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**Return of Private Foundation  
or Section 4947(a)(1) Nonexempt Charitable Trust  
Treated as a Private Foundation****2011**Department of the Treasury  
Internal Revenue Service

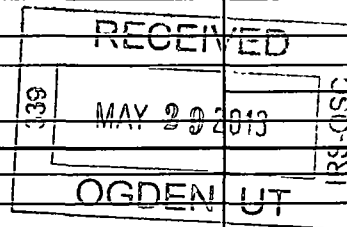
Note. The foundation may be able to use a copy of this return to satisfy state reporting requirements

For calendar year 2011, or tax year beginning 11/01, 2011, and ending 10/31, 2012

ERNEST GALLO FOUNDATION  
P.O. BOX 1130  
MODESTO, CA 95353**A** Employer identification number  
94-6061537**B** Telephone number (see the instructions)  
209-341-3395**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 ☐**G** Check all that apply. ☐ Initial return ☐ Initial Return of a former public charity  
☐ Final return ☐ Amended return  
☐ Address change ☐ Name change**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) **J** Accounting method: ☒ Cash ☐ Accrual  
☐ Other (specify) \_\_\_\_\_  
\$ 52,721,274. (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 instructions).)

	(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
<b>1</b> Contributions, gifts, grants, etc., received (att sch)				
<b>2</b> Ck <input checked="" type="checkbox"/> if the foundn is not req to att Sch B				
<b>3</b> Interest on savings and temporary cash investments	1,422.	1,422.	N/A	
<b>4</b> Dividends and interest from securities	371,015.	371,015.		
<b>5a</b> Gross rents				
<b>b</b> Net rental income or (loss)				
<b>6a</b> Net gain/(loss) from sale of assets not on line 10	434,841.			
<b>b</b> Gross sales price for all assets on line 6a	12,127,586.			
<b>7</b> Capital gain net income (from Part IV, line 2)		434,841.		
<b>8</b> Net short-term capital gain				
<b>9</b> Income modifications				
<b>10a</b> Gross sales less returns and allowances				
<b>b</b> Less: Cost of goods sold				
<b>c</b> Gross profit/(loss) (att sch)				
<b>11</b> Other income (attach schedule)				
<b>12 Total.</b> Add lines 1 through 11	807,278.	807,278.		
<b>13</b> Compensation of officers, directors, trustees, etc	0.			
<b>14</b> Other employee salaries and wages				
<b>15</b> Pension plans, employee benefits				
<b>16a</b> Legal fees (attach schedule)				
<b>b</b> Accounting fees (attach sch) See St 1	26,324.	6,000.		
<b>c</b> Other prof fees (attach sch)				
<b>17</b> Interest				
<b>18</b> Taxes (attach schedule) (see instrs) See Stm 2	25,425.	215.		
<b>19</b> Depreciation (attach sch) and depletion				
<b>20</b> Occupancy				
<b>21</b> Travel, conferences, and meetings				
<b>22</b> Printing and publications				
<b>23</b> Other expenses (attach schedule) See Statement 3	58,601.	58,337.		
<b>24 Total operating and administrative expenses.</b> Add lines 13 through 23	110,350.	64,552.		
<b>25</b> Contributions, gifts, grants paid Part XV	1,370,000.			1,370,000.
<b>26 Total expenses and disbursements.</b> Add lines 24 and 25	1,480,350.	64,552.		1,370,000.
<b>27 Subtract line 26 from line 12:</b>				
<b>a Excess of revenue over expenses and disbursements</b>	-673,072.			
<b>b Net investment income</b> (if negative, enter -0-)		742,726.		
<b>c Adjusted net income</b> (if negative, enter -0-)				


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Part II Balance Sheets		Beginning of year (a) Book Value	End of year	
			(b) Book Value	(c) Fair Market Value
ASSETS	1 Cash — non-interest-bearing			
	2 Savings and temporary cash investments	12,141,840.	16,938,181.	16,940,222.
	3 Accounts receivable <span style="float:right">149,640.</span>			
	Less: allowance for doubtful accounts		149,640.	149,640.
	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 instructions)			
	7 Other notes and loans receivable (attach sch) <span style="float:right">1,000,000.</span>			
	Less: allowance for doubtful accounts	1,000,000.	1,000,000.	1,000,000.
	8 Inventories for sale or use			
	9 Prepaid expenses and deferred charges			
	10a Investments — U.S. and state government obligations (attach schedule)	302,328.	100,593.	101,383.
	b Investments — corporate stock (attach schedule)	13,119,857.	11,167,974.	13,397,103.
	c Investments — corporate bonds (attach schedule)	1,445,918.	1,013,190.	1,023,033.
	11 Investments — land, buildings, and equipment basis			
LIABILITIES	Less: accumulated depreciation (attach schedule)			
	12 Investments — mortgage loans			
	13 Investments — other (attach schedule)	21,732,707.	18,700,000.	20,109,893.
	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 the instructions. Also, see page 1, item I)	49,742,650.	49,069,578.	52,721,274.
	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. <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 checked="" type="checkbox"/>			
	27 Capital stock, trust principal, or current funds	46,860,482.	46,860,482.	
	28 Paid-in or capital surplus, or land, building, and equipment fund			
	29 Retained earnings, accumulated income, endowment, or other funds	2,882,168.	2,209,096.	
	30 Total net assets or fund balances (see instructions)	49,742,650.	49,069,578.	
	31 Total liabilities and net assets/fund balances (see instructions)	49,742,650.	49,069,578.	

## 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	49,742,650.
2 Enter amount from Part I, line 27a	2	-673,072.
3 Other increases not included in line 2 (itemize)	3	
4 Add lines 1, 2, and 3	4	49,069,578.
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	49,069,578.

**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)
<b>1a Various Publicly Traded Securities</b>		P	Various	Various
<b>b AOL Time Warner Litigation</b>		P	Various	Various
<b>c</b>				
<b>d</b>				
<b>e</b>				

(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)
<b>a</b> 12,127,451.		11,692,745.	434,706.
<b>b</b> 135.			135.
<b>c</b>			
<b>d</b>			
<b>e</b>			

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(i) Gains (Column (h) gain minus column (k), but not less than -0-) or Losses (from column (h))
(i) Fair Market Value as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of column (i) over column (j), if any	
<b>a</b>			434,706.
<b>b</b>			135.
<b>c</b>			
<b>d</b>			
<b>e</b>			

<b>2</b> Capital gain net income or (net capital loss). <span style="border: 1px solid black; padding: 2px;">If gain, also enter in Part I, line 7 If (loss), enter -0- in Part I, line 7</span>		<b>2</b>	434,841.
<b>3</b> 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 instructions) If (loss), enter -0- in Part I, line 8 <span style="border: 1px solid black; padding: 2px;"> </span>		<b>3</b>	434,841.

**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))
2010	1,490,000.	49,812,894.	0.029912
2009	1,115,000.	46,366,579.	0.024047
2008	4,166,451.	43,264,394.	0.096302
2007	5,303,638.	47,779,027.	0.111003
2006	1,960,000.	38,170,897.	0.051348

<b>2</b> Total of line 1, column (d)	<b>2</b>	0.312612
<b>3</b> 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	<b>3</b>	0.062522
<b>4</b> Enter the net value of noncharitable-use assets for 2011 from Part X, line 5	<b>4</b>	49,280,807.
<b>5</b> Multiply line 4 by line 3	<b>5</b>	3,081,135.
<b>6</b> Enter 1% of net investment income (1% of Part I, line 27b)	<b>6</b>	7,427.
<b>7</b> Add lines 5 and 6	<b>7</b>	3,088,562.
<b>8</b> Enter qualifying distributions from Part XII, line 4	<b>8</b>	1,370,000.

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 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 instrs)			
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	14,855.
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	14,855.
4 Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)		4	0.
5 <b>Tax based on investment income.</b> Subtract line 4 from line 3. If zero or less, enter -0-		5	14,855.
6 Credits/Payments			
a 2011 estimated tax prmts and 2010 overpayment credited to 2011	6a	15,000.	
b Exempt foreign organizations — tax withheld at source	6b		
c Tax paid with application for extension of time to file (Form 8868)	6c		
d Backup withholding erroneously withheld	6d		
7 Total credits and payments. Add lines 6a through 6d.	7	15,000.	
8 Enter any <b>penalty</b> for underpayment of estimated tax. Check here <input checked="" type="checkbox"/> if Form 2220 is attached.	8		
9 Tax due. If the total of lines 5 and 8 is more than line 7, enter amount owed	9	0.	
10 Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid	10	145.	
11 Enter the amount of line 10 to be Credited to 2012 estimated tax	11	145.	Refunded

**Part VII-A Statements Regarding Activities**

	Yes	No
1 a During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?		X
b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see the instructions for definition)?		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 <b>Form 1120-POL</b> for this year?		X
d Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year: (1) On the foundation <input type="checkbox"/> \$ 0. (2) On foundation managers <input type="checkbox"/> \$ 0.		
e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers. <input type="checkbox"/> \$ 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		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		X
4 a Did the foundation have unrelated business gross income of \$1,000 or more during the year?		X
b If 'Yes,' has it filed a tax return on <b>Form 990-T</b> for this year?	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.		X
6 Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either: • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	X	
7 Did the foundation have at least \$5,000 in assets at any time during the year? If 'Yes,' complete Part II, column (c), and Part XV.	X	
8 a Enter the states to which the foundation reports or with which it is registered (see 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	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 2011 or the taxable year beginning in 2011 (see instructions for Part XIV)? If 'Yes,' complete Part XIV		X
10 Did any persons become substantial contributors during the tax year? If 'Yes,' attach a schedule listing their names and addresses		X

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

11	At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If 'Yes,' attach schedule (see instructions)	11		X
12	Did the foundation make a distribution to a donor advised fund over which the foundation or a disqualified person had advisory privileges? If 'Yes,' attach statement (see instructions)	12		X
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application? Website address <u>N/A</u>	13	X	
14	The books are in care of <u>TAX &amp; FINANCIAL SERVICES</u> Telephone no <u>209-341-7573</u> Located at <u>PO BOX 1130 MODESTO CA</u> ZIP + 4 <u>95353</u>			
15	Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of Form 1041 - Check here <u>N/A</u> and enter the amount of tax-exempt interest received or accrued during the year <u>15</u> <u>N/A</u>			
16	At any time during calendar year 2011, 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 the instructions for exceptions and filing requirements for Form TD F 90-22.1 If 'Yes,' enter the name of the foreign country <u></u>	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 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 2011?	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 2011, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2011? <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 <b>not</b> 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 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 2011 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 2011)	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 2011?	4b	X

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**Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required** (continued)**5a** During the year did the foundation pay or incur any amount to:(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))? ☐ Yes ☒ No(2) Influence the outcome of any specific public election (see section 4955); or to carry on, directly or indirectly, any voter registration drive? ☐ Yes ☒ No(3) Provide a grant to an individual for travel, study, or other similar purposes? ☐ Yes ☒ No(4) Provide a grant to an organization other than a charitable, etc., organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)? (see instructions) ☐ Yes ☒ No(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals? ☐ Yes ☒ No**b** If any answer is 'Yes' to 5a(1)-(5), did **any** of the transactions fail to qualify under the exceptions described in Regulations section 53.4945 or in a current notice regarding disaster assistance (see instructions)?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? ☐ Yes ☐ NoN/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? ☐ Yes ☒ No

If 'Yes' to 6b, file Form 8870.

**7a** At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction? ☐ Yes ☒ No**b** If 'Yes,' did the foundation receive any proceeds or have any net income attributable to the transaction? ☐ Yes ☒ No

N/A

**Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors****1** List all officers, directors, trustees, foundation managers and their compensation (see instructions).

(a) Name and address	(b) Title, and average hours per week devoted to position	(c) Compensation (If not paid, enter -0-)	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
See Statement 4		0.	0.	0.

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

(a) Name and address of each employee paid more than \$50,000	(b) Title, and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
None				

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

0

**Part VIII** Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors (continued)**3** Five highest-paid independent contractors for professional services (see instructions). If none, enter 'NONE.'

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

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

0

**Part IX-A** Summary of Direct Charitable Activities

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

	Expenses
1 N/A	
2	
3	
4	

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

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

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

<b>1</b> Fair market value of assets not used (or held for use) directly in carrying out charitable, etc, purposes:		
<b>a</b> Average monthly fair market value of securities	<b>1a</b>	35,535,109.
<b>b</b> Average of monthly cash balances	<b>1b</b>	14,496,167.
<b>c</b> Fair market value of all other assets (see instructions)	<b>1c</b>	
<b>d Total</b> (add lines 1a, b, and c)	<b>1d</b>	50,031,276.
<b>e</b> Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	<b>1e</b>	0.
<b>2</b> Acquisition indebtedness applicable to line 1 assets	<b>2</b>	0.
<b>3</b> Subtract line 2 from line 1d	<b>3</b>	50,031,276.
<b>4</b> Cash deemed held for charitable activities Enter 1-1/2% of line 3 (for greater amount, see instructions)	<b>4</b>	750,469.
<b>5 Net value of noncharitable-use assets.</b> Subtract line 4 from line 3. Enter here and on Part V, line 4	<b>5</b>	49,280,807.
<b>6 Minimum investment return.</b> Enter 5% of line 5	<b>6</b>	2,464,040.

**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.)

<b>1</b> Minimum investment return from Part X, line 6	<b>1</b>	2,464,040.
<b>2a</b> Tax on investment income for 2011 from Part VI, line 5	<b>2a</b>	14,855.
<b>b</b> Income tax for 2011 (This does not include the tax from Part VI)	<b>2b</b>	
<b>c</b> Add lines 2a and 2b	<b>2c</b>	14,855.
<b>3</b> Distributable amount before adjustments Subtract line 2c from line 1	<b>3</b>	2,449,185.
<b>4</b> Recoveries of amounts treated as qualifying distributions	<b>4</b>	
<b>5</b> Add lines 3 and 4	<b>5</b>	2,449,185.
<b>6</b> Deduction from distributable amount (see instructions)	<b>6</b>	
<b>7 Distributable amount as adjusted</b> Subtract line 6 from line 5 Enter here and on Part XIII, line 1	<b>7</b>	2,449,185.

**Part XII Qualifying Distributions** (see instructions)

<b>1</b> Amounts paid (including administrative expenses) to accomplish charitable, etc, purposes		
<b>a</b> Expenses, contributions, gifts, etc — total from Part I, column (d), line 26	<b>1a</b>	1,370,000.
<b>b</b> Program-related investments — total from Part IX-B	<b>1b</b>	
<b>2</b> Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc, purposes	<b>2</b>	
<b>3</b> Amounts set aside for specific charitable projects that satisfy the:		
<b>a</b> Suitability test (prior IRS approval required)	<b>3a</b>	
<b>b</b> Cash distribution test (attach the required schedule)	<b>3b</b>	
<b>4 Qualifying distributions.</b> Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	<b>4</b>	1,370,000.
<b>5</b> 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)	<b>5</b>	
<b>6 Adjusted qualifying distributions.</b> Subtract line 5 from line 4	<b>6</b>	1,370,000.

**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 2010	(c) 2010	(d) 2011
1 Distributable amount for 2011 from Part XI, line 7				2,449,185.
2 Undistributed income, if any, as of the end of 2011:				
a Enter amount for 2010 only			0.	
b Total for prior years. 20 __, 20 __, 20 __		0.		
3 Excess distributions carryover, if any, to 2011:				
a From 2006				
b From 2007				
c From 2008	1,931,473.			
d From 2009				
e From 2010				
f Total of lines 3a through e	1,931,473.			
4 Qualifying distributions for 2011 from Part XII, line 4 ▶ \$ 1,370,000.				
a Applied to 2010, 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 2011 distributable amount				1,370,000.
e Remaining amount distributed out of corpus	0.			
5 Excess distributions carryover applied to 2011 (If an amount appears in column (d), the same amount must be shown in column (a))	1,079,185.			1,079,185.
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	852,288.			
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 2010. Subtract line 4a from line 2a. Taxable amount — see instructions			0.	
f Undistributed income for 2011. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2012				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 2006 not applied on line 5 or line 7 (see instructions)	0.			
9 Excess distributions carryover to 2012. Subtract lines 7 and 8 from line 6a	852,288.			
10 Analysis of line 9				
a Excess from 2007				
b Excess from 2008	852,288.			
c Excess from 2009				
d Excess from 2010				
e Excess from 2011				



**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)				
<b>a</b> Paid during the year STATEMENT ATTACHED			All contributions made during the year were for general use in carrying out charitable, religious, and educational activities.	1,370,000.
<b>Total</b>			▶ <b>3a</b>	1,370,000.
<b>b</b> Approved for future payment				
<b>Total</b>			▶ <b>3b</b>	





## ERNEST GALLO FOUNDATION

94-6061537

**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
Accounting & Bookkeeping	\$ 26,324.	\$ 6,000.		
<b>Total</b>	<b>\$ 26,324.</b>	<b>\$ 6,000.</b>		<b>\$ 0.</b>

**Statement 2**  
**Form 990-PF, Part I, Line 18**  
**Taxes**

	(a) Expenses per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
Federal Taxes	\$ 25,210.			
Foreign Taxes	215.	\$ 215.		
<b>Total</b>	<b>\$ 25,425.</b>	<b>\$ 215.</b>		<b>\$ 0.</b>

**Statement 3**  
**Form 990-PF, Part I, Line 23**  
**Other Expenses**

	(a) Expenses per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
Filing & registration fees	\$ 264.			
Investment fees	58,337.	\$ 58,337.		
<b>Total</b>	<b>\$ 58,601.</b>	<b>\$ 58,337.</b>		<b>\$ 0.</b>

**Statement 4**  
**Form 990-PF, Part VIII, Line 1**  
**List of Officers, Directors, Trustees, and Key Employees**

Name and Address	Title and Average Hours Per Week Devoted	Compen- sation	Contri- bution to EBP & DC	Expense Account/ Other
JOSEPH E. GALLO P.O. BOX 1130 MODESTO, CA 95353	President 0	\$ 0.	\$ 0.	\$ 0.
RICHARD M. BEAL P.O. BOX 1130 MODESTO, CA 95353	Secretary 0	0.	0.	0.

## ERNEST GALLO FOUNDATION

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Statement 4 (continued)  
Form 990-PF, Part VIII, Line 1  
List of Officers, Directors, Trustees, and Key Employees

<u>Name and Address</u>	<u>Title and Average Hours Per Week Devoted</u>	<u>Compen- sation</u>	<u>Contri- bution to EBP &amp; DC</u>	<u>Expense Account/ Other</u>
MARY I. GALLO P.O. BOX 1130 MODESTO, CA 95353	Treasurer 0	\$ 0.	\$ 0.	\$ 0.
ERNEST J. GALLO P.O. BOX 1130 MODESTO, CA 95353	Vice President 0	0.	0.	0.
CHRISTOPHER D. GALLO P.O. BOX 1130 MODESTO, CA 95353	Vice President 0	0.	0.	0.
Total		\$ 0.	\$ 0.	\$ 0.



ERNEST GALLO FOUNDATION  
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FORM 990-PF, PART II, LINE 10(b), INVESTMENTS - CORPORATE STOCK

How Acquired P-Purch D-Donated	NAME OF STOCK	SHARES	COST	CURRENT FMV -STOCK
P	ABBOT LABS	510	26,103	33,405
P	ABBOT LABS	1,000	56,483	65,500
P	ACCENTURE PLC IRELAND CL	620	42,812	41,794
P	ACE LTD	340	15,207	26,741
P	ADT CORP	296	9,224	12,287
P	AGCO CORP	790	38,415	35,953
P	ALASKA AIR GROUP INC	1,110	40,246	42,446
P	ALLIANCE RESOURCE PARTNERS LP	740	57,466	48,204
P	AMER EXPRESS CO	1,120	55,623	62,686
P	AMER EXPRESS CO	840	30,144	47,015
P	AMERICAN CAMPUS COMMUNITIES	1,340	60,925	60,715
P	AMERICAN WATER WORKS CO INC	1,765	54,998	64,846
P	AMERICAN TOWER CORP REIT	950	59,596	71,526
P	AMETEK INC	1,350	35,906	47,993
P	AMGEN INC	203	11,914	17,557
P	AMGEN INC	805	43,813	69,624
P	APACHE CORP	230	25,272	19,025
P	APPLE INC	65	7,951	38,696
P	AT&T	1,435	53,765	49,637
P	AT&T	500	14,788	17,295
P	BANK OF AMERICA CORP	57,000	499,513	531,240
P	BAYTEX ENERGY CORP	420	24,133	19,135
P	BB&T CORP	1,440	41,366	41,688
P	BEAM INC	1,025	50,820	56,949
P	BED BATH & BEYOND INC	600	24,744	34,608
P	BRISTOL MYERS SQUIBB CO	1,650	55,421	54,863
P	BROCADE COMMUNICATIONS SYS INC	7,110	43,843	37,683
P	CADENCE DESIGN SYSTEM	3,610	41,552	45,667
P	CALPINE CORP	1,526	24,600	26,858
P	CAMERON INTL CORP	457	21,215	23,142
P	CANADIAN OIL SANDS LTD	2,440	62,172	51,899
P	CBS CORP NEW CL B	2,308	34,104	74,779
P	CENTERPOINT ENERGY INC	2,000	42,160	43,340
P	CF INDUSTRIES HOLDINGS INC	230	28,791	47,194
P	CHEVRON	170	13,540	18,741
P	CHEVRON	380	39,142	41,891
P	CHURCH & DWIGHT CO INC	253	7,631	12,842
P	CHURCH & DWIGHT CO INC	1,240	55,326	62,942
P	CINEMARK HOLDINGS INC	2,685	52,341	66,293
P	CINN FINANCIAL CORP	1,705	61,925	67,927
P	CINTAS CORP	1,592	63,375	66,562
P	COLGATE PALMOLIVE CO	630	56,977	66,125
P	COMCAST CORP NEW SPECIAL CL A	1,052	27,776	38,335
P	CONAGRA FOOD INC	1,935	46,095	53,870
P	CONOCOPHILLIPS	930	53,675	53,801
P	COOPER COMPANIES INC	570	39,274	54,709
P	COVIDIEN PLC	550	22,080	30,222
P	CSX CORPORATION	413	5,056	8,454
P	CVS CAREMARK CORP	640	22,581	29,696
P	CVS CAREMARK CORP	1,235	44,242	57,304
P	DEVON ENERGY	140	9,404	8,149
P	DRESSER RAND GROUP INC	333	16,694	17,159
P	DU PONT DE NEMOURS	910	49,412	40,513
P	EAST WEST BANCORP INC	1,700	38,395	36,193
P	EATON CORP	915	34,542	43,206
P	EMC CORP MASS	548	13,448	13,382
P	ENBRIDGE ENERGY PARTNES LP	2,020	62,361	60,600
P	ENDURO RTY TR	1,365	29,160	25,607
P	EXELIS INC	1,775	18,758	19,632

**ERNEST GALLO FOUNDATION**  
**F.Y.E. 10/31/2012**

**94-6061537**

**FORM 990-PF, PART II, LINE 10(b), INVESTMENTS - CORPORATE STOCK**

How Acquired P-Purch D-Donated	NAME OF STOCK	SHARES	COST	CURRENT FMV -STOCK
P	EXPRESS SCRIPTS INC	369	19,979	22,710
P	EXXON MOBIL CORP	27,682	1,602,495	2,523,768
P	EXXON MOBIL CORP	770	62,840	70,201
P	EXXON MOBIL CORP	415	16,357	37,836
P	FNB CORP	4,855	49,178	52,094
P	FORD MOTOR CO COMMON NEW	2,178	24,316	24,306
P	FREEPORT-MCMORAN COPPER & GOLD	1,045	39,589	40,630
P	GALLAGHER ARTHUR J & CO	960	27,324	34,022
P	GARMIN LTD	1,385	59,826	52,630
P	GILEAD SCIENCES INC	1,545	58,979	103,785
P	GLAXO SMITHKLINE PLC ADR	1,130	51,194	50,737
P	GOLDMAN SACHS GROUP INC	171	24,496	20,929
P	H & R BLOCK INC	2,710	46,927	47,967
P	HAEMONETICS CORP MASS	985	57,113	80,475
P	HALLIBURTON CO	640	22,209	20,666
P	HASBRO INC	1,475	52,815	53,085
P	HEINZ H J CO	970	48,976	55,785
P	HELMERICH & PAYNE INC	690	28,847	32,982
P	HOME DEPOT INC	690	23,881	42,352
P	HONEYWELL INTL INC	180	10,712	11,023
P	HOSPITALITY PROPERTIES TRUST	2,040	46,602	47,165
P	HUGOTON ROYALTY TRUST	25,500	195,769	169,575
P	IDEXX CORP	545	53,640	52,429
P	INGREDION INC	810	38,966	49,783
P	INTEL CORP	2,815	62,518	60,888
P	INTL BUSINESS MACH	97	11,375	18,869
P	INTL BUSINESS MACH	210	19,163	40,851
P	JP MORGAN CHASE & CO	504	19,992	21,007
P	JP MORGAN CHASE & CO	990	42,146	41,263
P	JOHNSON & JOHNSON	590	40,043	41,784
P	KANSAS CITY STHN NEW	1,040	38,099	83,678
P	KIMBERLY CLARK CORP	460	40,178	38,387
P	KINDER MORGAN INC	780	23,207	27,074
P	KOHL'S CORP	365	19,895	19,447
P	KROGER COMPANY	1,710	41,269	43,126
P	LEGGETT & PLATT INC	2,020	48,017	53,591
P	LOCKHEED MARTIN CORP	700	58,516	65,569
P	LOCKHEED MARTIN CORP	585	45,113	54,797
P	LORILLARD INC	474	64,159	54,989
P	LOWES COMPANIES INC	870	25,486	28,171
P	LYONDELLBASELL INDUSTRIES	375	17,882	20,021
P	MASTERCARD INC CL A	140	61,298	64,530
P	MASTERCARD INC CL A	39	9,027	17,976
P	MATTEL INC	1,400	30,461	51,492
P	MCKESSON	530	28,145	49,454
P	MERCK & CO INC	1,170	38,039	53,387
P	MEREDITH CORP	1,535	41,111	51,376
P	METLIFE INC	796	31,217	28,250
P	MICROSOFT CORP	1,910	61,003	54,511
P	MONSANTO CO	765	55,872	65,844
P	MOODYS CORP	1,540	47,580	74,166
P	MOSAIC CO	331	19,786	17,325
P	MOTOROLA SOLUTIONS INC	850	33,780	43,928
P	MYRIAD GENETICS INC	2,260	64,164	59,144
P	NATIONAL CINEMEDIA INC	1,930	31,863	29,838
P	NATL-OILWELLVARCO INC	520	41,956	38,324
P	NORTHEAST UTILITIES	1,305	43,542	51,287
P	NORTHERN TRUST CORP	1,366	63,451	65,295
P	NUANCE COMMUNICATIONS INC	1,640	34,348	36,523

ERNEST GALLO FOUNDATION  
F.Y.E. 10/31/2012

94-6061537

FORM 990-PF, PART II, LINE 10(b), INVESTMENTS - CORPORATE STOCK

How Acquired P-Purch D-Donated	NAME OF STOCK	SHARES	COST	CURRENT FMV -STOCK
P	NUCOR CORP	1,370	45,714	54,978
P	OCCIDENTAL PETROLEUM CRP	400	40,691	31,584
P	OMNICARE INC	1,210	41,796	41,781
P	ONEOK INC	1,460	55,678	69,058
P	ORACLE CORP	630	14,253	19,580
P	ORACLE CORP	1,310	39,962	40,715
P	PACIFIC GROWTH FUND	73,462	2,681,364	2,916,451
P	PENTAIR LTD	142	5,402	5,998
P	PEOPLE'S UNITED FINANCIAL INC	2,820	34,217	33,925
P	PLUM CREEK TIMBER CO INC REIT	1,310	52,413	57,509
P	PRAXAIR INC	173	11,620	18,374
P	PVR PARTNERS LP	1,995	50,112	50,434
P	RAYONIER INC REIT	370	13,919	18,134
P	RAYTHEON CO	1,160	59,944	65,610
P	RESMED INC	1,240	39,275	49,526
P	ROBERT HALF INTERNATIONAL INC	1,430	41,457	38,453
P	ROSS STORES INC	860	14,704	52,417
P	ROYAL DUTCH SHELL PLC	173	12,558	11,847
P	RPM INTL INC	1,270	25,310	33,858
P	SEAGATE TECHNOLOGY PLC SHS	1,660	43,243	45,368
P	SONOCO PRODUCTS CO	1,905	64,703	59,303
P	TARGET CORP	10,000	516,096	637,500
P	TARGET CORP	911	56,327	58,076
P	TELUS CORP NON VTG SHS	1,035	48,016	66,561
P	THERMO FISHER SCIENTIFIC INC	467	18,635	28,515
P	TOTAL SYSTEM SERVICES INC	2,720	59,282	61,173
P	TRAVELERS COS INC/THE	640	41,407	45,402
P	TYCO INTL LTD	593	14,008	15,934
P	UNILEVER PLC AMER SHS	995	30,180	37,104
P	UNITED HEALTH GROUP INC	424	12,546	23,744
P	UNITED PARCEL SERVICE CL B	289	21,823	21,169
P	UNTD TECHNOLOGIES CORP	267	20,192	20,869
P	US BANCORP DEL	1,390	40,061	46,162
P	VERISK ANALYTICS INC	1,095	53,181	55,976
P	VULCAN MATERIALS CO	1,450	60,572	66,657
P	WABCO HOLDINGS INC	169	6,900	9,898
P	WABTEC INC	530	42,034	43,407
P	WATSON PHARMACEUTICAL INC	550	23,946	47,273
P	WELLS FARGO & CO	740	16,855	24,931
P	WHOLE FOODS MARKET INC	820	30,359	77,728
P	WHOLE FOODS MARKET INC	480	13,627	45,499
P	WYNDHAM WORLDWIDE	583	18,566	29,380
TOTAL CORPORATE STOCKS			11,167,974	13,397,103

ERNEST GALLO FOUNDATION  
F.Y.E. 10/31/2012

94-6061537

FORM 990-PF, PART II, LINES 10(a) AND 10(C), INVESTMENTS - BONDS

How Acquired P-Purch D-Donated		MATURITY DATE	FACE VALUE	COST	FMV
	<b>US GOVERNMENT BONDS - LINE 10a</b>				
P	PURCHASED	Various	100,000	100,593	101,383
	<b>TOTAL US GOVERNMENT BONDS</b>		<u>100,000</u>	<u>100,593</u>	<u>101,383</u>
	<b>CORPORATE BONDS - LINE 10c</b>				
P	BERKSHIRE HATHWAY INC	5/15/2013	100,000	101,132	102,290
P	BRISTOL MYERS SQUIBB CO	8/15/2013	100,000	101,986	103,868
P	DU PONT DE NEMOURS	11/15/2012	250,000	250,205	250,307
P	INTL BUSINESS MACHINE	6/15/2013	100,000	104,003	104,497
P	INTL BUSINESS MACHINE	10/15/2013	100,000	103,305	105,882
P	MCDONALDS CORP	3/1/2013	250,000	251,258	253,115
P	WALGREEN CO	8/1/2013	100,000	101,301	103,074
	<b>TOTAL CORPORATE BONDS</b>		<u>1,000,000</u>	<u>1,013,190</u>	<u>1,023,033</u>

**ERNEST GALLO FOUNDATION**  
**F.Y.E. 10/31/2012**

**94-6061537**

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

INVESTMENT:	PURCHASE PRICE	FMV
ALKEON GROWTH OFFSHORE FUND	1,950,000	2,533,518
BLACK DIAMOND	4,750,000	5,678,144
GLOBAL UNDERVALUED SECURITIES FUND	4,250,000	3,399,830
MAPLE LEAF OFFSHORE	2,500,000	1,293,163
O'CONNOR GLOBAL MULTI STRATEGY FUNDS	3,500,000	5,250,085
ROBERTSON OFFSHORE FUND	1,750,000	1,955,153
TOTAL HEDGE FUNDS	18,700,000	20,109,893

ERNEST GALLO FOUNDATION  
F.Y.E. 10/31/12

94-6061537

FORM 990-PF, PART XV, LINE 3(a), GRANTS AND CONTRIBUTIONS PAID  
DURING THE YEAR

-ALL CONTRIBUTIONS MADE DURING THE YEAR WERE FOR GENERAL USE IN CARRYING OUT  
CHARITABLE, RELIGIOUS AND EDUCATIONAL ACTIVITIES  
-NONE OF THE RECIPIENTS ARE RELATED IN ANY WAY TO A FOUNDATION MANAGER OR  
SUBSTANTIAL CONTRIBUTOR  
-NONE OF THE RECIPIENTS ARE PRIVATE FOUNDATIONS

RECIPIENT	ADDRESS	AMOUNT
<b><u>CHARITABLE CONTRIBUTIONS</u></b>		
MODESTO SYMPHONY	MODESTO, CA	40,000
CENTRAL VALLEY CENTER FOR THE ARTS	MODESTO, CA	50,000
COMMUNITY INITIATIVES (BURTON FOUNDATION)	SAN FRANCISCO, CA	75,000
THE PANETTA INSTITUTE FOR PUBLIC POLICY	SEASIDE, CA	50,000
<b>TOTAL CHARITABLE CONTRIBUTIONS</b>		<b><u>215,000</u></b>
<b><u>RELIGIOUS CONTRIBUTIONS</u></b>		
CHURCH FOR TOMORROW (DIOCESE OF STOCKTON)	STOCKTON, CA	100,000
DIOCESE OF STOCTON	STOCKTON, CA	10,000
<b>TOTAL RELIGIOUS CONTRIBUTIONS</b>		<b><u>110,000</u></b>
<b><u>EDUCATIONAL CONTRIBUTIONS</u></b>		
UNIVERSITY OF IOWA	IOWA CITY, IA	200,000
UNIVERSITY OF NOTRE DAME	NOTRE DAME, IN	800,000
CENTRAL CALIFORNIA SCHOOL OF ITALIAN LANGUAGE	STOCKTON, CA	45,000
<b>TOTAL EDUCATIONAL CONTRIBUTION</b>		<b><u>1,045,000</u></b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b><u>1,370,000</u></b>