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

2012

For calendar year 2012, or tax year beginning 7/01 , 2012, and ending 6/30 , 2013

SHELTON FAMILY FOUNDATION
P.O. BOX 2791
ABILENE, TX 79604

A Employer identification number 75-2655885

B Telephone number (see the instructions) (325) 676-7724

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: [X] 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) ► $ 44,220,598.

J Accounting method [X] 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 instructions).)*

	Line	(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)				
	2 Ck ► [X] if the foundn is not req to att Sch B				
	3 Interest on savings and temporary cash investments	35,191.	35,191.	N/A	
	4 Dividends and interest from securities	1,448,527.	1,448,527.		
	5a Gross rents				
	b Net rental income or (loss)				
	6a Net gain/(loss) from sale of assets not on line 10	280,427.			
	b Gross sales price for all assets on line 6a 1,719,226.				
	7 Capital gain net income (from Part IV, line 2)		280,427.		
	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	1,764,145.	1,764,145.		
ADMINISTRATIVE EXPENSES	13 Compensation of officers, directors, trustees, etc	154,050.	38,513.		115,537.
	14 Other employee salaries and wages	80,882.	20,221.		60,661.
	15 Pension plans, employee benefits	33,858.	8,465.		25,393.
	16a Legal fees (attach schedule)				
	b Accounting fees (attach sch) SEE ST 1	7,697.	1,924.		5,773.
	c Other prof fees (attach sch)				
	17 Interest				
	18 Taxes (attach schedule)(see instrs) SEE STM 2	48,403.	10,710.		9,724.
	19 Depreciation (attach sch) and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings	6,545.	1,636.		4,909.
	22 Printing and publications				
	23 Other expenses (attach schedule) SEE STATEMENT 3	39,500.	27,281.		12,219.
	24 **Total operating and administrative expenses.** Add lines 13 through 23	370,935.	108,750.		234,216.
	25 Contributions, gifts, grants paid PART XV	1,777,122.			1,777,122.
	26 **Total expenses and disbursements.** Add lines 24 and 25	2,148,057.	108,750.		2,011,338.
	27 Subtract line 26 from line 12:				
	a **Excess of revenue over expenses and disbursements**	-383,912.			
	b **Net investment income** (if negative, enter -0-)		1,655,395.		
	c **Adjusted net income** (if negative, enter -0-)				

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Part II Balance Sheets

Attached schedules and amounts in the description column should be for end-of-year amounts only (See instructions)

		Beginning of year (a) Book Value	End of year (b) Book Value	End of year (c) Fair Market Value
ASSETS	1 Cash — non-interest-bearing			
	2 Savings and temporary cash investments	971,842.	1,080,896.	1,080,896.
	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 instructions)			
	7 Other notes and loans receivable (attach sch) ►			
	Less: allowance for doubtful accounts ►			
	8 Inventories for sale or use			
	9 Prepaid expenses and deferred charges			
	10a Investments — U S. and state government obligations (attach schedule)			
	b Investments — corporate stock (attach schedule) STATEMENT 4	26,760,489.	26,720,230.	28,257,842.
	c Investments — corporate bonds (attach schedule) STATEMENT 5	2,971,680.	2,441,061.	2,443,078.
	11 Investments — land, buildings, and equipment basis ►			
	Less: accumulated depreciation (attach schedule) ►			
	12 Investments — mortgage loans			
	13 Investments — other (attach schedule) STATEMENT 6	10,770,664.	10,862,910.	12,438,782.
	14 Land, buildings, and equipment: basis ►			
	Less: accumulated depreciation (attach schedule) ►			
	15 Other assets (describe ► SEE STATEMENT 7)	30,615.	40,662.	
	16 **Total assets** (to be completed by all filers — see the instructions. Also, see page 1, item I)	41,505,290.	41,145,759.	44,220,598.
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 ► [X] and complete lines 24 through 26 and lines 30 and 31.**			
	24 Unrestricted	41,505,290.	41,145,759.	
	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			
	28 Paid-in or capital surplus, or land, building, and equipment fund			
	29 Retained earnings, accumulated income, endowment, or other funds			
	30 **Total net assets or fund balances** (see instructions)	41,505,290.	41,145,759.	
	31 **Total liabilities and net assets/fund balances** (see instructions)	41,505,290.	41,145,759.	

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	41,505,290.
2	Enter amount from Part I, line 27a	2	-383,912.
3	Other increases not included in line 2 (itemize) ► SEE STATEMENT 8	3	24,381.
4	Add lines 1, 2, and 3	4	41,145,759.
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	41,145,759.

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	PUBLICLY TRADED SECURITIES	P	VARIOUS	12/31/12
b	CAPITAL GAIN DIVIDENDS			
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	1,699,526.		1,438,799.	260,727.
b				
c				
d				
e				

	Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(l) Gains (Column (h) gain minus column (k), but not less than -0-) or Losses (from column (h))
	(i) Fair Market Value as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of column (i) over column (j), if any	
a				260,727.
b				19,700.
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	280,427.
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 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))
2011	2,483,320.	44,224,867.	0.056152
2010	2,672,921.	51,038,868.	0.052370
2009	1,412,606.	51,458,245.	0.027451
2008	4,334,560.	37,777,691.	0.114739
2007	6,131,813.	79,015,080.	0.077603

2	**Total** of line 1, column (d)	2	0.328315
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	0.065663
4	Enter the net value of noncharitable-use assets for 2012 from Part X, line 5	4	39,872,666.
5	Multiply line 4 by line 3	5	2,618,159.
6	Enter 1% of net investment income (1% of Part I, line 27b)	6	16,554.
7	Add lines 5 and 6	7	2,634,713.
8	Enter qualifying distributions from Part XII, line 4	8	2,011,338.

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 ► ☐ 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 ► ☐ and enter 1% of Part I, line 27b	1	33,108.
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	33,108.
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	33,108.
6	Credits/Payments:		
a	2012 estimated tax pmts and 2011 overpayment credited to 2012 — 6a: 38,646.		
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	38,646.
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	5,538.
11	Enter the amount of line 10 to be: **Credited to 2013 estimated tax** ► 5,538. **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?	1 a		X
b	Did it spend more than $100 during the year (either directly or indirectly) for political purposes (see the instructions for definition)?	1 b		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?	1 c		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
4 a	Did the foundation have unrelated business gross income of $1,000 or more during the year?	4 a		X
b	If 'Yes,' has it filed a tax return on **Form 990-T** for this year?	4 b	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	
8 a	Enter the states to which the foundation reports or with which it is registered (see instructions) ► TX			
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*	8 b	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 2012 or the taxable year beginning in 2012 (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 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) SEE ST 9	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 ► DAVID L. COPELAND, PRESIDENT Telephone no. ► (325) 676-7724
Located at ► 273 WALNUT ABILENE TX ZIP + 4 ► 79601

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 2012, 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 instructions)?	1 b		X
	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 2012?	1 c		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 2012, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2012? ☐ 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 instructions.)	2 b	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__			
3 a	Did the foundation hold more than a 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 2012 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 2012.)*	3 b		X
4 a	Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?	4 a		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 2012?	4 b		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** X (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? N/A **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
SEE STATEMENT 10		154,050.	17,927.	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
MITTIE BLACKBURN P.O. BOX 2791 ABILENE, TX 79604	32	62,540.	10,187.	0.

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	39,283,060.
b Average of monthly cash balances		1b	1,196,804.
c Fair market value of all other assets (see instructions)		1c	
d **Total** (add lines 1a, b, and c)		1d	40,479,864.
e Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1e 2,186,345.		
2 Acquisition indebtedness applicable to line 1 assets		2	0.
3 Subtract line 2 from line 1d		3	40,479,864.
4 Cash deemed held for charitable activities. Enter 1-1/2% of line 3 (for greater amount, see instructions)		4	607,198.
5 **Net value of noncharitable-use assets.** Subtract line 4 from line 3. Enter here and on Part V, line 4		5	39,872,666.
6 **Minimum investment return.** Enter 5% of line 5		6	1,993,633.

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	1,993,633.
2a Tax on investment income for 2012 from Part VI, line 5	2a 33,108.		
b Income tax for 2012. (This does not include the tax from Part VI)	2b		
c Add lines 2a and 2b		2c	33,108.
3 Distributable amount before adjustments. Subtract line 2c from line 1		3	1,960,525.
4 Recoveries of amounts treated as qualifying distributions		4	24,381.
5 Add lines 3 and 4		5	1,984,906.
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	1,984,906.

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	2,011,338.
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	2,011,338.
5 Foundations that qualify under section 4940(e) for the reduced rate of tax on net investment income. Enter 1% of Part I, line 27b (see instructions)	5	
6 **Adjusted qualifying distributions.** Subtract line 5 from line 4	6	2,011,338.

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 2011	(c) 2011	(d) 2012
1 Distributable amount for 2012 from Part XI, line 7				1,984,906.
2 Undistributed income, if any, as of the end of 2012:				
a Enter amount for 2011 only			1,825,985.	
b Total for prior years: 20 ___, 20 ___, 20 ___		0.		
3 Excess distributions carryover, if any, to 2012:				
a From 2007				
b From 2008				
c From 2009				
d From 2010				
e From 2011				
f **Total** of lines 3a through e	0.			
4 Qualifying distributions for 2012 from Part XII, line 4: ► $ 2,011,338.				
a Applied to 2011, but not more than line 2a			1,825,985.	
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 2012 distributable amount				185,353.
e Remaining amount distributed out of corpus	0.			
5 Excess distributions carryover applied to 2012 *(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	0.			
b Prior years' undistributed income. Subtract line 4b from line 2b		0.		
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed		0.		
d Subtract line 6c from line 6b Taxable amount — see instructions		0.		
e Undistributed income for 2011. Subtract line 4a from line 2a. Taxable amount — see instructions			0.	
f Undistributed income for 2012. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2013				1,799,553.
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 2007 not applied on line 5 or line 7 (see instructions)	0.			
9 **Excess distributions carryover to 2013.** Subtract lines 7 and 8 from line 6a	0.			
10 Analysis of line 9:				
a Excess from 2008				
b Excess from 2009				
c Excess from 2010				
d Excess from 2011				
e Excess from 2012				

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 2012, 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) 2012	**(b)** 2011	**(c)** 2010	**(d)** 2009	**(e) Total**
2 a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed					
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 foundation 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 or e-mail of the person to whom applications should be addressed

SEE STATEMENT 11

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 SCHEDULE	N/A	PUBLIC	VARIOUS	1,777,122.
Total			► **3a**	1,777,122.
b *Approved for future payment*				
SEE ATTACHED SCHEDULE				402,500.
Total			► **3b**	402,500.

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 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	35,191.	
4 Dividends and interest from securities			14	1,448,527.	
5 Net rental income or (loss) from real estate					
a Debt-financed property					
b Not debt-financed property					
6 Net rental income or (loss) from personal property					
7 Other investment income					
8 Gain or (loss) from sales of assets other than inventory			18	280,427.	
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)				1,764,145.	

13 Total. Add line 12, columns (b), (d), and (e) 13 1,764,145.

(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 instructions.)
N/A	

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	1 a (1)		X
(2) Other assets	1 a (2)		X
b Other transactions:			
(1) Sales of assets to a noncharitable exempt organization	1 b (1)		X
(2) Purchases of assets from a noncharitable exempt organization	1 b (2)		X
(3) Rental of facilities, equipment, or other assets	1 b (3)		X
(4) Reimbursement arrangements	1 b (4)		X
(5) Loans or loan guarantees	1 b (5)		X
(6) Performance of services or membership or fundraising solicitations	1 b (6)		X
c Sharing of facilities, equipment, mailing lists, other assets, or paid employees	1 c		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			

2 a 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) is based on all information of which preparer has any knowledge

Signature of officer or trustee — Date 8/8/13 — Title President

May the IRS discuss this return with the preparer shown below (see instructions)? ☒ Yes ☐ No

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
JOE MELSON, CPA	Joe Melson CPA	8/1/13		P00158111

Firm's name ► DAVIS KINARD & CO, PC — Firm's EIN ► 75-1332266

Firm's address ► 400 PINE ST., STE. 600 ABILENE, TX 79601 — Phone no (325) 672-4000

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
DAVIS KINARD & COMPANY	$ 7,697.	$ 1,924.		$ 5,773.
TOTAL	$ 7,697.	$ 1,924.		$ 5,773.

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
2011 EXCISE TAX	$ 27,969.			
PAYROLL TAXES	12,965.	$ 3,241.		$ 9,724.
FOREIGN TAXES	7,469.	7,469.		
TOTAL	$ 48,403.	$ 10,710.		$ 9,724.

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
INSURANCE EXPENSE	$ 5,312.	$ 1,328.		$ 3,984.
OFFICE EXPENSE	683.	171.		512.
PROFESSIONAL DUES	3,517.	879.		2,638.
GRANTS-SOFTWARE/UPGRADES	5,085.			5,085.
INVESTMENT FEE	24,903.	24,903.		
TOTAL	$ 39,500.	$ 27,281.		$ 12,219.

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

CORPORATE STOCKS	VALUATION METHOD	BOOK VALUE	FAIR MARKET VALUE
HARTE HANKS STOCK	COST	$ 23,116,173.	$ 23,703,479.
ABBOTT LABORATORIES	COST	35,326.	50,192.
ADP INC	COST	64,739.	111,140.
CHEVRON CORP	COST	66,501.	100,944.
COCA COLA COMPANY	COST	92,978.	128,512.
EXXON MOBIL CORP	COST	70,012.	103,360.
INTEL CORP	COST	83,682.	112,912.
JOHNSON & JOHNSON	COST	77,481.	112,133.
MCDONALDS CORP	COST	73,217.	98,010.

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

CORPORATE STOCKS	VALUATION METHOD	BOOK VALUE	FAIR MARKET VALUE
MEDTRONIC INC	COST	$ 70,885.	$ 111,175.
MERCK & COMPANY	COST	83,623.	107,996.
MICROSOFT	COST	125,049.	178,874.
NESTLE A SPNSD ADR	COST	77,169.	95,381.
PEPSICO INC	COST	86,593.	107,799.
PROCTER & GAMBLE	COST	79,688.	101,627.
WAL-MART STORES	COST	70,379.	100,785.
3M COMPANY	COST	78,804.	102,898.
EXPRESS SCRIPTS	COST	116,484.	160,524.
IDEXX LABORATORIES	COST	104,590.	125,566.
ADP INC	COST	120,735.	185,922.
DONALDSON COMPANY	COST	94,290.	142,640.
METTLER-TOLEDO INTERNATIONAL	COST	102,667.	160,960.
VARIAN MEDICAL SYSTEMS	COST	96,607.	128,155.
SIGMA ALDRICH CORP	COST	81,247.	96,504.
CH ROBINSON WORLDWIDE	COST	98,455.	95,727.
CME GROUP INC	COST	101,439.	136,710.
CENOVUS ENERGY INC	COST	94,744.	102,672.
SGS S A	COST	92,068.	139,685.
NATIONAL OILWELL VARCO	COST	98,193.	96,460.
TERADATA CORP	COST	91,536.	85,391.
WABTEC	COST	123,406.	170,976.
ABBVIE INC	COST	35,645.	55,354.
APPLE INC	COST	98,382.	91,202.
CISCO SYSTEMS	COST	125,201.	138,710.
GOOGLE INC	COST	125,336.	132,056.
INTERNATIONAL BUSINESS MACHINES	COST	100,512.	91,733.
ORACLE CORP	COST	125,608.	107,485.
CORE LABORATORIES	COST	19,855.	30,332.
PRECISION CASTPARTS CORP	COST	122,753.	158,207.
NESTLE	COST	106,164.	98,670.
ROCHE HOLDINGS LTD	COST	92,014.	98,984.
	TOTAL	$ 26,720,230.	$ 28,257,842.

STATEMENT 5
FORM 990-PF, PART II, LINE 10C
INVESTMENTS - CORPORATE BONDS

CORPORATE BONDS	VALUATION METHOD	BOOK VALUE	FAIR MARKET VALUE
CORPORATE BONDS	COST	$ 2,441,061.	$ 2,443,078.
	TOTAL	$ 2,441,061.	$ 2,443,078.

STATEMENT 6
FORM 990-PF, PART II, LINE 13
INVESTMENTS - OTHER

OTHER INVESTMENTS	VALUATION METHOD	BOOK VALUE	FAIR MARKET VALUE
CERTIFICATES OF DEPOSIT AND SAVINGS	COST	$ 498,000.	$ 498,000.
TOTAL OTHER INVESTMENTS		$ 498,000.	$ 498,000.

OTHER PUBLICLY TRADED SECURITIES	VALUATION METHOD	BOOK VALUE	FAIR MARKET VALUE
ARTISAN INTERNATIONAL FUND	COST	1,401,000.	1,984,406.
DODGE & COX STOCK FUND	COST	102,500.	188,024.
HARBOR INTERNATIONAL FUND	COST	1,402,500.	1,737,040.
VANGUARD DEVELOPED MARKETS INDEX	COST	2,803,000.	3,236,320.
VANGUARD TOTAL BOND MKT. INDEX	COST	4,003,000.	4,121,601.
VANGUARD TOTAL STOCK MKT.	COST	103,000.	180,694.
VANGUARD FTSE EMERGING MARKET	COST	549,910.	492,697.
TOTAL OTHER PUBLICLY TRADED SECURITIES		$ 10,364,910.	$ 11,940,782.
TOTAL		$ 10,862,910.	$ 12,438,782.

STATEMENT 7
FORM 990-PF, PART II, LINE 15
OTHER ASSETS

	BOOK VALUE	FAIR MARKET VALUE
PRE-PAID FEDERAL EXCISE TAX	$ 38,646.	
PRE-PAID BOND INTEREST	2,016.	
TOTAL	$ 40,662.	$ 0.

STATEMENT 8
FORM 990-PF, PART III, LINE 3
OTHER INCREASES

RECOVER OF QUALIFYING DISTRIBUTION	$ 24,381.
TOTAL	$ 24,381.

STATEMENT 9
FORM 990-PF, PART VII-A, LINE 12
EXPLANATION OF DISTRIBUTION TO DONOR ADVISED FUND

DURING THE YEAR, THE FOUNDATION MADE $1,187,622 IN DISTRIBUTIONS TO THE COMMUNITY FOUNDATION OF ABILENE DONOR ADVISED FUNDS. ALL OF THESE DISTRIBUTIONS WERE CLAIMED AS QUALIFYING DISTRIBUTIONS ON FORM 990-PF. THE COMMUNITY FOUNDATION OF ABILENE RESTRICTS THE DISTRIBUTIONS TO QUALIFIED 501(C)(3) ORGANIZATIONS. THE DISTRIBUTIONS WILL BE USED TO ACCOMPLISH VARIOUS PURPOSES DESCRIBED IN SECTION 170(C)(2)(B).

STATEMENT 10
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
DAVID L. COPELAND P.O. BOX 2791 ABILENE, TX 79604	PRES/TREAS/DIR 30.00	$ 154,050.	$ 17,927.	$ 0.
RUBY W. SHELTON P.O. BOX 2791 ABILENE, TX 79604	DIRECTOR 3.00	0.	0.	0.
SHAY SHELTON HOFFMAN P.O. BOX 2791 ABILENE, TX 79604	DIRECTOR 3.00	0.	0.	0.
SINDY SHELTON DURHAM P.O. BOX 2791 ABILENE, TX 79604	DIRECTOR 3.00	0.	0.	0.
C. CHRISTINE NICHOLS P.O. BOX 2791 ABILENE, TX 79604	ADVISORY DIR. 1.00	0.	0.	0.
WENDY H. DURHAM P.O. BOX 2791 ABILENE, TX 79604	DIRECTOR 3.00	0.	0.	0.
ANDREW D. DURHAM P.O. BOX 2791 ABILENE, TX 79604	DIRECTOR 3.00	0.	0.	0.
DAVID R. DURHAM P.O. BOX 2791 ABILENE, TX 79604	DIRECTOR 3.00	0.	0.	0.
LEONARD R. HOFFMAN P.O. BOX 2791 ABILENE, TX 79604	DIRECTOR 3.00	0.	0.	0.
	TOTAL	$ 154,050.	$ 17,927.	$ 0.

STATEMENT 11
FORM 990-PF, PART XV, LINE 2A-D
APPLICATION SUBMISSION INFORMATION

NAME OF GRANT PROGRAM:	
NAME:	SHELTON FAMILY FOUNDATION
CARE OF:	DAVID L. COPELAND, PRESIDENT
STREET ADDRESS:	P.O. BOX 2791
CITY, STATE, ZIP CODE:	ABILENE, TX 79604
TELEPHONE:	325-676-7724
E-MAIL ADDRESS:	
FORM AND CONTENT:	CONTACT FOUNDATION MANAGER TO RECEIVE APPLICATION GUIDELINES.

STATEMENT 11 (CONTINUED)
FORM 990-PF, PART XV, LINE 2A-D
APPLICATION SUBMISSION INFORMATION

SUBMISSION DEADLINES:	NONE
RESTRICTIONS ON AWARDS:	LIMITED TO 501(C)(3) ORGANIZATIONS OR GOVERNMENTAL ENTITIES, PRIMARILY IN WEST CENTRAL TEXAS.

BLOCKAGE DISCOUNT MEMO

990-PF, PART X, LINE 1(E)

FOR THE YEAR ENDED: JUNE 30, 2013

AT THE END OF THE CURRENT FISCAL YEAR, JUNE 30, 2013, THE FOUNDATION OWNED 3,062,465 SHARES OF HARTE-HANKS, INC., WHICH REPRESENTS 4.90% OF THE OUTSTANDING COMMON SHARES OF THE COMPANY. NO SHARES WERE SOLD OR PURCHASED DURING THE YEAR.

THE APPRAISAL FIRM OF PHALON GEORGE CAPITAL ADVISORS APPRAISED THE VALUE OF THE SHARES IN 2011, TO DETERMINE THE PROPER DISCOUNT TO BE APPLIED. THEIR APPRAISAL CONCLUDED THAT A 12% BLOCKAGE DISCOUNT SHOULD BE USED. THERE HAVE BEEN NO SIGNIFICANT CHANGES SINCE THE DISCOUNT WAS CALCULATED, INCLUDING NO CHANGE IN OWNERSHIP.

UNDER THE INTERNAL REVENUE CODE SECTION 4942, THE MAXIMUM BLOCKAGE DISCOUNT AVAILABLE FOR TAX PURPOSES IS 10%. THEREFORE, A 10% DISCOUNT WAS USED IN DETERMINING THE FAIR MARKET VALUE OF THE HARTE-HANKS, INC., STOCK. THE AVERAGE BLOCKAGE DISCOUNT AMOUNTED TO $2,186,345.

Schedule of Appropriations and Payments

Fiscal Year 2012

6/30/2013

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
Abigail's Arms-Cooke County Family Crisis Center P O Box 1221 Gainesville, TX 76241 *Emergency Shelter* $25,000 00 2010	501(c)(3) - Tax Exempt	$25,000 00	$0 00	$0 00	$0 00	$25,000 00
Abilene Arts Alliance 1101 North 1st Abilene, TX 79601 *Young Audiences Live Performances for 2013 NCCIL Exhibits* $4,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$4,000 00	$0 00	$4,000 00	$0 00
Abilene Chamber of Commerce Foundation P O Box 2281 Abilene, TX 79604 *Martin Luther King, Jr Annual Dinner 2013* $500 00 2012	501(c)(3) - Tax Exempt	$0 00	$500 00	$0 00	$500.00	$0 00
Abilene Christian Schools, Inc. 2550 North Judge Ely Blvd Abilene, TX 79601 *2012 Community Auction* $1,250 00 2012	501(c)(3) - Tax Exempt	$0 00	$1,250 00	$0 00	$1,250 00	$0 00

Fiscal Year 2012

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
Abilene Christian University ACU Box 29100 Abilene, TX 76999 *Springboard Ideas Challenge 2013* $500 00 2012	501(c)(3) - Tax Exempt	$0 00	$500 00	$0 00	$500 00	$0 00
Abilene Community Theatre, Inc. 801 South Mockingbird Abilene, TX 79605 *God's Favorite* $500 00 2012	501(c)(3) - Tax Exempt	$0 00	$500 00	$0 00	$500 00	$0 00
Abilene Hope Haven, Inc. 801 South Treadaway Blvd Abilene, TX 79602 *New Youth Facility Project* $25,619 00 2004	501(c)(3) - Tax Exempt	$0 00	$0 00	-$24,381 00	-$24,381 00	$0 00
Abilene Hope Haven, Inc. 801 South Treadaway Blvd Abilene, TX 79602 *Childcare* $13,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$13,000 00	$0 00	$13,000 00	$0 00
Abilene Independent School District P O 981 Abilene, TX 79604 *Reagan Elementary Playground* $2,000 00 2012	509(a)(1)	$0 00	$2,000 00	$0 00	$2,000 00	$0 00

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
Abilene Library Consortium 3305 N 3rd Street, Suite 301 Abilene, TX 79603 *Expand Digital Archives* $125,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$125,000 00	$0 00	$0 00	$125,000 00
Abilene Opera Association P O Box 6611 Abilene, TX 79608 *2012-2013 Opera Season* $1,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$1,000 00	$0 00	$1,000 00	$0 00
Abilene Performing Arts Company, Inc. 1049 Industrial Blvd , Suite 200 Abilene, TX 79602 *Scholarship Fund* $500 00 2012	501(c)(3) - Tax Exempt	$0 00	$500 00	$0 00	$500 00	$0 00
Abilene Philharmonic Guild, Inc. 402 Cypress, Ste 130 Abilene, TX 79601 *2013 Ball* $5,000 00 2011	501(c)(3) - Tax Exempt	$5,000 00	$0 00	$0 00	$5,000 00	$0.00
Abilene Philharmonic Guild, Inc. 402 Cypress, Ste 130 Abilene, TX 79601 *2014 Ball* $5,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$5,000 00	$0 00	$0 00	$5,000 00

Fiscal Year 2012

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
Abilene Preservation League P O Box 3451 Abilene, TX 79604 *Heritage Stewardship Awards* $1,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$1,000 00	$0 00	$1,000 00	$0 00
Alliance for Women & Children 1350 North Tenth Abilene, TX 79601 *Fall Luncheon 2012* $500 00 2012	501(c)(3) - Tax Exempt	$0 00	$500 00	$0 00	$500 00	$0 00
Alliance for Women & Children 1350 North Tenth Abilene, TX 79601 *After School Program Scholarships* $10,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$10,000 00	$0 00	$10,000 00	$0 00
American Heart Association, Inc. P O Box 5616 Abilene, TX 79608 *2013 Go Red for Women Luncheon* $500 00 2012	501(c)(3) - Tax Exempt	$0 00	$500 00	$0 00	$500.00	$0 00
American National Red Cross 1610 North 2nd Street Abilene, TX 79601 *2013 Operations* $5,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$5,000 00	$0 00	$5,000 00	$0 00

Fiscal Year 2012

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
Abilene Boys Ranch 501 Ben Richey Drive P O Box 6839 Abilene, TX 79608 *Corner Post Project-additional funding* $100,000 00 2011	501(c)(3) - Tax Exempt	$100,000 00	$0 00	$0 00	$50,000 00	$50,000 00
Big Country Athletic Hall of Fame 25 Glen Abbey Abilene, TX 79606 *Class of 2013* $500 00 2012	501(c)(3) - Tax Exempt	$0 00	$500 00	$0 00	$500 00	$0 00
Boy Scouts of America 1208 North 5th Abilene, TX 79601 *Distinguished Citizen Award Dinner* $2,500 00 2012	501(c)(3) - Tax Exempt	$0 00	$2,500 00	$0 00	$2,500 00	$0.00
Boys and Girls Club of Abilene, Inc. 465 Cypress, Suite 12 P O Box 2013 Abilene, TX 79604 *Martinez Renovation* $150,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$150,000 00	$0 00	$50,000 00	$100,000 00
Callahan County Aging Services County Courthouse #302 Baird, TX 79504 *2013 Operating Funds* $5,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$5,000 00	$0 00	$5,000 00	$0 00

Fiscal Year 2012

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
Gifts of Hope Foundation P O Box 2026 Abilene, TX 79604 *Run Together 5K Run* $500 00 2012	501(c)(3) - Tax Exempt	$0 00	$500 00	$0 00	$500 00	$0 00
Center for Contemporary Arts 220 Cypress Abilene, TX 79601 *ArtReach Program* $7,500 00 2011	501(c)(3) - Tax Exempt	$5,000 00	$0 00	$0 00	$2,500 00	$2,500 00
CFA - Board DAF P O Box 1001 Abilene, TX 79604 *SFF Board DAF February 2013* $310,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$310,000 00	$0 00	$310,000 00	$0.00
CFA - Shelton Family Foundation DAF P O Box 1001 Abilene, TX 79604 *2011-2013 COOL Program* $275,000.00 2010	501(c)(3) - Tax Exempt	$150,000 00	$0 00	$0 00	$150,000.00	$0 00
CFA - Shelton Family Foundation DAF P O Box 1001 Abilene, TX 79604 *Abilene Education Foundation* *2014-2017 COOL Program* $327,622 00 2012	501(c)(3) - Tax Exempt	$0 00	$327,622 00	$0 00	$327,622 00	$0 00

Fiscal Year 2012

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
CFA - Shelton Family Foundation DAF P O Box 1001 Abilene, TX 79604 *Life to Life Fund* $50,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$50,000 00	$0 00	$50,000 00	$0 00
CFA - Shelton Family Foundation DAF P O Box 1001 Abilene, TX 79604 *Manasseh 2013 Operations* $150,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$150,000 00	$0 00	$150,000 00	$0 00
CFA - Shelton Family Foundation DAF P O Box 1001 Abilene, TX 79604 *DAF Grant* $200,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$200,000 00	$0 00	$200,000.00	$0 00
Childress Church of Christ 210 2nd St SE Childress, TX 79201 *Youth Missions-Memorial for Elene Green* $250 00 2012	501(c)(3) - Church	$0 00	$250 00	$0 00	$250 00	$0 00
Chorus Abilene P O Box 3358 Abilene, TX 79604 *2013 Spotlight Youth Gala* $500 00 2012	501(c)(3) - Tax Exempt	$0 00	$500 00	$0 00	$500 00	$0 00

Fiscal Year 2012

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
Christian Homes of Abilene 1202 Estates DRive Abilene, TX 79602 *2013 Call Her Blessed Luncheon* $500 00 2012	501(c)(3) - Tax Exempt	$0 00	$500 00	$0 00	$500 00	$0 00
Christian Service Center of Abilene, Inc. 901 Mesquite Abilene, TX 79601 *New Facility* $300,000 00 2011	501(c)(3) - Tax Exempt	$300,000 00	$0 00	$0 00	$0 00	$300,000 00
Community Foundation of Abilene P O Box 1001 Abilene, TX 79604 *Endowments for VFDs* $30,000 00 2012	501(c)(3) - Tax Exempt	$0.00	$30,000 00	$0 00	$10,000 00	$20,000 00
Connecting Caring Communities 402 Cypress St , Ste 420 Abilene, TX 79601 *4 Year Operating Grant* $50,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$50,000 00	$0 00	$20,000 00	$30,000.00
Connecting Caring Communities 402 Cypress St , Ste 420 Abilene, TX 79601 *2012 Community Celebration* $1,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$1,000 00	$0 00	$1,000 00	$0 00

Fiscal Year 2012

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
Cystic Fibrosis Foundation 3840 Hulen Street, #600 Fort Worth, TX 76107 *Great Strides Walk 2012* $250 00 2012	501(c)(3) - Tax Exempt	$0 00	$250 00	$0 00	$250 00	$0.00
Cystic Fibrosis Foundation 3840 Hulen Street, #600 Fort Worth, TX 76107 *Great Strides Walk 2013* $250 00 2012	501(c)(3) - Tax Exempt	$0 00	$250 00	$0 00	$250 00	$0 00
Day Nursery of Abilene 702 Cedar Street Abilene, TX 79601 *Security System & Operating Funds* $30,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$30,000 00	$0 00	$30,000 00	$0 00
Day Nursery of Abilene 702 Cedar Street Abilene, TX 79601 *Putt Fore Children* $1,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$1,000 00	$0 00	$1,000 00	$0 00
Disability Resources, Incorporated P O Box 1880 Abilene, TX 79604 *Ultimate Hunt* $1,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$1,000 00	$0 00	$1,000 00	$0 00

Fiscal Year 2012

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
Exodus Ministries, Inc. 4630 Munger Avenue #110 Dallas, TX 75204 *Plumbing repairs* $35,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$35,000 00	$0 00	$35,000 00	$0 00
Expo Center of Taylor County 1700 Highway 36 Abilene, TX 79602 *Evening for the Expo* $1,000.00 2012	501(c)(3) - Tax Exempt	$0.00	$1,000 00	$0 00	$1,000 00	$0 00
FaithWorks of Abilene 1229 North Mockingbird Abilene, TX 79603 *Student Support* $5,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$5,000 00	$0 00	$5,000 00	$0 00
Friends of the Abilene Public Library c/o 202 Cedar Abilene, TX 79601 *2013 West Texas Book & Music Festival* $2,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$2,000 00	$0 00	$2,000 00	$0 00
Global Samaritan Resources, Inc. P O Box 3431 Abilene, TX 79604 *Fall Benefit* $1,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$1,000 00	$0 00	$1,000 00	$0 00

Fiscal Year 2012

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
Grace Museum P O Box 33 Abilene, TX 79604 *2013 Annual Fall Benefit* $5,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$5,000 00	$0 00	$5,000 00	$0 00
Grover Nelson Park Zoological Foundation 3301 South 14th Street, Suite 16 PMB 149 Abilene, TX 79605 *New Giraffe Exhibit* $100,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$100,000 00	$0 00	$0 00	$100,000 00
Hardin-Simmons University P O Box 16000 Abilene, TX 79698 *Round Table Scholarship* $1,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$1,000 00	$0 00	$1,000 00	$0 00
Harmony Family Services, Inc. 305 Grape St Abilene, TX 79601 *Youth Bed* $5,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$5,000 00	$0 00	$5,000 00	$0 00
Hendrick Home for Children P O Box 5195 Abilene, TX 79602 *Dancing with the Abilene Stars* $500 00 2012	501(c)(3) - Tax Exempt	$0 00	$500 00	$0 00	$500 00	$0 00

Fiscal Year 2012

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
Hispanic Leadership Council P O Box 2255 Abilene, TX 79604 *2013 Career and College Planning Seminar* $250 00 2012	501(c)(3) - Tax Exempt	$0 00	$250 00	$0 00	$250 00	$0 00
Historic Paramount Theatre, Inc. P O Box 1818 Abilene, TX 79604 *Disney's Beauty and the Beast, Jr* $500 00 2012	501(c)(3) - Tax Exempt	$0 00	$500 00	$0 00	$500 00	$0 00
Junior Achievement of the Chisholm Trail, Inc. 500 Chestnut St , Suite 1715 Abilene, TX 79602 *Success Skills Program* $1,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$1,000 00	$0 00	$1,000 00	$0 00
Junior League of Abilene, Inc. 774 Butternut Abilene, TX 79602 *2012 Christmas Carousel* $500 00 2012	501(c)(3) - Tax Exempt	$0 00	$500 00	$0 00	$500 00	$0 00
Kenley School 1434 Matador Abilene, TX 79605 *2013 Operations* $45,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$45,000 00	$0 00	$45,000 00	$0 00

Fiscal Year 2012

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
Love & Care Ministries 234 Fannin Abilene, TX 79603 *Taste of Life Vehicle* $15,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$15,000 00	$0 00	$15,000.00	$0 00
March of Dimes Birth Defects Foundation 402 Cypress Street, Suite 806 Abilene, TX 79601 *75th Anniversary* $250 00 2012	501(c)(3) - Tax Exempt	$0 00	$250 00	$0 00	$250 00	$0 00
McWhiney History Education Group P O Box 818 Buffalo Gap, TX 79508 *Comanche Moon Gala* $1,000 00 2012	Other	$0 00	$1,000 00	$0 00	$1,000 00	$0 00
Meals on Wheels Plus, Incorporated P O Box 903 Abilene, TX 79604 *Charity Golf Tournament* $1,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$1,000 00	$0 00	$1,000 00	$0 00
National Center for Children's Illustrated Literature 102 Cedar Abilene, TX 79601 *Story Book Ball* $1,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$1,000 00	$0 00	$1,000 00	$0 00

Fiscal Year 2012

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
National Center for Children's Illustrated Literature 102 Cedar Abilene, TX 79601 *2013 Operations Support* $42,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$42,000 00	$0 00	$42,000 00	$0 00
New Horizons Ranch & Center, Inc. 500 Chestnut, Suite 1101 Abilene, TX 79602 *Goldthwaite Music Festival* $500 00 2012	501(c)(3) - Tax Exempt	$0 00	$500 00	$0 00	$500 00	$0 00
Noah Project P O Box 875 Abilene, TX 79604 *2010 Capital Campaign* $100,000 00 2010	501(c)(3) - Tax Exempt	$50,000 00	$0 00	$0 00	$50,000 00	$0 00
Parents Who Care P O Box 5855 Abilene, TX 79608 *2013 Project Graduation for AHS & CHS* $250 00 2012	501(c)(3) - Tax Exempt	$0 00	$250 00	$0 00	$250 00	$0 00
Regional Victim Crisis Center P O Box 122 Abilene, TX 79604 *2012-2013 Men of Strength & Style* $750 00 2012	501(c)(3) - Tax Exempt	$0 00	$750 00	$0 00	$750 00	$0 00

Fiscal Year 2012

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
Regional Victim Crisis Center P O Box 122 Abilene, TX 79604 *Operations* $5,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$5,000 00	$0 00	$0 00	$5,000 00
Rescue the Animals 4620 North First Street Abilene, TX 79603 *2013 Fur Ball* $500 00 2012	501(c)(3) - Tax Exempt	$0 00	$500 00	$0 00	$500 00	$0 00
Rescue the Animals 4620 North First Street Abilene, TX 79603 *2013 Operating Expenses* $20,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$20,000 00	$0 00	$20,000 00	$0 00
Rotary Clubs of Abilene Charitable Fund P O Box 5421 Abilene, TX 79608-5421 *End Polio Now* $5,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$5,000 00	$0 00	$5,000 00	$0 00
Salvation Army & Its Components 1726 Butternut Abilene, TX 79602 *2013-2015 Operating Funds* $75,000 00 2011	501(c)(3) - Tax Exempt	$75,000.00	$0 00	$0 00	$25,000 00	$50,000 00

Fiscal Year 2012

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
San Antonio Area Foundation 303 Pearl Parkway, Suite 114 San Antonio, TX 78215 *Franklin Family Charitable Fund* $10,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$10,000 00	$0 00	$10,000 00	$0 00
Special Olympics Texas, Inc. 500 Chestnut Street Suite 1821 Abilene, TX 79601 *2012 Sports Program Operations* $5,000 00 2011	501(c)(3) - Tax Exempt	$5,000 00	$0 00	$0 00	$5,000 00	$0 00
Special Olympics Texas, Inc. 500 Chestnut Street Suite 1821 Abilene, TX 79601 *2013 Sports Program* $5,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$5,000 00	$0 00	$0 00	$5,000 00
Spirithorse Therapeutic Riding Center 1960 Post Oak Drive Corinth, TX 76210 *Autism Treatment Expansion* $10,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$10,000 00	$0 00	$10,000 00	$0.00
St. Vincent Pallotti Parish c/o 2525 Westview Drive Abilene, TX 79603 *2013 Cinco de Mayo* $250 00 2012	Other	$0 00	$250 00	$0 00	$250 00	$0 00

Fiscal Year 2012

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
Texas Ramp Project Box 832065 Richardson, TX 75083 *2013 Operations* $10,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$10,000 00	$0 00	$10,000 00	$0 00
Texas Silver Haired Legislature Foundation P O Box 5996 Abilene, TX 79608 *Develop Curriculum* $1,000 00 2012	501(c)(3) - Tax Exempt	$0 00	$1,000 00	$0 00	$1,000 00	$0 00
United Way of Abilene P O Box 82 Abilene, TX 79604 *IDA Program plus Operating Funds* $62,500 00 2011	501(c)(3) - Tax Exempt	$58,250 00	$0 00	$0 00	$54,250 00	$4,000 00
United Way of Abilene P O Box 82 Abilene, TX 79604 *United Way 2013 Campaign* $12,500 00 2011	501(c)(3) - Tax Exempt	$12,500 00	$0.00	$0 00	$12,500 00	$0 00
United Way of Abilene P O Box 82 Abilene, TX 79604 *United Way 2014 Campaign* $12,500 00 2012	501(c)(3) - Tax Exempt	$0 00	$12,500 00	$0 00	$0 00	$12,500 00

Fiscal Year 2012

Recipient and/or Purpose	Tax Status	Beginning Balance 2012	Newly Allocated 2012	Amended 2012	Amount Paid 2012	Ending Balance 2012
Volunteer Services Council for Abilene States School Inc P O Box 451 Abilene, TX 79604-0451 *Fitness Park* $0 00 2011	501(c)(3) - Tax Exempt	$50,000 00	$0 00	-$50,000 00	$0 00	$0 00
Young Men's Christian Association P O Box 3137 Abilene, TX 79604 *2013 Scholarship Campaign* $500 00 2012	501(c)(3) - Tax Exempt	$0 00	$500 00	$0.00	$500 00	$0 00
Grand Totals (86 items)		$835,750.00	$1,825,372.00	-$74,381.00	$1,752,741.00	$834,000.00

Add back recoveries 24,381

Current year grants $ 1,777,122

EXECUTIVE SUMMARY REPORT
FAIR MARKET VALUE
HARTE-HANKS, INC.
JUNE 30, 2011

PREPARED BY:

GEORGE VALUATION ADVISORS
555 REPUBLIC DRIVE, SUITE 200
PLANO, TEXAS 75074-5469
972-690-5401

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August 10, 2011

Mr. David L. Copeland, President
Shelton Family Foundation
273 Walnut Street
Abilene, Texas 79601

Re: Harte-Hanks, Inc.

Dear Mr. Copeland:

You asked us to express an opinion concerning the fair market value of 3,062,465 shares of common stock (the "Subject Shares" or the "Block") in Harte-Hanks, Inc. ("Harte-Hanks" or the "Company") held by the Shelton Family Foundation as of June 30, 2011 (the "Valuation Date"). Harte-Hanks is a Delaware corporation whose shares are publicly traded on the New York Stock Exchange ("NYSE") under the symbol HHS. We understand the Subject Shares may be subject to the following restrictions: (a) Securities and Exchange Commission ("SEC") Rule 144; (b) a discount due to the size of the Subject Shares relative to the number of shares actively traded; and (c) corporate policies regarding insider trading. The sole purpose of this appraisal is to assist you in establishing the fair market value of the Subject Shares for federal income tax calculations.

The term "fair market value" means the price at which the Subject Shares would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.

In reaching our conclusion with respect to fair market value, we took into account applicable factors set forth in Revenue Ruling 59-60, 1959-1 CB 237, including:

- The nature of the business and the history of the enterprise from its inception;
- The economic outlook in general and the condition and outlook of the specific industry in particular;
- The book value of the stock and the financial condition of the business;
- The earning capacity of the company;
- The dividend-paying capacity of the company;
- Whether the enterprises has goodwill or other intangible value; and
- Prior sales of the stock of corporations engaged in the same or similar line of business, having their stocks actively traded in a free and open market, either on an exchange or over-the-counter.

We also considered the factors in Revenue Ruling 77-287, 1977-2, CB 319, which provides valuation guidelines of securities for federal tax purposes that cannot be resold immediately because they are restricted from resale pursuant to federal securities laws. The factors considered in the valuation included but were not limited to the following:

- The latest public quarterly and annual reports of the Company;
- Copies of agreements relating to shares held by insiders in the Company;
- Summaries of analysts' opinions indicating interest in buying or selling shares in the Company;
- The trading prices and trading volume of the related class of traded securities;
- The relationship of the parties concerning the restricted stock; and

- Whether the block being valued represents a majority or minority ownership interest.

In accordance with general valuation principles and guidelines set forth in Revenue Rulings 59-60 and 77-287, we conducted our analysis by utilizing procedures deemed relevant to the valuation, including:

Investigation - We gathered data regarding the financial condition and operating performance of the Company. The scope of our investigation included review of documents provided by and discussions with representatives of the Shelton Family Foundation. We are independent of any party involved.

Analysis - We analyzed information, including: (a) the national economic outlook; (b) the outlook for the direct marketing industry; (c) the Company's financial condition and operating performance based on information in filings with the SEC; (d) expectations of future operating performance based on analysts' reports; (e) information regarding trading activity obtained from the capital markets; and (f) other information deemed relevant.

Approaches, Methods, and Procedures - We selected and applied appropriate valuation approaches, methods, and procedures to develop the conclusion of value pursuant to the valuation assignment.

Documentation - We documented and will retain information and work product upon which we relied in reaching our conclusion. This report presents a summary of our analysis. We previously presented a comprehensive report detailing the analysis and conclusions.

Fundamental Position of the Company

We relied on SEC Form 10-K for the fiscal year ended December 31, 2010; SEC Form 14A the 2011 Definitive Proxy Statement; SEC Form 10-Q for the quarter ended March 31, 2011; the 2010 and 2009 Annual Reports; and information provided on the Company's website (*www.harte-hanks.com*) for this analysis. A summary of the financial statements is presented in Exhibit A.

Corporate Overview

Harte-Hanks is a worldwide direct and targeted marketing company with operations in two segments: (1) direct and interactive marketing and (2) shopper publications. The Company is the successor to a newspaper business started in West Texas in the early 1920s by Houston Harte and Bernard Hanks. In 1972, the Company offered its common stock to the public and was listed on the NYSE. In 1984, the Company went private in a leveraged buyout initiated by management. The Company went public again in 1993 and was listed on the NYSE. The Company sold all remaining traditional media operations (consisting of newspapers, television, and radio companies) in October 1997 to focus on direct and interactive services and shopper publications.

Harte-Hanks manages operations through two operating segments: Direct Marketing, which operates both nationally and internationally, and Shoppers, which operates in local and regional markets in California and Florida.

Direct Marketing

The Direct Marketing segment offers integrated, multichannel, and data-driven solutions for various brands. It helps its customers gain insight into their customers' behaviors from their data and create multichannel marketing programs. This segment provides capabilities and resources to provide a range of marketing services and data management software, in media from direct mail to e-mail, including agency and creative services, database marketing solutions, data quality software and services with Trillium Software, digital marketing and social networking services, direct mail and supply chain management, fulfillment and contact centers, and lead generation. This segment services several markets, including retail, high-tech/telecom, financial services, and pharmaceutical/healthcare. In general, Harte-Hanks believes it is able to provide services to new industries and markets by modifying existing services and applications as opportunities are presented. Depending on the needs of clients, Direct Marketing is offered in an integrated approach through 34 facilities worldwide, 12 of which are located outside of the U.S. Each of these facilities possesses some specialization and is linked with other offices to support the clients' needs.

Direct Marketing uses various capabilities and technologies by which to capture, analyze, and disseminate customer and prospect data during the course of customer contact. With these data, the Company can help clients identify, reach, influence, and nurture their customers. Harte-Hanks focuses both on business-to-business and business-to-consumer environments, and develops data-driven strategies for customer acquisition and retention as well as customer contact in many different ways, such as direct mail, email, and telephone calls. Harte-Hanks also helps clients measure their marketing and customer-care campaigns by providing them with knowledge that can be applied to refine campaigns, even during the marketing campaign.

In 2010, 2009 and 2008, Direct Marketing had revenues of $601.3 million, $586.0 million, and $732.7 million, respectively, which accounted for approximately 70 percent, 68 percent, and 68 percent of total revenues, respectively.

Shoppers

Shoppers is the largest owner, operator, and distributor of shopper publications in North America, based on weekly circulation and revenue. Shoppers consists of weekly advertising publications that are distributed free by standard mail to households and businesses in a specific geographic area. Shoppers offers advertisers a targeted, local advertising system, with virtually 100 percent penetration in their distribution area. Shoppers is particularly effective in large markets with high media fragmentation in which major metropolitan newspapers generally have low penetration. Shoppers also provides advertising and other services through its websites, *PennySaverUSA.com* and *TheFlyer.com*. These websites are online advertising portals that bring buyers and sellers together through online products, including local classifieds, business listings, coupons, special offers, and "Power Sites®." Power Sites are template-based websites specifically designed to help small- and medium-sized business owners establish a web presence and easily improve their lead generation. As of March 31, 2011, the Company was publishing approximately 6,000 Power Sites weekly. During 2008, Shoppers formally changed the names of its print publications to *PennySaverUSA.com* in California and *TheFlyer.com* in Florida.

As of December 31, 2010, Shoppers delivered over 11,215,000 shopper packages in five major markets each week covering the greater Los Angeles market (5,121,000 shoppers), the greater San Diego market (1,641,000 shoppers), northern California (2,275,000 shoppers), South Florida (1,151,000 shoppers), and the greater Tampa market (1,026,000 shoppers). The Company's publications in California account for approximately 80 percent of Shoppers weekly circulation.

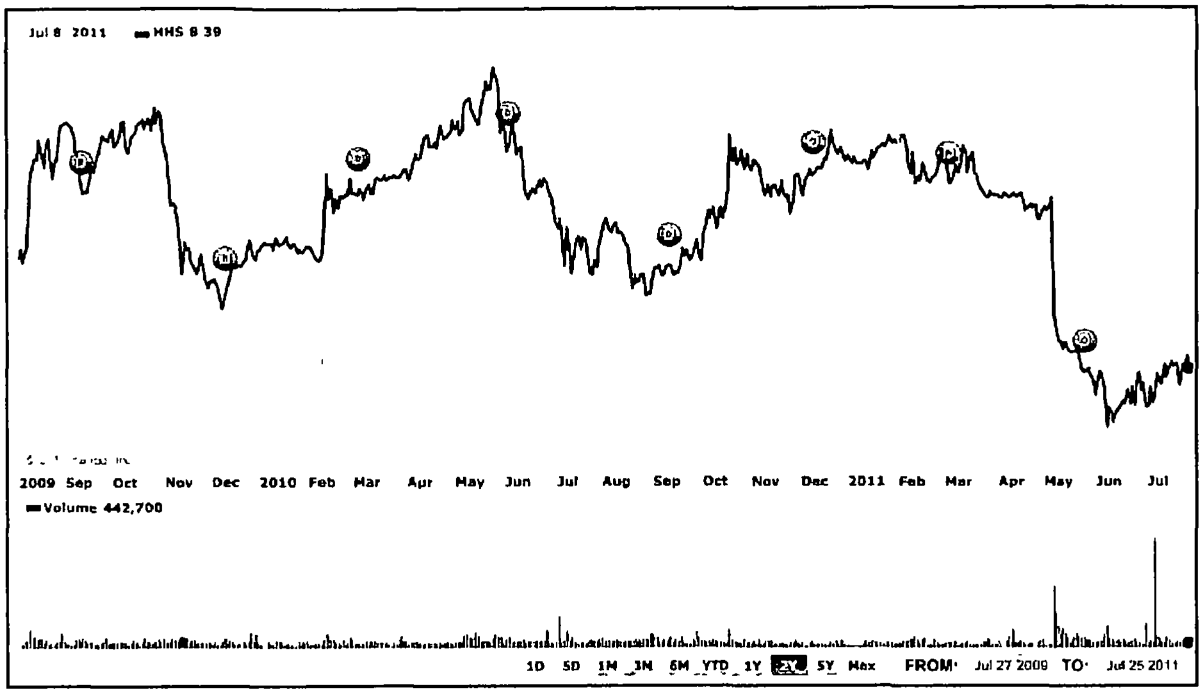
As of March 31, 2011, Harte-Hanks published more than 950 individual Shoppers each week that were distributed to zones with circulation of approximately 12,000 each. This distribution system allows single-location, local advertisers to saturate a single geographic zone, while enabling multiple-location advertisers to saturate multiple zones. This system also gives large and small advertisers alike a cost-effective way to reach their target markets. Harte-Hanks believes its zoning capabilities and production technologies have enabled it to saturate and target areas in a number of ways, including geographic, demographic, lifestyle, behavioral and language, and allows advertisers to target their customers effectively.

In 2010, 2009 and 2008, Shoppers had revenues of $259.2 million, $274.2 million, and $350.1 million, respectively, accounting for approximately 30 percent, 32 percent, and 32 percent of total revenues, respectively.

As a result of the difficult economic environment in California and Florida, Harte-Hanks curtailed more than 1,400,000 in circulation from July 2008 to February 2009 that consisted of approximately 850,000 in circulation in California and approximately 550,000 in circulation in Florida. After the February circulation curtailment, Shoppers circulation still reached approximately 11,215,000 addresses each week. Harte-Hanks continues to evaluate all circulation performance and may make further circulation reductions in response to difficult economic conditions in these two states.

Prices and Dividends

The historic stock-prices and volume for Harte-Hanks together with dividend payment dates are presented in the chart below:



Valuation Principles Regarding the Subject Shares

The average of the high and low stock price of Harte-Hanks' common stock on June 30, 2011, was $8.205 per share. However, the Subject Shares could not be readily sold at this price because the Block, although not legally restricted from trading, was expected to be treated as though restricted under SEC Rule 144.

Additional restrictions include blockage and insider trading restrictions. We considered the size of the Block relative to historical trading volume to determine the applicability of a discount for the inability of the market to absorb the Subject Shares. Moreover, because David Copeland is a member of the Board of Directors, he may be privy to material nonpublic information that would subject them to insider trading restrictions and might preclude them from selling on demand. Our analysis considered the impact of these trading restrictions on the fair market value of the Subject Shares.

We considered various means of disposing of restricted stock. Generally, a holder of restricted stock can dispose of the shares by using three alternative methods. First, the holder could sell the restricted stock in a private placement. Second, the holder could register the restricted stock and conduct a secondary offering at the holder's own expense. Third, the holder could gradually sell restricted stock into the public market over an extended time period, which is commonly called the "dribble-out method" and represented the most probable method of disposing of the Subject Shares.

Restricted Security Discount Analysis

The first step in our restricted security discount analysis was to examine the requirements imposed under SEC Rule 144. We then considered a review of several major studies conducted by the SEC and others that analyzed the transaction price for sales of restricted securities compared with the publicly traded stock price of the same company at the same point in time. We calculated the appropriate restricted stock discount using an option pricing methodology for each group of shares sold, and calculated a value indication for the Subject Shares by taking a weighted average of the number of shares at the end of each dribble out period.

SEC Rule 144 allows a holder of restricted securities considered to be an affiliate to sell the greater of 1.0 percent of the total outstanding stock or the average of the four-week trading volume preceding the Valuation Date over a three-month period. In Harte-Hanks' SEC Form 10-Q for the quarter ended March 31, 2011, the Company reported 63,776,043 shares issued and outstanding as of April 15, 2011 (the latest information available prior to the Valuation Date). Therefore, 1.0 percent of the common stock outstanding as of the Valuation Date was 637,760 shares. The average weekly trading volume in the four calendar weeks preceding the Valuation Date for Harte-Hanks' common stock was 1,704,725 (Exhibit B).

The cost of locking in the current price during the period of trading the restrictions under SEC Rule 144 can be estimated using the Black-Scholes-Merton model. The Black-Scholes-Merton model is the most often used and cited option valuation methodology.

We applied the Black-Scholes-Merton model to determine the cost of preserving the average of the high and low price ($8.205) as of the Valuation Date. We used the model to estimate the cost of a put option because options in Harte-Hanks' common stock are not publicly traded. The calculations were used to develop the value of a put option at the first available trading window, which was August 2, 2011, and subsequent quarterly trading windows. Our calculations used the average of the high and low stock price of Harte-Hanks on the Valuation Date as both the current stock price and the exercise price. The risk-free interest rate was the one-month U.S. treasury bill rate at the Valuation Date, as reported by the Federal Reserve. The volatility was based on the assumptions used in the Company's financial statements as of December 31, 2010. Dividend yield was based on the most recent dividend rate and were assumed to remain constant over all dribble-out periods.

A weighted average discount for each quarter was calculated by dividing the number of shares sold by the total shares in the Block and multiplying the result by the discount for the quarter. Exhibit B summarizes the weighted average discounts for each disposition period. We concluded the total discount from the publicly traded price applicable to SEC Rule 144 restrictions was 6.5 percent (rounded) as of June 30, 2011.

Blockage Discount Analysis

The International Glossary of Business Valuation Terms defines a "blockage discount" as an amount or percentage deducted from the current market price of a publicly traded stock to reflect the decrease in the per share value of a block of stock that is of a size that could not be sold in a reasonable period of time given normal trading volume.

The price quoted for Harte-Hanks' shares is generally for small blocks of stock. We analyzed the average daily and weekly trading volume of Harte-Hanks' common stock in relation to the size of the Subject Shares in order to determine if a discount from the quoted market price would be required in order to sell the Subject Shares without upsetting the supply/demand balance.

To estimate the appropriate blockage discount, our analysis considered Harte-Hanks' financial performance in addition to the following:

- Empirical research on price impacts of block trades;
- Summary of analysts recommendations on Harte-Hanks' common stock;
- Major shareholders;
- Large block trading analysis of Harte-Hanks' common stock;
- Analysis of high trading volume days of Harte-Hanks' common stock; and
- Prior court cases on blockage discounts.

The Block (3,062,465 shares) comprised approximately 4.8 percent of the shares outstanding (63,776,043 shares) and 6.89 percent of the float (44,470,000 shares). The Block represented 10.6 times the average daily trading volume (289,900 shares, see Exhibit C) based on the year preceding the Valuation Date. However, by dribbling out the Subject Shares into smaller blocks of 1,704,725 shares, liquidity could be improved. This smaller block represents 5.9 days of trading volume.

From the block trading data (all trades 5,000 shares and greater), we analyzed the block trading activity in which the block trades exceeded 500,000 shares for a period of 24 months preceding the Valuation Date. As shown in Exhibit C, the date with largest block trades occurred on June 30, 2010, when a large block of 1,763,311 shares was traded. Overall, large block trades are not common, but when large block trades do occur, they appear to have a slightly depressing effect on the prevailing stock price (based on the average of the high and low for the date of trade) for Harte-Hanks of approximately -0.2 percent. However, we observed no block trades comparable in size to the Subject Shares (3,062,465 shares).

We also analyzed high-volume days to determine the historical sensitivity of the Harte-Hanks' stock price to volume traded. As shown in Exhibit D, the days on which daily trading volume exceeded 900,000 shares showed a decrease in the closing stock price from the previous day and three days prior to the high volume day. The days of high trading volume also showed a slight decrease in stock price of about 2.5 percent from the prior day's trading price, and an even greater impact on the trading price three days prior to the large volume activity days.

Based on the previous analyses, we concluded an additional 2.0 percent discount from the publicly traded price applicable to the dribble-out block as of June 30, 2011. If, however, the Subject Shares are not dribbled out, then a separate large blockage discount would be appropriate and would be significant.

Insider Trading Restrictions

SEC Rule 10b-5 provides for insider trading restrictions. In addition, Harte-Hanks has various policies in place that restrict officers, directors, and other persons deemed "insiders" from freely trading their shares.

Both SEC Rule 10b-5 and Harte-Hanks' own restrictions on insider trading apply to the Subject Shares because two directors of the Shelton Family Foundation are also on the Board of Directors for Harte-Hanks. Therefore, the Shelton Family Foundation (i.e., the holder of the Subject Shares) could be prevented from selling if the directors had material inside information.

Harte-Hanks' policy limits the number of days the Subject Shares would be available for trading by approximately one-half the trading days. This assumes there will be no specific events occurring that might affect trading in the stock. Thus, the ability of the holder of the Subject Shares to sell the Block in the short term could be severely restricted. Due to the increased risk associated with this additional trading restriction, we estimated the discount applicable to the Subject Shares was 4.0 percent.

Summary and Conclusion Regarding the Fair Market Value of the Block

For the Subject Shares, we considered the impact of selling the Block under the volume restrictions imposed by SEC Rule 144. We also recognized the valuation concept of a blockage discount, which considers that the Subject Shares might not be sold on the open market without disturbing the supply/demand balance as well as insider trading restrictions for the Block. Based on the information presented above, we concluded the fair market value per share of the Block was $7.22 as of June 30, 2011, which represented a cumulative discount of 12.0 percent from the freely traded market price of $8.205 per share (the average of the high and low stock price on June 30, 2011). The discount was derived in a multiplicative manner by using a 6.5 percent discount for dribbling out the Subject Shares, an additional 2.0 percent discount for blockage, and a 4.0 percent discount insider trading restrictions.

Conclusion

Based on and subject to the facts, limiting conditions, and assumptions presented in this report and attached exhibits, the fair market value of one share of common stock in Harte-Hanks, Inc. was reasonably represented in the amount of $7.22 as of June 30, 2011. Therefore, the fair market value of 3,062,465 shares of common stock in Harte-Hanks, Inc. held by the Shelton Family Foundation was reasonably represented in the amount of $22,110,997 as of June 30, 2011. This value represents a 12.0 percent adjustment from the average of the high and low stock price as of June 30, 2011.

Limiting Conditions and Assumptions

This conclusion is subject to the terms and conditions of our engagement letter. This opinion should be limited to transactions having an effective date of June 30, 2011.

To the best of our knowledge, all data set forth in this report are true and accurate and gathered from reliable sources. Although we have no reason to believe that any of the information provided to us is inaccurate, no guarantee is made or liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others who have been used in formulating this analysis. The value or values presented in this report are based upon the premises outlined herein and are valid only for the purpose or purposes stated. Possession of this report or any copy thereof does not carry with it the right of publication. No portion of this report shall be disseminated to the general public without the prior written approval of George Valuation Advisors. The taxpayer identification number for George Valuation Advisors is 20-8176969.

Certification

I certify, to the best of my knowledge and belief that: (1) the statements of fact contained in this report are true and correct; (2) the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, unbiased professional analyses, opinions, and conclusions; (3) I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved; (4) my compensation is not contingent on any action or event resulting from the analyses, opinions, or conclusions in, or the use of this report; (5) my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers; and (6) anyone providing significant professional assistance to the person signing this report is listed below.

Very truly yours,

GEORGE VALUATION ADVISORS

Mark E. George

Mark E. George, CPA/ABV
Managing Director

MEG:mos

Enclosures

EXHIBIT A

FINANCIAL STATEMENT ANALYSIS

(4 PAGES)

Company Name HARTE-HANKS
Ticker Symbol HHS

Balance Sheet

In Thousands (Except Per Share Data)	For the years ended 2006/12	2007/12	2008/12	2009/12	2010/12	For the quarter ended 2011/03
Cash and Equivalents	$38,270	$22,847	$30,161	$86,598	$85,996	$63,112
Restricted Cash	0	0	0	0	0	0
Marketable Securities	0	0	0	0	0	0
Receivables	189,444	199,222	169,418	140,062	151,006	142,916
Inventories	7,956	6,007	7,481	4,846	7,324	8,593
Prepaid Expenses	18,207	15,473	14,169	12,790	11,860	10,569
Current Deferred Income Taxes	17,319	12,628	13,000	9,905	8,911	8,256
Other Current Assets	8,779	9,503	6,974	2,398	3,366	6,699
Total Current Assets	**279,975**	**265,680**	**241,203**	**256,599**	**268,463**	**240,145**
Gross Fixed Assets	336,905	341,544	328,630	322,272	326,389	324,125
Accumulated Depreciation & Depletion	220,314	229,190	231,197	243,873	253,730	252,488
Net Fixed Assets	116,591	112,354	97,433	78,399	72,659	71,637
Intangibles	23,448	20,939	17,989	16,277	15,788	15,578
Cost in Excess	545,347	543,583	552,877	552,886	565,651	565,651
Non-Current Deferred Income Taxes	0	0	0	0	0	0
Other Non-Current Assets	3,924	9,370	4,064	3,990	4,319	4,362
Total Non-Current Assets	**689,310**	**686,246**	**672,363**	**651,552**	**658,417**	**657,228**
Total Assets	**$969,285**	**$951,926**	**$913,566**	**$908,151**	**$926,880**	**$897,373**
Accounts Payable	$58,853	$67,167	$48,182	$42,386	$56,085	$47,206
Notes Payable	0	0	0	0	0	0
Short Term Debt	0	0	30,938	46,688	133,000	179,250
Accrued Expenses	27,966	26,443	0	0	0	0
Accrued Liabilities	0	0	22,177	15,290	24,780	14,080
Deferred Revenues	0	0	58,227	54,055	54,622	37,267
Current Deferred Income Taxes	0	0	0	0	0	0
Other Current Liabilities	84,417	86,498	28,211	14,784	12,476	25,273
Total Current Liabilities	**171,236**	**180,108**	**187,735**	**173,203**	**280,963**	**303,076**
Long Term Debt	205,000	259,125	239,687	193,000	60,000	0
Capital Lease Obligations	0	0	0	0	0	0
Deferred Income Taxes	0	66,060	65,723	0	0	89,798
Other Non-Current Liabilities	99,573	38,121	64,049	140,305	148,094	61,251
Minority Interest	0	0	0	0	0	0
Preferred Securities of Subsidiary Trust	0	0	0	0	0	0
Preferred Equity Outside Stock Equity	0	0	0	0	0	0
Total Non-Current Liabilities	**304,573**	**363,306**	**369,459**	**333,305**	**208,094**	**151,049**
Total Liabilities	**475,809**	**543,414**	**557,194**	**506,508**	**489,057**	**454,125**
Preferred Stock Equity	0	0	0	0	0	0
Common Par	116,497	117,693	118,085	118,243	118,296	118,440
Additional Paid In Capital	295,555	323,182	331,227	333,612	336,795	337,851
Cumulative Translation Adjustment	0	0	0	0	0	0
Retained Earnings	1,073,395	1,145,736	1,189,376	1,217,975	1,252,438	1,255,219
Treasury Stock	(974,625)	(1,160,205)	(1,236,581)	(1,236,217)	(1,236,024)	(1,236,049)
Other Equity Adjustments	(17,346)	(17,894)	(45,735)	(31,970)	(33,682)	(32,213)
Total Equity	**493,476**	**408,512**	**356,372**	**401,643**	**437,823**	**443,248**
Total Liabilities & Stock Equity	**$969,285**	**$951,926**	**$913,566**	**$908,151**	**$926,880**	**$897,373**

Company Name HARTE-HANKS
Ticker Symbol HHS

Annual Income Statement

In Thousands (Except Per Share Data)	For the years ended 2006/12	2007/12	2008/12	2009/12	2010/12	For the latest 12 months ended 2011/03
Operating Revenue	**$1,184,688**	**$1,162,886**	**$1,082,821**	**$860,143**	**$860,526**	**$865,964**
Adjustments to Revenue	0	0	0	0	0	0
Cost of Revenue	874,088	871,468	398,701	312,230	323,217	327,244
Gross Profit	310,600	291,418	684,120	547,913	537,309	538,720
Operating Expenses						
Selling, General & Administrative	0	89,787	530,424	435,506	422,829	430,674
Research & Development	0	0	0	0	0	0
Advertising	90,516	0	0	0	0	0
Depreciation	31,566	33,195	33,429	28,265	22,437	22,045
Amortization	2,466	3,509	2,950	1,712	990	975
Total Operating Expenses	124,548	126,491	566,803	465,483	446,256	453,694
Operating Income	**186,052**	**164,927**	**117,317**	**82,430**	**91,053**	**85,026**
Plus Depreciation & Amortization	34,032	36,704	36,379	29,977	23,427	23,020
EBITDA	**220,084**	**201,631**	**153,696**	**112,407**	**114,480**	**108,046**
Other Income (Expense)						
Special Income/Charges	0	0	0	0	0	0
Interest Expense	(6,333)	(12,992)	(14,201)	(8,150)	(2,824)	(2,766)
Interest Income	231	539	378	182	200	226
Earnings from Equity Interest	0	0	0	0	0	0
Other Income, Net	(702)	(1,337)	(1,925)	(2,520)	(2,102)	(2,593)
Preferred Securities of Sub Trust	0	0	0	0	0	0
Total Other Income (Expense)	(6,804)	(13,790)	(15,748)	(10,488)	(4,726)	(5,133)
Income Before Taxes	179,248	151,137	101,569	71,942	86,327	79,893
Income Taxes	67,456	58,497	38,828	24,227	32,723	30,280
Minority Interest	0	0	0	0	0	0
Income From Continuing Operations	111,792	92,640	62,741	47,715	53,604	49,613
Income From Discontinued Operations	0	0	0	0	0	0
Income From Total Operations	111,792	92,640	62,741	47,715	53,604	49,613
Extraordinary Income (Losses)	0	0	0	0	0	0
Cumulative Effect of Accounting Change	0	0	0	0	0	0
Income from Tax Loss Carryforward	0	0	0	0	0	0
Other Gains (Losses)	0	0	0	0	0	0
Total Net Income	**$111,792**	**$92,640**	**$62,741**	**$47,715**	**$53,604**	**$49,613**
Preferred Dividends	0	0	0	0	0	0
Per Share Data						
Basic Weighted Shares	79,049	72,524	63,933	63,557	63,616	63,371
Basic EPS from Continuing Operations	$1 41	$1 28	$0 98	$0 75	$0 84	$0 78
Basic EPS from Total Operations	$1 41	$1 28	$0 98	$0 75	$0 84	$0 78
Diluted Weighted Shares	80,646	73,703	64,104	63,885	64,139	63,659
Diluted EPS from Continuing Operations	$1 39	$1 26	$0 98	$0 75	$0 84	$0 78
Diluted EPS from Total Operations	$1 39	$1 26	$0 98	$0 75	$0 84	$0 78
Dividends Paid Per Share	$0 24	$0 28	$0 30	$0 30	$0 30	$0 30
Year-Over-Year Growth Rates						
Operating Revenue	NA	-1 8%	-6 9%	-20 6%	0 0%	0 6%
Operating Income	NA	-11 4%	-28 9%	-29 7%	10 5%	-6 6%
EBITDA	NA	-8 4%	-23 8%	-26 9%	1 8%	-5 6%
Total Net Income	NA	-17 1%	-32 3%	-23 9%	12 3%	-7 4%
Profit Margins						
Gross Profit	26 2%	25 1%	63 2%	63 7%	62 4%	62 2%
Operating Income	15 7%	14 2%	10 8%	9 6%	10 6%	9 8%
EBITDA	18 6%	17 3%	14 2%	13 1%	13 3%	12 5%
Total Net Income	9 4%	8 0%	5 8%	5 5%	6 2%	5 7%

Company Name	HARTE-HANKS
Ticker Symbol	HHS

Annual Cash Flow Statement

In Thousands (Except Per Share Data)	For the year ended 2006/12	2007/12	2008/12	2009/12	2010/12	For the latest 12 months ended 2011/03
Net Income (Loss)	**$111,792**	**$92,640**	**$62,741**	**$47,715**	**$53,604**	**$46,761**
Depreciation	31,566	33,195	33,429	28,265	22,437	21,504
Amortization	0	0	0	0	0	0
Amortization of Intangibles	2,466	3,509	2,950	1,712	990	878
Deferred Income Taxes	6,716	8,631	13,529	6,092	8,922	12,707
Operating (Gains) Losses	0	556	0	0	0	(2,438)
Extraordinary (Gains) Losses	0	0	0	0	0	0
(Increase) Decrease in Receivables	(460)	(10,251)	31,477	29,356	(8,742)	(11,495)
(Increase) Decrease in Inventories	23	1,949	(1,474)	2,635	(2,478)	(1,575)
(Increase) Decrease in Prepaid Expenses	(4,180)	2,010	4,063	5,955	(268)	195
(Increase) Decrease in Other Current Assets	0	0	0	0	0	0
(Increase) Decrease in Payables	1,916	8,314	(21,548)	(5,796)	12,663	1,188
(Increase) Decrease in Other Curr Liabs	0	2,221	(16,034)	(14,060)	6,342	65
(Increase) Decrease in Other Working Capital	(9,529)	(4,171)	1,891	(797)	(8,571)	(3,352)
Other Non-Cash Items	6,061	4,612	5,677	12,945	10,479	11,216
Net Cash from Continuing Operations	146,371	143,215	116,701	114,022	95,378	75,654
Net Cash from Discontinued Operations	0	0	0	0	0	0
Net Cash from Operating Activities	**146,371**	**143,215**	**116,701**	**114,022**	**95,378**	**75,654**
Purchase of Property, Plant, Equipment	(33,708)	(28,217)	(19,947)	(9,011)	(17,449)	(20,591)
Sale of Property, Plant, Equipment	877	120	339	142	207	182
Acquisitions	(53,931)	0	(8,688)	0	(12,904)	(12,904)
Purchase of Long Term Investments	0	0	0	0	0	0
Sale of Long Term Investments	0	0	0	0	0	0
Purchase of Short Term Investments	0	0	0	0	0	0
Sale of Short Term Investments	0	0	0	0	0	0
Other Investing Changes Net	0	0	0	0	0	0
Cash from Disc Investing Activities	0	0	0	0	0	0
Net Cash from Investing Activities	**(86,762)**	**(28,097)**	**(28,296)**	**(8,869)**	**(30,146)**	**(33,313)**
Issuance of Debt	342,000	123,000	197,000	0	0	0
Issuance of Capital Stock	12,736	16,747	4,545	555	75	698
Repayment of Long Term Debt	(199,000)	(68,875)	(185,500)	(30,937)	(46,688)	(24,563)
Repurchase of Capital Stock	(186,003)	(183,867)	(76,649)	0	0	(8,363)
Payment of Cash Dividends	(18,902)	(20,299)	(19,101)	(19,116)	(19,141)	(19,824)
Other Financing Charges, Net	2,950	2,455	0	13	0	(27,287)
Cash from Disc Financing Activities	0	0	0	0	0	0
Net Cash from Financing Activities	**(46,219)**	**(130,839)**	**(79,705)**	**(49,485)**	**(65,754)**	**(79,339)**
Effect of Exchange Rate Changes	319	298	(1,386)	769	(80)	1,025
Cash at Beginning of Period	24,561	38,270	22,847	30,161	86,598	83,833
Net Change in Cash & Cash Equivalents	13,709	(15,423)	7,314	56,437	(602)	(35,973)
Cash at End of Period	$38,270	$22,847	$30,161	$86,598	$85,996	$47,860

Company Name	HARTE-HANKS
Ticker Symbol	HHS

Annual Ratio Analysis

	For the years ended					For the quarter ended
	2006/12	2007/12	2008/12	2009/12	2010/12	2011/03
Profitability Ratios:						
Gross Profit Margin (%)	26 2	25 1	63 2	63 7	62 4	62 1
Pre-Tax Profit Margin (%)	15 1	13 0	9 4	8 4	10 0	9 5
Net Profit Margin (%)	9 4	8 0	5 8	5 5	6 2	5 9
Management Effectiveness Ratios:						
Return on Equity (%)	22 7	22 7	17 6	11 9	12 2	11 5
Return on Invested Capital (%)	16 0	13 9	10 5	8 0	10 8	11 5
Return on Assets (%)	11.5	9.7	6 9	5 3	5 8	5 7
Efficiency Ratios:						
Inventory Turnover	109 9	124 8	59 1	50 7	53 1	45 5
Receivables Turnover	6 3	6 0	5 9	5 6	5 9	6 3
Receivables Per Day Sales	57 6	61 7	56.3	58 6	63 2	59 8
Asset Turnover	1 3	1 2	1 2	0 9	0 9	1 0
Revenue Per Dollar of Cash	$30 96	$50 90	$35 90	$9 93	$10 01	$13 64
Revenue Per Dollar of Plant (Net)	$10 16	$10 35	$11 11	$10 97	$11 84	$12 01
Revenue Per Dollar of Common Equity	$2 40	$2.85	$3 04	$2 14	$1 97	$1 94
Revenue Per Dollar of Invested Capital	$1 70	$1 74	$1 82	$1 45	$1 73	$1 94
Revenue Per Dollar of Receivables	$6 25	$5 84	$6 39	$6 14	$5 70	$6 02
Revenue Per Dollar of Inventory	$148 90	$193 59	$144 74	$177 50	$117 49	$100 16
Revenue to Assets	$1 20	$1 20	$1 20	$0 90	$0 90	$1 00
Liquidity Ratios:						
Quick Ratio	1 3	1 2	1 1	1 3	0 8	0 7
Current Ratio	1 6	1 5	1 3	1 5	1 0	0 8
Valuation Ratios:						
Price to Revenue Ratio	1 8	1 0	0 4	0 8	0 9	0 9
Price to Book Value	4 2	2 9	1 1	1 7	1 9	1 7
Price to Tangible Book Value	(27 7)	(7 5)	(1 9)	(4 1)	(5 7)	(5 5)
Price to Cash Flow Ratio	14 3	9 1	4 0	8 8	10 6	10 3
Price to Free Cash Flow Ratio	52 3	12 4	5 7	8 0	17.7	(70 0)
Close Price to Earnings Ratio	19 9	13 7	6 4	14 4	15 2	14 9
High Price to Earnings Ratio	22 3	22 8	18 3	19 3	18 9	19 8
Low Price to Earnings Ratio	16 1	12.3	4 5	6 0	11 4	12 0
Leverage Ratios:						
Long Term Debt to Equity Ratio	0 4	0 6	0 7	0 5	0 1	-
LT Debt as a % of Invested Capital	29 3	38 8	40.2	32 5	12 1	-
LT Debt as a % of Total Liabilities	43 1	47 7	43 0	38 1	12 3	-
Total Liabilities as a % of Total Assets	49 1	57 1	61 0	55 8	52 8	50 6
Coverage Ratios:						
Interest Coverage From Continuing Ops	29 3	12 6	8 2	9 8	31 6	30 7
Interest as a % of Invested Capital	0.9	1.9	2 4	1 4	0 6	0 6
Per Share Ratios:						
Current Assets Per Share	$3 72	$3 91	$3 80	$4 04	$4 22	$3 77
Total Assets Per Share	$12 89	$14 01	$14 39	$14 28	$14 57	$14 07
Long Term Debt Per Share	$2 73	$3 81	$3 78	$3 04	$0 94	$0 00
Current Liabilities Per Share	$2 28	$2 65	$2 96	$2 72	$4.42	$4 75
Cash Per Share	$0 51	$0 34	$0 48	$1 36	$1 35	$0 99
Revenue Per Share	$15 75	$17 12	$17 06	$13 53	$13 52	$13 50
Book Value Per Share	$6 56	$6 01	$5 61	$6 32	$6 88	$6 95
Tangible Book Value Per Share	($1 00)	($2 30)	($3 38)	($2 64)	($2 26)	($2 16)
Working Capital Per Share	$1 45	$1 26	$0 84	$1 31	($0 20)	($0 99)
Cash Flow Per Share	$1 94	$1.90	$1 56	$1 22	$1.21	$1 15
Free Cash Flow Per Share	$0 53	$1 39	$1 09	$1 35	$0 72	($0 17)

EXHIBIT B

DRIBBLE-OUT ANALYSIS OF RESTRICTED STOCK

(3 PAGES)

Shelton Family Foundation

Harte Hanks, Inc.

Dribble-Out Analysis of Restricted Stock

June 30, 2011

Trading Volume Information:	For the Period			
from week ending	6/2/2011	12/30/2010	6/30/2010	6/29/2009
to week ending	6/30/2011	6/30/2011	6/30/2011	6/30/2011
	Last 4 Wks	6 Months	1 Year	2 Year
Average Weekly Trading Volume	1,704,725	1,441,981	1,315,517	1,303,686

Shares Outstanding 63,776,043

1% of Shares Outstanding		4 week average
637,760	<	1,704,725

Rule 144: Greater of 1% of outstanding stock or 4 week trading average

Time Required to Dispose of Stock:

Shares for Disposition 3,062,465

Quarter Ended	Number of Shares Sold	Shares Remaining	Applied Restricted Stock Discount	Weighted Average Discount
8/2/2011	1,704,725	1,357,740	4.49%	2.5%
11/2/2011	1,357,740	0	9.01%	4.0%
Total	3,062,465		**Rounded**	**6.5%**

A weighted average discount was used to conclude the total discount applicable to the restricted shares. The restricted stock discount becomes larger as the time to sell becomes longer. The discount per block was calculated based on the total number of shares sold each quarter, and was based on Black-Scholes put option model for each quarter.

Shelton Family Foundation
Harte Hanks, Inc.
Black-Scholes Model
First Dribble Out Period

Assumptions		
Value of Underlying Stock	$	8.20500
Exercise Price	$	8.20500
Dividend Yield		3.90%
Volatility (per Year)		36.03%
Risk free rate		0.01%
Maturity Date		8/2/2011
Pricing Date		6/30/2011
Security Price Adjusted for Dividends	$	8.18
d_1		0.02170
d_2		(0.08663)
Normal Distribution d_1		0.50866
Normal Distribution d_2		0.46548
Put Price of Option		$0.368
Implied discount		4.49%

Shelton Family Foundation
Harte Hanks, Inc.
Black-Scholes Model
Second Dribble Out Period

Assumptions		
Value of Underlying Stock	$	8.20500
Exercise Price	$	8.20500
Dividend Yield		3.90%
Volatility (per Year)		36.03%
Risk free rate		0.03%
Maturity Date		11/2/2011
Pricing Date		6/30/2011
Security Price Adjusted for Dividends	$	8.10
d_1		0.04257
d_2		(0.16828)
Normal Distribution d_1		0.51698
Normal Distribution d_2		0.43318
Put Price of Option		$0.740
Implied discount		9.01%

EXHIBIT C

WEEKLY TRADING VOLUME SUMMARY
AND
ANALYSIS OF BLOCK TRADING ACTIVITY

(2 PAGES)

Shelton Family Foundation

Harte Hanks, Inc.

Weekly Trading Volume Summary

Calendar Week Ending:		Volume	Calendar Week Ending:		Volume
1	6/24/2011	1,769,900	53	6/25/2010	2,115,700
2	6/17/2011	1,418,400	54	6/18/2010	1,880,300
3	6/10/2011	1,398,400	55	6/11/2010	1,296,300
4	6/3/2011	2,232,200	56	6/4/2010	970,900
5	5/27/2011	1,231,300	57	5/28/2010	1,568,100
6	5/20/2011	1,766,600	58	5/21/2010	2,407,700
7	5/13/2011	2,126,100	59	5/14/2010	1,327,000
8	5/6/2011	3,706,300	60	5/7/2010	2,543,500
9	4/29/2011	4,939,800	61	4/30/2010	1,852,900
10	4/22/2011	911,500	62	4/23/2010	943,800
11	4/15/2011	735,100	63	4/16/2010	858,200
12	4/8/2011	1,637,900	64	4/9/2010	911,600
13	4/1/2011	1,046,500	65	4/2/2010	879,600
14	3/25/2011	1,017,700	66	3/26/2010	1,365,000
15	3/18/2011	994,600	67	3/19/2010	855,000
16	3/11/2011	736,400	68	3/12/2010	966,200
17	3/4/2011	1,109,500	69	3/5/2010	1,247,100
18	2/25/2011	813,900	70	2/26/2010	904,500
19	2/18/2011	946,500	71	2/19/2010	1,107,400
20	2/11/2011	1,214,000	72	2/12/2010	1,171,400
21	2/4/2011	1,637,800	73	2/5/2010	2,030,300
22	1/28/2011	1,078,000	74	1/29/2010	833,800
23	1/21/2011	792,000	75	1/22/2010	870,200
24	1/14/2011	786,500	76	1/15/2010	658,900
25	1/7/2011	1,073,100	77	1/8/2010	1,170,500
26	12/31/2010	371,500	78	1/1/2010	738,200
27	12/24/2010	387,400	79	12/25/2009	507,000
28	12/17/2010	920,000	80	12/18/2009	2,042,100
29	12/10/2010	666,100	81	12/11/2009	956,100
30	12/3/2010	821,500	82	12/4/2009	1,547,600
31	11/26/2010	501,600	83	11/27/2009	579,800
32	11/19/2010	841,800	84	11/20/2009	980,700
33	11/12/2010	735,000	85	11/13/2009	1,310,000
34	11/5/2010	1,102,300	86	11/6/2009	2,109,900
35	10/29/2010	1,033,700	87	10/30/2009	1,428,700
36	10/22/2010	981,400	88	10/23/2009	1,772,200
37	10/15/2010	1,732,800	89	10/16/2009	1,510,300
38	10/8/2010	990,700	90	10/9/2009	1,072,100
39	10/1/2010	1,221,700	91	10/2/2009	1,103,400
40	9/24/2010	1,917,900	92	9/25/2009	1,128,400
41	9/17/2010	983,100	93	9/18/2009	1,300,200
42	9/10/2010	1,169,500	94	9/11/2009	837,200
43	9/3/2010	1,767,700	95	9/4/2009	1,766,800
44	8/27/2010	2,248,000	96	8/28/2009	891,900
45	8/20/2010	1,590,600	97	8/21/2009	1,574,200
46	8/13/2010	1,386,900	98	8/14/2009	1,271,100
47	8/6/2010	1,296,000	99	8/7/2009	2,455,700
48	7/30/2010	1,208,100	100	7/31/2009	1,024,100
49	7/23/2010	1,467,000	101	7/24/2009	1,512,700
50	7/16/2010	1,099,300	102	7/17/2009	1,053,200
51	7/9/2010	1,072,300	103	7/10/2009	1,051,500
52	7/2/2010	1,773,000	104	7/3/2009	915,400

Average daily volume 289,900 Average daily volume 267,756

Shelton Family Foundation

Harte Hanks, Inc.

Analysis of Block Trading Activity

June 30, 2011

Date	Time	Open	High	Low	Closing Price	Block Volume	Price of Block Trade	Block Price Change from High or Low $	Block Price Change from Prior day Close	Block Price Change from 3 Days Prior
6/30/2011	16:60:41	8.02	8.40	8.01	8.12	1,763,311	$ 8.12	0.0%	1.8%	2.5%
6/24/2011	16:60:57	8.26	8.29	7.84	7.91	336,619	$ 7.91	0.0%	-4.4%	-6.5%
6/25/2010	16:60:00	11.40	11.50	11.01	11.24	296,200	$ 11.24	0.0%	-1.0%	-5.5%
6/1/2011	16:60:08	8.19	8.29	7.59	7.62	274,378	$ 7.62	0.0%	-7.1%	-9.6%
6/26/2009	16:60:00	8.62	9.23	8.49	9.16	271,900	$ 9.16	0.0%	6.1%	7.8%
12/18/2009	9:93:50	10.75	10.88	10.44	10.59	167,800	$ 10.75	0.0%	0.8%	-1.4%
6/18/2010	9:93:16	12.29	12.49	12.09	12.25	142,000	$ 12.33	0.3%	-0.3%	0.0%
5/31/2011	16:60:31	8.47	8.50	8.19	8.20	127,901	$ 8.20	0.0%	-2.7%	-2.7%
6/17/2011	9:93:27	8.26	8.30	7.95	7.95	124,322	$ 8.26	0.0%	0.7%	1.2%
9/18/2009	9:93:42	13.50	13.50	13.28	13.35	120,500	$ 13.50	0.0%	0.1%	3.8%
6/19/2009	9:93:11	9.00	9.22	8.88	9.11	114,600	$ 9.00	0.0%	1.4%	-1.2%
5/26/2010	16:60:08	13.00	13.52	12.99	13.25	112,700	$ 13.25	0.0%	1.5%	-3.6%
2/18/2010	14:45:57	11.97	12.38	11.94	12.37	100,000	$ 12.00	-3.0%	0.0%	0.4%
9/21/2010	14:45:08	10.74	11.00	10.52	10.97	100,000	$ 10.88	-0.8%	1.0%	2.4%
							Average	-0.2%	-0.1%	-0.9%
							Median	0.0%	0.4%	-0.6%

EXHIBIT D

ANALYSIS OF HIGH VOLUME DAYS

(1 PAGE)

Shelton Family Foundation
Harte Hanks, Inc.
Analysis of High Volume Days

Date	Closing Price	Volume	Price Change from Prior Day	Price Change from 3 Days Prior
6/30/2011	8.12	5,101,300	1.8%	2.5%
6/27/2008	11.30	3,146,100	0.4%	-3.9%
1/16/2008	14.37	3,009,900	3.4%	4.7%
4/28/2011	9.44	2,893,200	-20.8%	-18.7%
9/29/2008	10.09	2,217,300	-3.8%	-3.8%
1/2/2008	15.61	1,733,200	-9.8%	-8.4%
4/29/2011	9.29	1,675,200	-1.6%	-20.8%
3/24/2008	13.84	1,559,500	3.4%	3.4%
10/6/2008	9.52	1,524,000	0.2%	0.2%
6/25/2010	11.24	1,472,000	-1.0%	-5.5%
1/14/2008	13.88	1,354,100	1.1%	1.1%
1/4/2008	14.65	1,340,600	-4.5%	-15.3%
3/11/2008	14.76	1,336,500	-3.2%	-5.2%
4/18/2008	13.46	1,319,700	0.6%	0.9%
9/19/2008	11.72	1,228,100	-0.6%	0.4%
10/10/2008	7.77	1,189,500	-2.4%	-12.9%
6/24/2011	7.91	1,153,300	-4.4%	-6.5%
7/24/2008	11.46	1,045,700	-2.3%	3.5%
1/22/2008	13.60	986,700	-1.4%	-1.4%
4/17/2008	13.38	977,000	-1.3%	-2.8%
6/1/2011	7.62	970,000	-7.1%	-9.6%
5/2/2011	9.00	969,700	-3.1%	-3.1%
5/4/2011	8.86	959,400	-1.4%	-4.6%
3/12/2008	15.00	956,000	1.6%	-3.7%
6/26/2008	11.25	952,700	-6.8%	-7.9%
9/4/2008	11.93	937,000	-3.1%	-3.4%
		Average	-2.5%	-4.6%
		Median	-1.5%	-3.7%

QUALIFICATIONS OF APPRAISER

(1 PAGE)

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Mark George is Managing Director of George Valuation Advisors, a Dallas-based business valuation and financial consulting firm. For over 20 years, Mark George has been focused exclusively on the valuation of businesses, partnership interests, and intangible assets. He has completed hundreds of business appraisals in a wide variety of industries. His valuation opinions have provided the basis for gift and estate tax computations, employee stock ownership plans, acquisitions and divestitures, purchase price allocation including intangible asset valuations, derivative securities, restricted stock and litigation support.

EXPERIENCE:

Active in business valuation since 1989

- CPA licensed in the State of Texas
- Accredited in Business Valuation by the American Institute of CPAs
- Frequent speaker on valuation issues
- Managing Director, Phalon George Capital Advisors, Dallas, Texas
- Managing Director, Bernstein, Phalon & Conklin, Dallas, Texas
- Manager, Valuation Services Group, KPMG, LLP, Dallas, Texas
- Senior Staff, Valuation Services, Ernst & Young, L.L.P., Dallas, Texas
- Senior Staff, Private Business Consulting Group, Weaver & Tidwell, LLP, CPAs

EDUCATION:

- Bachelor of Business Administration — University of Texas at Pan American
- Master of Business Administration — University of Texas at Pan American

PROFESSIONAL ASSOCIATIONS:

Member of the American Institute of Certified Public Accountants
Member of the Texas Society of Certified Public Accountants
Member of the Dallas Chapter of the Texas Society of Certified Public Accountants
Member of the Dallas Estate Planning Council
Member of the Fort Worth Business & Estate Council
Dallas/Fort Worth Chapter American Society of Appraisers