NOTE 1.75%03XXX**MATURED** DUE 03/31/10: 912828HU7	275,000.0000	02/25/10	03/31/10	$275,000.00	$275,429.69	($429.69)
Security Subtotal				**$275,000.00**	**$275,429.69**	**($429.69)**
US TREAS NT 4.5%05/10 DUE 05/15/10: 912828GR5	200,000.0000	03/04/10	05/15/10	$200,000.00	$201,710 94	($1,710.94)
Security Subtotal				**$200,000.00**	**$201,710.94**	**($1,710.94)**
UST INFL IDX 0 875%04/10INFL INDEX DUE 04/15/10: 912828CZ1	200,000 0000	04/23/09	01/25/10	$229,351 04	$222,069.09	$7,281 95
Security Subtotal				**$229,351.04**	**$222,069.09**	**$7,281.95**
Total Short-Term				**$9,583,809.41**	**$9,592,686.96**	**($8,877.55)**

2010 Year-End Schwab Gain/Loss Report

Accounting Method
Mutual Funds: Average
All Other Investments: First In First Out [FIFO]

Realized Gain or (Loss) (continued)

Long-Term	Quantity/Par	Acquired/ Opened	Sold/ Closed	Total Proceeds	Cost Basis	Realized Gain or (Loss)
FED NATL MTG 2XXX** CALLED **DUE 03/02/11@PAR EFF 03/: 31398AVL3	200,000.0000	02/19/09	03/02/10	$200,000 00	$199,900 00	$100.00
Security Subtotal				**$200,000.00**	**$199,900.00**	**$100.00**
Total Long-Term				**$200,000.00**	**$199,900.00**	**$100.00**
Total Realized Gain or (Loss)				**$9,783,809.41**	**$9,792,586.96**	**($8,777.55)**

Schwab has provided realized gain and loss information wherever possible for most investments. Cost basis data may be incomplete or unavailable for some of your holdings See Terms and Conditions.

Option Customers. Realized gain/loss of underlying securities is adjusted to reflect the premiums of assigned or exercised options Please consult IRS publication 550, Investment Income and Expenses, for additional information on Options