NOTICE 2008-6 STATUS CHANGE

Form **990-PF**

Department of the Treasury
Internal Revenue Service

Return of Private Foundation

or Section 4947(a)(1) Trust Treated as Private Foundation

▶ Do not enter Social Security numbers on this form as it may be made public.

▶ Information about Form 990-PF and its separate instructions is at *www.irs.gov/form990pf*

OMB No 1545-0052

2013

Open to Public Inspection

For calendar year 2013 or tax year beginning , 2013, and ending , 20

Name of foundation: C A CANNON CHAR TRUST NO. 3

A Employer identification number: 58-1360259

Number and street (or P.O. box number if mail is not delivered to street address): 1525 W W.T. HARRIS BLVD. D1114-044

Room/suite:

B Telephone number (see instructions): 704-262-2347

City or town, state or province, country, and ZIP or foreign postal code: CHARLOTTE, NC 28262

C If exemption application is pending, check here ▶ ☐

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

D 1 Foreign organizations, check here ▶ ☐

2 Foreign organizations meeting the 85% test, check here and attach computation ▶ ☐

H Check type of organization: [X] Section 501(c)(3) exempt private foundation ☐ Section 4947(a)(1) nonexempt charitable trust ☐ Other taxable private foundation

E If private foundation status was terminated under section 507(b)(1)(A), check here ▶ ☐

I Fair market value of all assets at end of year *(from Part II, col. (c), line 16)* ▶ $ 19,364,282.

J Accounting method: [X] Cash ☐ Accrual ☐ Other (specify) ________ *(Part I, column (d) must be on cash basis.)*

F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here ▶ ☐

ENVELOPE POSTMARK DATE MAY 1 2 2014

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	Description	(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 (attach schedule)				
	2	Check ▶ [X] if the foundation is **not** required to attach Sch. B				
	3	Interest on savings and temporary cash investments				
	4	Dividends and interest from securities	363,781.	361,216.		STMT 1
	5a	Gross rents				
	b	Net rental income or (loss)				
	6a	Net gain or (loss) from sale of assets not on line 10	161,903.			
	b	Gross sales price for all assets on line 6a 2,211,215.				
	7	Capital gain net income (from Part IV, line 2)		161,903.		
	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 or (loss) (attach schedule)				
	11	Other income (attach schedule)				
	12	**Total.** Add lines 1 through 11	525,684.	523,119.		
Operating and Administrative Expenses	13	Compensation of officers, directors, trustees, etc	122,206.	85,108.		37,098.
	14	Other employee salaries and wages		NONE	NONE	
	15	Pension plans, employee benefits		NONE	NONE	
	16a	Legal fees (attach schedule) STMT 6	42,307.	NONE	NONE	42,307.
	b	Accounting fees (attach schedule) STMT 7	400.	NONE	NONE	400.
	c	Other professional fees (attach schedule)				
	17	Interest				
	18	Taxes (attach schedule) (see instructions) STMT 8	21,449.	13,515.		
	19	Depreciation (attach schedule) and depletion				
	20	Occupancy				
	21	Travel, conferences, and meetings	44.	NONE	NONE	44.
	22	Printing and publications	240.	NONE	NONE	240.
	23	Other expenses (attach schedule) STMT 9	9,556.	348.		9,208.
	24	**Total operating and administrative expenses.** Add lines 13 through 23	196,202.	98,971.	NONE	89,297.
	25	Contributions, gifts, grants paid	610,719.			610,719.
	26	**Total expenses and disbursements** Add lines 24 and 25	806,921.	98,971.	NONE	700,016.
	27	Subtract line 26 from line 12.				
	a	**Excess of revenue over expenses and disbursements**	-281,237.			
	b	**Net investment income** (if negative, enter -0-)		424,148.		
	c	**Adjusted net income** (if negative, enter -0-)				

SCANNED MAY 22 2014

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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	(c) Fair Market Value
Assets	1 Cash - non-interest-bearing	750.	187.	187.
	2 Savings and temporary cash investments	187,878.	414,346.	414,346.
	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 schedule) ▶			
	Less allowance for doubtful accounts ▶ NONE			
	8 Inventories for sale or use			
	9 Prepaid expenses and deferred charges			
	10 a Investments - U.S. and state government obligations (attach schedule) STMT 10		1,025,902.	1,034,783.
	b Investments - corporate stock (attach schedule) STMT 12		9,908,000.	16,714,805.
	c Investments - corporate bonds (attach schedule) STMT 14		1,087,815.	1,123,839.
	11 Investments - land, buildings, and equipment basis ▶			
	Less accumulated depreciation (attach schedule) ▶			
	12 Investments - mortgage loans			
	13 Investments - other (attach schedule) STMT 16	12,605,160.	76,721.	76,322.
	14 Land, buildings, and equipment basis ▶			
	Less accumulated depreciation (attach schedule) ▶			
	15 Other assets (describe ▶ SEE ATTACHED STATEMENT)			
	16 Total assets (to be completed by all filers - see the instructions. Also, see page 1, item I)	12,793,788.	12,512,971.	19,364,282.
Liabilities	17 Accounts payable and accrued expenses			
	18 Grants payable			
	19 Deferred revenue			
	20 Loans from officers, directors, trustees, and other disqualified persons			
	21 Mortgages and other notes payable (attach schedule)			
	22 Other liabilities (describe ▶)			
	23 Total liabilities (add lines 17 through 22)		NONE	
Net Assets or Fund Balances	Foundations that follow SFAS 117, check here ▶ ☐ and complete lines 24 through 26 and lines 30 and 31.			
	24 Unrestricted			
	25 Temporarily restricted			
	26 Permanently restricted			
	Foundations that do not follow SFAS 117, ▶ [X] check here and complete lines 27 through 31.			
	27 Capital stock, trust principal, or current funds	12,793,788.	12,512,971.	
	28 Paid-in or capital surplus, or land, bldg, and equipment fund			
	29 Retained earnings, accumulated income, endowment, or other funds			
	30 Total net assets or fund balances (see instructions)	12,793,788.	12,512,971.	
	31 Total liabilities and net assets/fund balances (see instructions)	12,793,788.	12,512,971.	

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	12,793,788.
2	Enter amount from Part I, line 27a	2	-281,237.
3	Other increases not included in line 2 (itemize) ▶ SEE STATEMENT 17	3	420.
4	Add lines 1, 2, and 3	4	12,512,971.
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	12,512,971.

Part IV Capital Gains and Losses for Tax on Investment Income

	(a) List and describe the kind(s) of property sold (e g., real estate, 2-story brick warehouse, or common stock, 200 shs. MLC Co.)	(b) How acquired P - Purchase D - Donation	(c) Date acquired (mo., day, yr.)	(d) Date sold (mo., day, yr.)
1a	PUBLICLY TRADED SECURITIES			
b				
c				
d				
e				

	(e) Gross sales price	(f) Depreciation allowed (or allowable)	(g) Cost or other basis plus expense of sale	(h) Gain or (loss) (e) plus (f) minus (g)
a	2,211,215.		2,049,312.	161,903.
b				
c				
d				
e				

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

	(i) F M V. as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col. (j), if any	(l) Gains (Col. (h) gain minus col (k), but not less than -0-) or Losses (from col. (h))
a				161,903.
b				
c				
d				
e				

2 Capital gain net income or (net capital loss) { If gain, also enter in Part I, line 7; If (loss), enter -0- in Part I, line 7 } 2 161,903.

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

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income N/A

(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 (col (b) divided by col (c))
2012			
2011			
2010			
2009			
2008			

2 **Total** of line 1, column (d) 2

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

4 Enter the net value of noncharitable-use assets for 2013 from Part X, line 5 4

5 Multiply line 4 by line 3 5

6 Enter 1% of net investment income (1% of Part I, line 27b) 6

7 Add lines 5 and 6 7

8 Enter qualifying distributions from Part XII, line 4 8

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)

1a	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 instructions)		
b	Domestic foundations that meet the section 4940(e) requirements in Part V, check here ▶ ☐ and enter 1% of Part I, line 27b	1	8,483.
c	All other domestic foundations enter 2% of line 27b. Exempt foreign organizations enter 4% of Part I, line 12, col. (b).		
2	Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-)	2	
3	Add lines 1 and 2	3	8,483.
4	Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)	4	NONE
5	**Tax based on investment income.** Subtract line 4 from line 3. If zero or less, enter -0-	5	8,483.
6	Credits/Payments		
a	2013 estimated tax payments and 2012 overpayment credited to 2013 . . . . 6a 6,502.		
b	Exempt foreign organizations - tax withheld at source . . . 6b NONE		
c	Tax paid with application for extension of time to file (Form 8868) . . . 6c NONE		
d	Backup withholding erroneously withheld . . . 6d		
7	Total credits and payments. Add lines 6a through 6d	7	6,502.
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	1,981.
10	**Overpayment.** If line 7 is more than the total of lines 5 and 8, enter the **amount overpaid** ▶	10	
11	Enter the amount of line 10 to be **Credited to 2014 estimated tax** ▶ NONE **Refunded** ▶	11	

Part VII-A Statements Regarding Activities

			Yes	No
1a	During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?	1a		X
b	Did it spend more than $100 during the year (either directly or indirectly) for political purposes (see Instructions for the definition)?	1b		X
	*If the answer is "Yes" to **1a** or **1b**, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities.*			
c	Did the foundation file **Form 1120-POL** for this year?	1c		X
d	Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year (1) On the foundation ▶ $ ________ (2) On foundation managers. ▶ $ ________			
e	Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers. ▶ $ ________			
2	Has the foundation engaged in any activities that have not previously been reported to the IRS? *If "Yes," attach a detailed description of the activities.*	2		X
3	Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? *If "Yes," attach a conformed copy of the changes*	3	X	
4a	Did the foundation have unrelated business gross income of $1,000 or more during the year?	4a		X
b	If "Yes," has it filed a tax return on **Form 990-T** for this year?	4b		
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, col (c), and Part XV*	7	X	
8a	Enter the states to which the foundation reports or with which it is registered (see instructions) ▶ NC			
b	If the answer is "Yes" to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by *General Instruction G? If "No," attach explanation.*	8b	X	
9	Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2013 or the taxable year beginning in 2013 (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)	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 ▶ WELLS FARGO BANK NA Telephone no. ▶ (704)262-2347

Located at ▶ 1525 WEST W T HARRIS BLVD, CHARLOTTE, NC ZIP+4 ▶ 28288

15 Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of **Form 1041** - Check here ▶ ☐

and enter the amount of tax-exempt interest received or accrued during the year ▶ 15

			Yes	No
16	At any time during calendar year 2013, 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
1a	During the year did the foundation (either directly or indirectly):				
	(1) Engage in the sale or exchange, or leasing of property with a disqualified person?	☐ 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)?		1b		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 2013?		1c		X
2	Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5))				
a	At the end of tax year 2013, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2013?	☐ Yes ☒ No			
	If "Yes," list the years ▶ ______, ______, ______, ______				
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.)		2b		X
c	If the provisions of section 4942(a)(2) are being applied to **any** of the years listed in 2a, list the years here. ▶ ______, ______, ______, ______				
3a	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 2013 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 2013.)*		3b		
4a	Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?		4a		X
b	Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2013?		4b		X

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required *(continued)*

		Yes	No
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		
	Organizations relying on a current notice regarding disaster assistance check here ▶ ☐		
c	If the answer is "Yes" to question 5a(4), does the foundation claim exemption from the tax because it maintained expenditure responsibility for the grant? ☐ Yes ☐ 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 *If "Yes" to 6b, file Form 8870.*		X
7a	At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction? ☐ Yes ☒ No		
b	If "Yes," did the foundation receive any proceeds or have any net income attributable to the transaction? 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 18		122,206.		

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

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

Total number of other employees paid over $50,000 ▶ NONE

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		NONE
Total number of others receiving over $50,000 for professional services ▶		NONE

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 NONE	
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 NONE	
2	
All other program-related investments. See instructions. 3 NONE	
Total. Add lines 1 through 3 ▶	

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	19,364,280.
b	Average of monthly cash balances	1b	256,647.
c	Fair market value of all other assets (see instructions)	1c	NONE
d	**Total** (add lines 1a, b, and c)	1d	19,620,927.
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation) 1e		
2	Acquisition indebtedness applicable to line 1 assets	2	NONE
3	Subtract line 2 from line 1d	3	19,620,927.
4	Cash deemed held for charitable activities. Enter 1 1/2% of line 3 (for greater amount, see instructions)	4	294,314.
5	**Net value of noncharitable-use assets.** Subtract line 4 from line 3. Enter here and on Part V, line 4	5	19,326,613.
6	**Minimum investment return.** Enter 5% of line 5	6	966,331.

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	966,331.
2a	Tax on investment income for 2013 from Part VI, line 5	2a	8,483.		
b	Income tax for 2013. (This does not include the tax from Part VI.)	2b			
c	Add lines 2a and 2b			2c	8,483.
3	Distributable amount before adjustments. Subtract line 2c from line 1			3	957,848.
4	Recoveries of amounts treated as qualifying distributions			4	NONE
5	Add lines 3 and 4			5	957,848.
6	Deduction from distributable amount (see instructions)			6	NONE
7	**Distributable amount** as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1			7	957,848.

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	700,016.
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	NONE
3	Amounts set aside for specific charitable projects that satisfy the		
a	Suitability test (prior IRS approval required)	3a	NONE
b	Cash distribution test (attach the required schedule)	3b	NONE
4	**Qualifying distributions.** Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	4	700,016.
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	700,016.

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 2012	(c) 2012	(d) 2013
1	Distributable amount for 2013 from Part XI, line 7				957,848.
2	Undistributed income, if any, as of the end of 2013.				
a	Enter amount for 2012 only			NONE	
b	Total for prior years 20 11 ,20____,20____		NONE		
3	Excess distributions carryover, if any, to 2013.				
a	From 2008 ... NONE				
b	From 2009 ... NONE				
c	From 2010 ... NONE				
d	From 2011 ... NONE				
e	From 2012 ... NONE				
f	**Total** of lines 3a through e	NONE			
4	Qualifying distributions for 2013 from Part XII, line 4: ▶ $ 700,016.				
a	Applied to 2012, but not more than line 2a			NONE	
b	Applied to undistributed income of prior years (Election required - see instructions)		NONE		
c	Treated as distributions out of corpus (Election required - see instructions)	NONE			
d	Applied to 2013 distributable amount				700,016.
e	Remaining amount distributed out of corpus	NONE			
5	Excess distributions carryover applied to 2013 *(If an amount appears in column (d), the same amount must be shown in column (a).)*	NONE			NONE
6	**Enter the net total of each column as indicated below:**				
a	Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	NONE			
b	Prior years' undistributed income. Subtract line 4b from line 2b		NONE		
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		NONE		
d	Subtract line 6c from line 6b. Taxable amount - see instructions		NONE		
e	Undistributed income for 2012. Subtract line 4a from line 2a. Taxable amount - see instructions			NONE	
f	Undistributed income for 2013. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2014				257,832.
7	Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see instructions)	NONE			
8	Excess distributions carryover from 2008 not applied on line 5 or line 7 (see instructions)	NONE			
9	**Excess distributions carryover to 2014.** Subtract lines 7 and 8 from line 6a	NONE			
10	Analysis of line 9:				
a	Excess from 2009 ... NONE				
b	Excess from 2010 ... NONE				
c	Excess from 2011 ... NONE				
d	Excess from 2012 ... NONE				
e	Excess from 2013 ... NONE				

Part XIV Private Operating Foundations (see instructions and Part VII-A, question 9) NOT APPLICABLE

1a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2013, 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) 2013	(b) 2012	(c) 2011	(d) 2010	(e) Total
2a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed					
b 85% of line 2a					
c Qualifying distributions from Part XII, line 4 for each year listed					
d Amounts included in line 2c not used directly for active conduct of exempt activities					
e Qualifying distributions made directly for active conduct of exempt activities Subtract line 2d from line 2c					
3 Complete 3a, b, or c for the alternative test relied upon					
a "Assets" alternative test - enter					
(1) Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b "Endowment" alternative test-enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed					
c "Support" alternative test - enter					
(1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942 (j)(3)(B)(iii)					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income					

Part XV Supplementary Information (Complete this part only if the 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).)

N/A

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.

N/A

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

Check here ▶ [X] 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 address of the person to whom applications should be addressed:

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

c Any submission deadlines

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

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*				
DAVIDSON COLLEGE P O BOX 7162 DAVIDSON NC 28035	NONE	PC	GENERAL	100,000.
QUEENS UNIVERSITY 1900 SELWYN AVENUE CHARLOTTE NC 28274	NONE	PC	GENERAL	100,000.
DUKE UNIVERSITY SCHOOL OF LAW P O BOX 90362 DURHAM NC 27708	NONE	PC	GENERAL	244,288.
CMC-NORTHEAST MEDICAL CENTER 920 CHURCH STREET NORTH CONCORD NC 28025	NONE	PC	SUPPORT	66,431.
CONVERSE COLLEGE 580 EAST MAIN ST Spartanburg SC 29302	NONE	PC	SUPPORT	100,000.
Total . . . . . . ▶ **3a**				610,719.
b *Approved for future payment*				
Total . . . . . . ▶ **3b**				

Part XVI-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated.	Unrelated business income (a) Business code	(b) Amount	Excluded by section 512, 513, or 514 (c) Exclusion code	(d) Amount	(e) Related or exempt function income (See instructions.)
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					
4 Dividends and interest from securities			14	363,781.	
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	161,903.	
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)				525,684.	

13 **Total.** Add line 12, columns (b), (d), and (e) . . . . . . 13 525,684.

(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.)
	NOT APPLICABLE

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

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

d If the answer to any of the above is "Yes," complete the following schedule. Column **(b)** should always show the fair market value of the goods, other assets, or services given by the reporting foundation. If the foundation received less than fair market value in any transaction or sharing arrangement, show in column **(d)** the value of the goods, other assets, or services received.

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

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

b If "Yes," complete the following schedule.

(a) Name of organization	(b) Type of organization	(c) Description of relationship

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

S.V.P.

Wells Fargo Bank, N.A. | 05/06/2014 | Co -Trustee

Signature of officer or trustee | Date | Title

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
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no	

FORM 990PF, PART I - DIVIDENDS AND INTEREST FROM SECURITIES

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME
AT&T INC 5.600% 5/15/18	1,960.	1,960.
ACE INA HOLDING 5.700% 2/15/17	399.	399.
ACE INA HOLDINGS 5.600% 5/15/15	280.	280.
AMERICA MOVIL S A DE C V SPONSORED ADR R	1,752.	1,752.
AMERICAN EXPRESS CO COM	3,010.	3,010.
AMER EXPRESS CREDIT 7.300% 8/20/13	1,825.	1,825.
AMERICAN EXPRESS CRE 2.800% 9/19/16	51.	51.
AMERICAN TOWER CORP	4,420.	4,420.
AMGEN INC 4.850% 11/18/14	970.	970.
AMGEN INC 4.100% 6/15/21	615.	615.
APACHE CORP COM RTS EXP 01/31/2006	1,540.	1,540.
APPLE COMPUTER INC COM	7,670.	7,670.
ASSURANT INC 2.500% 3/15/18	136.	136.
BHP BILLITON FIN USA 6.500% 4/01/19	325.	325.
BHP BILLITON FIN USA 3.250% 11/21/21	813.	813.
BANK OF AMERICA CORP 7.375% 5/15/14	1,844.	1,844.
BANK OF NEW YORK MEL 4.300% 5/15/14	1,290.	1,290.
BANK OF NOVA SCOTIA 3.400% 1/22/15	1,020.	1,020.
BARCLAYS BANK PLC 5.000% 9/22/16	1,750.	1,750.
VR BEAR STEARNS CO 5.87298% 9/11/38	745.	745.
BEAR STEARNS MTG SECS INC MTG PASS THRU	1.	1.
BURLINGTN NORTH SANT 4.700% 10/01/19	940.	940.
VR CD 2005-C1 COMM 0.0707% 7/15/44	8.	8.
CME GROUP INC	2,700.	2,700.
CVS CORP COM	6,300.	6,300.
CVS CAREMARK CORP 5.750% 6/01/17	460.	460.
CATERPILLAR FINANCIA 7.150% 2/15/19	715.	715.
CHICAGO BRIDGE & IRON NY SHS	780.	780.
CITIGROUP INC 5.500% 4/11/13	2,869.	2,869.
CITIGROUP INC 1.250% 1/15/16	108.	108.
COCA-COLA CO/THE 1.800% 9/01/16	180.	180.
COLUMBUS SOUTHERN PO 6.050% 5/01/18	605.	605.

FORM 990PF, PART I - DIVIDENDS AND INTEREST FROM SECURITIES

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME
COMCAST CORP NEW CL A	8,223.	8,223.
COMCAST CORP 5.150% 3/01/20	773.	773.
CONOCOPHILLIPS COM	14,472.	14,472.
CONSOLIDATED EDISON 5.300% 12/01/16	533.	530.
DEVON ENERGY CORP NEW COM	1,764.	1,764.
DIAGEO PLC SPONSORED ADR NEW	7,496.	7,496.
DIAGEO PLC 7.375% 1/15/14	1,106.	1,106.
DIRECTV HLDG/FIN INC 3.500% 3/01/16	875.	875.
WALT DISNEY COMPANY 4.500% 12/15/13	894.	894.
WALT DISNEY COMPANY/ 1.100% 12/01/17	33.	33.
DISCOVERY COMMUNICAT 5.050% 6/01/20	1,010.	1,010.
DODGE & COX INT'L STOCK FD # 1048	36,825.	36,825.
DOMINION RESOURCES 6.400% 6/15/18	1,280.	1,280.
DOW CHEMICAL CO/THE 4.250% 11/15/20	850.	850.
DR PEPPER SNAPPLE GR 2.900% 1/15/16	290.	290.
ENCANA CORP COM	1,000.	1,000.
EXPRESS SCRIPTS HOLD 3.900% 2/15/22	525.	525.
EXXON MOBIL CORP COM	8,610.	8,610.
FHLMC POOL #J15186 4.000% 4/01/26	1,039.	1,039.
FHLMC POOL #E02909 5.000% 6/01/26	960.	960.
FED HOME LN BK 4.750% 12/16/16	2,850.	2,850.
FED NATL MTG ASSN STRIP 5/15/14	2,561.	
FED NATL MTG ASSN 0.875% 8/28/14	135.	135.
FNMA POOL #255529 4.500% 11/01/14	45.	45.
FED HOME LN MTG CORP 3.750% 3/27/19	750.	750.
FED HOME LN MTG CORP 1.000% 8/27/14	296.	296.
FED HOME LN MTG CORP 2.375% 1/13/22	1,216.	1,216.
FNMA POOL #461030 4.060% 6/01/13	305.	305.
FNMA POOL #AO5472 3.500% 7/01/42	1,426.	1,426.
FNMA POOL #649215 6.500% 7/01/32	102.	102.
FED NATL MTG ASSN 5.375% 6/12/17	1,075.	1,075.
FED NATL MTG ASSN 1.500% 6/26/13	21.	21.
FNMA POOL #890379 5.000% 12/01/20	697.	697.

FORM 990PF, PART I - DIVIDENDS AND INTEREST FROM SECURITIES

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME
FEDEX CORP COM	880.	880.
FORD CREDIT FLOORPLA 1.920% 1/15/19	576.	576.
VR GS MORTGAGE SEC 1.94743% 3/06/20	798.	798.
GENERAL ELEC CO COM	11,400.	11,400.
GENERAL ELECTRIC COM 5.000% 2/01/13	500.	500.
GENERAL ELEC CAP COR 5.625% 5/01/18	563.	563.
GENERAL ELEC CAP COR 1.600% 11/20/17	252.	252.
GEORGIA POWER COMPAN 5.400% 6/01/18	1,080.	1,080.
GOLDMAN SACHS GROUP 6.000% 5/01/14	650.	650.
GOLDMAN SACHS GROUP 5.625% 1/15/17	744.	744.
GOLDMAN SACHS GROUP 2.375% 1/22/18	259.	259.
GULF POWER CO 5.300% 12/01/16	795.	795.
HSBC FINANCE CORP 5.500% 1/19/16	1,555.	1,555.
HONEYWELL INTERNATIO 5.000% 2/15/19	1,250.	1,250.
ILLINOIS ST 5.877% 3/01/19	1,763.	1,763.
JP MORGAN CHASE & CO COM	13,600.	13,600.
JPMORGAN CHASE & CO 6.300% 4/23/19	1,890.	1,890.
JP MORGAN CHASE COMM 4.302% 1/15/38	12.	12.
J P MORGAN CHASE CO 5.198% 12/15/44	251.	251.
JACKSONVILLE FL SPL 1.414% 10/01/17	396.	396.
JOHNSON & JOHNSON COM	10,360.	10,360.
KROGER CO. 6.400% 8/15/17	320.	320.
LAZARD EMERGING MKTS PTFL #638	16,034.	16,034.
GCB LLOYDS TSB BK PLC D01/21/11 04.8	1,706.	1,706.
LOEWS CORP COM	1,250.	1,250.
LORILLARD TOBACCO CO 2.300% 8/21/17	249.	249.
METLIFE INC COM	5,555.	5,555.
METLIFE INC 5.000% 6/15/15	500.	500.
MICROSOFT CORP COM	10,670.	10,670.
MORGAN STANLEY 5.300% 3/01/13	964.	964.
MORGAN STANLEY 3.800% 4/29/16	367.	367.
NATIONAL OILWELL INC COM	1,170.	1,170.
NESTLE S A SPONSORED ADR REPSTG REG SH	8,438.	8,438.

FORM 990PF, PART I - DIVIDENDS AND INTEREST FROM SECURITIES

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME
NEVADA POWER CO 6.500% 8/01/18	650.	650.
NEWS CORP	799.	799.
VR NOMURA ASSET AC 4.855% 2/25/35	195.	195.
NORFOLK SOUTHERN COR 5.750% 4/01/18	288.	288.
NOVARTIS AG SPONSORED ADR	11,404.	11,404.
OCCIDENTAL PETE CORP COM	7,680.	7,680.
PEPSICO INC COM	7,514.	7,514.
POTASH CORP SASKATCH 4.875% 3/01/13	244.	244.
PRAXAIR INC 5.250% 11/15/14	1,149.	1,149.
QUALCOMM INC COM W/RTS ATTACHED	7,800.	7,800.
QUEBEC PROV CDA 4.600% 5/26/15	1,380.	1,380.
REPUBLIC SVCS INC COM	6,369.	6,369.
ROYAL BANK OF CANADA 2.875% 4/19/16	863.	863.
SAFEWAY INC 6.350% 8/15/17	766.	766.
CHARLES SCHWAB CORP 4.450% 7/22/20	1,113.	1,113.
STAPLES INC 9.750% 1/15/14	253.	253.
TD AMERITRADE HOLDIN 5.600% 12/01/19	1,120.	1,120.
TELECOM ITALIA CAP 5.250% 11/15/13	852.	852.
TELECOM IT CAP 5.250% 10/01/15	474.	474.
TEXAS INSTRUMENTS IN 2.250% 5/01/23	216.	216.
THERMO ELECTRON CORP COM W/RTS ATTACHED	3,000.	3,000.
3M CO COM	2,667.	2,667.
TIME WARNER CABLE IN 6.750% 7/01/18	1,351.	1,350.
TRANS-CANADA PIPELIN 7.125% 1/15/19	356.	356.
TWENTY-FIRST CENTURY FOX INC	1,175.	1,175.
UNION PAC CORP COM	5,148.	5,148.
US TREASURY NOTE 4.750% 8/15/17	1,378.	1,378.
US TREASURY NOTE 3.125% 5/15/19	3,281.	3,281.
US TREASURY NOTE 3.250% 5/31/16	1,144.	1,144.
US TREASURY NOTE 2.500% 4/30/15	586.	586.
US TREASURY NOTE 2.625% 8/15/20	271.	271.
US TREASURY NOTE 1.250% 10/31/15	44.	44.
US TREASURY NOTE 3.625% 2/15/21	1,269.	1,269.

FORM 990PF, PART I - DIVIDENDS AND INTEREST FROM SECURITIES

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME
US TREASURY NOTE 2.125% 8/15/21	638.	638.
US TREASURY NOTE 2.000% 11/15/21	200.	200.
US TREASURY NOTE 2.000% 2/15/22	812.	812.
US TREASURY NOTE 1.625% 11/15/22	383.	383.
US TREASURY NOTE 2.000% 2/15/23	195.	195.
US TREASURY NOTE 1.750% 5/15/23	154.	154.
VIACOM INC 3.500% 4/01/17	700.	700.
VISA INC-CLASS A SHRS	3,336.	3,336.
VODAFONE GROUP PLC SPONSORED ADR	14,226.	14,226.
WAL MART STORES INC COM	4,230.	4,230.
WALGREEN CO 3.100% 9/15/22	162.	162.
WELLS FARGO & CO NEW COM W/RIGHTS ATTACH	12,018.	12,018.
WESTPAC BANKING CORP 4.875% 11/19/19	1,463.	1,463.
WORLD FINANCIAL NETW 3.960% 4/15/19	1,129.	1,129.
WORLD FINANCIAL NETW 1.610% 12/15/21	32.	32.
YAMANA GOLD INC	1,040.	1,040.
YUM! BRANDS INC COM	4,125.	4,125.
MARVELL TECHNOLOGY GRP LTD SHS	1,200.	1,200.
FEDERATED TREAS OBL FD 68	24.	24.
TOTAL	363,781.	361,216.

FORM 990PF, PART I - LEGAL FEES

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME	ADJUSTED NET INCOME	CHARITABLE PURPOSES
LEGAL FEES - INCOME (ALLOCABLE	42,307.			42,307.
TOTALS	42,307.	NONE	NONE	42,307.

FORM 990PF, PART I - ACCOUNTING FEES

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME	ADJUSTED NET INCOME	CHARITABLE PURPOSES
TAX PREPARATION FEE (NON-ALLOC	400.			400.
TOTALS	400.	NONE	NONE	400.

FORM 990PF, PART I - TAXES

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME
FOREIGN TAXES	7,572.	7,572.
FEDERAL ESTIMATES - PRINCIPAL	7,934.	
FOREIGN TAXES ON QUALIFIED FOR	5,943.	5,943.
TOTALS	21,449.	13,515.

FORM 990PF, PART I - OTHER EXPENSES

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME	CHARITABLE PURPOSES
ADR FEES	348.	348.	
CANNON FDN SHARED EXPENSE	9,208.		9,208.
TOTALS	9,556.	348.	9,208.

FORM 990PF, PART II - U.S. AND STATE OBLIGATIONS

DESCRIPTION	ENDING BOOK VALUE	ENDING FMV
3128PUXP2 FHLMC POOL #J15186	22,122.	22,226.
31294MGS4 FHLMC POOL #E02909	17,979.	17,816.
3133XHZK1 FED HOME LN BK	65,254.	67,012.
31358C7F7 FED NATL MTG ASSN ST	70,871.	79,943.
3135G0BY8 FED NATL MTG ASSN	20,215.	20,094.
3135G0MZ3 FED NATL MTG ASSN	14,925.	14,810.
3135G0YM9 FED NATL MTG ASSN	75,805.	75,494.
31371LY29 FNMA POOL #255529	471.	509.
3137EACA5 FED HOME LN MTG CORP	19,703.	21,799.
3137EACV9 FED HOME LN MTG CORP	15,170.	15,087.
3137EADB2 FED HOME LN MTG CORP	25,932.	23,899.
3138LWCJ8 FNMA POOL #AO5472	43,095.	40,033.
31390LGY6 FNMA POOL #649215	1,078.	1,154.
31398ADM1 FED NATL MTG ASSN	22,463.	22,870.
31410LFU1 FNMA POOL #890379	12,078.	11,927.
452152HU8 ILLINOIS ST	33,635.	32,652.
469487GQ9 JACKSONVILLE FL SPL	35,000.	33,954.
912828HA1 US TREASURY NOTE	31,176.	32,763.
912828KQ2 US TREASURY NOTE	102,586.	111,891.
912828KW9 US TREASURY NOTE	64,238.	63,895.
912828MZ0 US TREASURY NOTE	41,853.	41,208.
912828NT3 US TREASURY NOTE	9,921.	10,203.
912828PE4 US TREASURY NOTE	86,398.	86,408.
912828PX2 US TREASURY NOTE	36,329.	37,770.
912828RC6 US TREASURY NOTE	29,381.	29,063.
912828RR3 US TREASURY NOTE	10,073.	9,545.
912828SF8 US TREASURY NOTE	40,039.	37,959.
912828TY6 US TREASURY NOTE	25,083.	22,567.
912828UN8 US TREASURY NOTE	25,213.	23,192.

C A CANNON CHAR TRUST NO. 3 58-1360259

FORM 990PF, PART II - U.S. AND STATE OBLIGATIONS

DESCRIPTION	ENDING BOOK VALUE	ENDING FMV
912828VB3 US TREASURY NOTE	27,816.	27,040.
TOTALS	1,025,902.	1,034,783.

FORM 990PF, PART II - CORPORATE STOCK

DESCRIPTION	ENDING BOOK VALUE	ENDING FMV
025816109 AMERICAN EXPRESS CO	96,668.	317,555.
03027X100 AMERICAN TOWER CORP	182,950.	359,190.
037411105 APACHE CORP	208,223.	171,880.
037833100 APPLE INC	248,981.	364,663.
084670108 BERKSHIRE HATHAWAY I	401,060.	711,600.
126650100 CVS/CAREMARK CORPORA	242,427.	500,990.
167250109 CHICAGO BRIDGE & IRO	236,864.	365,816.
20030N101 COMCAST CORP CLASS A	169,170.	571,615.
20825C104 CONOCOPHILLIPS	130,186.	378,684.
25243Q205 DIAGEO PLC - ADR	157,850.	331,050.
25490A309 THE DIRECTV GROUP HO	224,260.	345,300.
256206103 DODGE & COX INT'L ST	1,498,886.	2,082,150.
30219G108 EXPRESS SCRIPTS HOLD	276,213.	358,224.
30231G102 EXXON MOBIL CORPORAT	141,416.	354,200.
31428X106 FEDEX CORPORATION	101,300.	287,540.
369604103 GENERAL ELECTRIC CO	218,677.	420,450.
38259P508 GOOGLE INC	269,488.	560,355.
42805T105 HERTZ GLOBAL HOLDING	290,924.	329,130.
46625H100 JPMORGAN CHASE & CO	254,876.	584,800.
478160104 JOHNSON & JOHNSON	248,855.	366,360.
52106N889 LAZARD EMERGING MKTS	655,000.	694,026.
540424108 LOEWS CORP	192,172.	241,200.
59156R108 METLIFE INC	175,724.	296,560.
594918104 MICROSOFT CORP	262,601.	411,510.
637071101 NATIONAL OILWELL INC	101,145.	119,295.
641069406 NESTLE S.A. REGISTER	165,378.	287,001.
65249B208 NEWS CORP/NEW	17,189.	41,901.
66987V109 NOVARTIS AG - ADR	187,447.	313,482.
674599105 OCCIDENTAL PETE CORP	306,672.	380,400.

FORM 990PF, PART II - CORPORATE STOCK

DESCRIPTION	ENDING BOOK VALUE	ENDING FMV
713448108 PEPSICO INC	211,950.	281,996.
747525103 QUALCOMM INC	217,958.	445,500.
760759100 REPUBLIC SERVICES IN	198,019.	219,120.
883556102 THERMO FISHER SCIENT	284,024.	556,750.
90130A200 TWENTY-FIRST CENTURY	132,280.	325,240.
907818108 UNION PACIFIC CORP	115,917.	302,400.
91911K102 VALEANT PHARMACEUTIC	182,996.	211,320.
92826C839 VISA INC-CLASS A SHR	169,109.	534,432.
92857W209 VODAFONE GROUP PLC N	228,044.	353,790.
931142103 WAL MART STORES INC	146,773.	236,070.
949746101 WELLS FARGO & CO	255,180.	474,430.
988498101 YUM BRANDS INC	103,148.	226,830.
TOTALS	9,908,000.	16,714,805.

FORM 990PF, PART II - CORPORATE BONDS

DESCRIPTION	ENDING BOOK VALUE	ENDING FMV
00206RAM4 AT&T INC	34,842.	39,746.
00440EAJ6 ACE INA HOLDING	6,995.	7,849.
00440EAL1 ACE INA HOLDINGS	4,985.	5,333.
0258M0DC0 AMERICAN EXPRESS CRE	26,144.	26,122.
031162AJ9 AMGEN INC	21,946.	20,743.
031162BG4 AMGEN INC	15,866.	15,631.
04621XAE8 ASSURANT INC	19,988.	19,541.
055451AH1 BHP BILLITON FIN USA	4,984.	5,994.
055451AL2 BHP BILLITON FIN USA	26,220.	24,852.
06051GDY2 BANK OF AMERICA CORP	24,861.	25,622.
06406HBL2 BANK OF NEW YORK MEL	32,050.	30,434.
064149A64 BANK OF NOVA SCOTIA	31,686.	30,950.
06739FGF2 BARCLAYS BANK PLC	37,568.	38,533.
12189TBC7 BURLINGTN NORTH SANT	19,965.	21,940.
126650BH2 CVS CAREMARK CORP	8,585.	9,073.
14912L4E8 CATERPILLAR FINANCIA	10,015.	12,292.
172967GG0 CITIGROUP INC	35,157.	35,116.
191216AU4 COCA-COLA CO/THE	10,143.	10,240.
199575AW1 COLUMBUS SOUTHERN PO	9,977.	11,431.
20030NBA8 COMCAST CORP	14,985.	16,734.
205887BQ4 CONAGRA FOODS INC	9,950.	9,817.
209111EP4 CONSOLIDATED EDISON	9,989.	11,186.
25243YAN9 DIAGEO PLC	15,082.	15,036.
25459HAY1 DIRECTV HLDG/FIN INC	25,852.	26,242.
25468PCV6 WALT DISNEY COMPANY/	19,736.	19,708.
25470DAC3 DISCOVERY COMMUNICAT	20,118.	21,831.
25746UBE8 DOMINION RESOURCES	20,027.	23,324.
260543CC5 DOW CHEMICAL CO/THE	21,557.	21,303.
26138EAM1 DR PEPPER SNAPPLE GR	10,064.	10,379.

FORM 990PF, PART II - CORPORATE BONDS

DESCRIPTION	ENDING BOOK VALUE	ENDING FMV
30219GAF5 EXPRESS SCRIPTS HOLD	26,621.	25,024.
36962G3U6 GENERAL ELEC CAP COR	8,893.	11,484.
36962G6K5 GENERAL ELEC CAP COR	20,038.	19,868.
373334JK8 GEORGIA POWER COMPAN	19,924.	22,554.
38141GRC0 GOLDMAN SACHS GROUP	30,424.	30,114.
402479BX6 GULF POWER CO	14,997.	16,566.
40429CFN7 HSBC FINANCE CORP	33,007.	32,525.
438516AZ9 HONEYWELL INTERNATIO	28,917.	28,091.
46625HHL7 JPMORGAN CHASE & CO	31,090.	35,408.
501044CG4 KROGER CO.	5,187.	5,729.
539473AG3 GCB LLOYDS TSB BK PL	36,506.	37,332.
544152AF8 LORILLARD TOBACCO CO	25,198.	25,055.
59156RAN8 METLIFE INC	9,985.	10,614.
61747YDD4 MORGAN STANLEY	15,936.	15,867.
641423BW7 NEVADA POWER CO	9,986.	11,841.
655844AZ1 NORFOLK SOUTHERN COR	4,942.	5,697.
748148RQ8 QUEBEC PROV CDA	31,519.	31,763.
78008K5V1 ROYAL BANK OF CANADA	31,876.	31,269.
808513AD7 CHARLES SCHWAB CORP	26,361.	27,025.
87236YAA6 TD AMERITRADE HOLDIN	19,972.	23,086.
882508AW4 TEXAS INSTRUMENTS IN	19,648.	17,648.
88732JAL2 TIME WARNER CABLE IN	20,038.	22,429.
8935268Y2 TRANS-CANADA PIPELIN	4,999.	6,044.
92553PAG7 VIACOM INC	19,828.	21,140.
931422AH2 WALGREEN CO	10,048.	9,375.
961214BK8 WESTPAC BANKING CORP	32,538.	33,289.
TOTALS	1,087,815.	1,123,839.

FORM 990PF, PART II - OTHER INVESTMENTS

DESCRIPTION	COST/ FMV C OR F	ENDING BOOK VALUE	ENDING FMV
07387JAD8 VR BEAR STEARNS CO 5	C	6,534.	6,506.
073914C27 BEAR STEARNS MTG	C	35.	17.
34528QBP8 FORD CREDIT FLOORPLA	C	30,450.	30,553.
981464DS6 WORLD FINANCIAL NETW	C	39,702.	39,246.
TOTALS		76,721.	76,322.

FORM 990PF, PART III - OTHER INCREASES IN NET WORTH OR FUND BALANCES

DESCRIPTION	AMOUNT
MUTUAL FUNDS POST CURRENT TYE EFFECTIVE PRIOR TYE	2.
MUTUAL FUNDS POST NEXT TYE EFFECTIVE CURRENT TYE	2.
RETURN OF CAPITAL	387.
COST /FMV DIFFERENCE/ROUNDING	29.
TOTAL	420.

FORM 990PF, PART VIII - LIST OF OFFICERS, DIRECTORS, AND TRUSTEES

OFFICER NAME:
Wells Fargo Bank NA
ADDRESS:
1525 West WT Harris Blvd D1114-044
Charlotte, NC 28288
TITLE:
Co Trustee
AVERAGE HOURS PER WEEK DEVOTED TO POSITION: 40
COMPENSATION .... 78,562.

OFFICER NAME:
Robert C. Hayes
ADDRESS:
868 N Church St
Concord, NC 28025
TITLE:
Co-Trustee
AVERAGE HOURS PER WEEK DEVOTED TO POSITION: 2
COMPENSATION .... 14,377.

OFFICER NAME:
William C Cannon Jr.
ADDRESS:
868 N Church St
Concord, NC 28025
TITLE:
Co-Trustee
AVERAGE HOURS PER WEEK DEVOTED TO POSITION: 2
COMPENSATION .... 14,377.

OFFICER NAME:
Joseph C. Hunter
ADDRESS:
868 N Church St
Concord, NC 28025
TITLE:
Co-Trustee
AVERAGE HOURS PER WEEK DEVOTED TO POSITION: 2
COMPENSATION .... 7,445.

FORM 990PF, PART VIII - LIST OF OFFICERS, DIRECTORS, AND TRUSTEES

OFFICER NAME:
Edwin Outen
ADDRESS:
868 N Church St
Concord, NC 28025
TITLE:
Co-Trustee
AVERAGE HOURS PER WEEK DEVOTED TO POSITION: 2
COMPENSATION .... 7,445.

TOTAL COMPENSATION: 122,206.

NORTH CAROLINA

CABARRUS COUNTY

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
13 CVS 2391

FILED IN COURTROOM
CABARRUS COUNTY
DATE: 10-9-13 10:14 Am
BY: [signature]
Assist/Deputy Clerk

ROBERT CANNON HAYES, EDWIN S. OUTEN, JOSEPH C. HUNTER, WILLIAM C. CANNON, JR. and WELLS FARGO BANK, N.A., as Trustees of The Charles A. Cannon Charitable Trust No. Three dated April 5, 1979;

Petitioners,

v.

DUKE UNIVERSITY; THE TRUSTEES OF DAVIDSON COLLEGE; QUEENS UNIVERSITY OF CHARLOTTE; CONVERSE COLLEGE; CATAWBA COLLEGE; LEES-McRAE COLLEGE, INCORPORATED; THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY, and LENOIR-RHYNE UNIVERSITY;

Respondents.

ORDER MODIFYING CHARLES A. CANNON CHARITABLE TRUST NO. 3

THIS CAUSE coming on to be heard and being heard before the undersigned Judge presiding over the October 7, 2013 session of the General Court of Justice, Superior Court Division of Cabarrus County, North Carolina, on Petitioners' Petition for Modification of Charitable Trust, and the Court having reviewed the pleadings and the attached exhibits, and having heard the arguments of counsel, hereby makes the following:

FINDINGS OF FACT

1. The Petitioners are the Trustees of The Charles A. Cannon Charitable Trust No. Three dated April 5, 1979 (the "Trust") which was created under the Charles A. Cannon Charitable Trust No. Three dated April 5, 1979 (the "Trust Agreement").

2. Robert Cannon Hayes is a resident and citizen of Concord, Cabarrus County, North Carolina.

3. Edwin S. Outen is a resident and citizen of Charlotte, Mecklenburg County, North Carolina.

4. Joseph C. Hunter is a resident and citizen of Concord, Cabarrus County, North Carolina.

5. William C. Cannon, Jr. is a resident and citizen of Concord, Cabarrus County, North Carolina.

6. Wells Fargo Bank, N.A. ("Wells Fargo") is a national banking association organized and existing under the laws of the United States with a place of business in Concord, Cabarrus County, North Carolina.

7. Duke University is an educational and charitable institution located in Durham, North Carolina. Duke University School of Law, operated as part of Duke University, is a current beneficiary of the Trust.

8. Davidson College is an educational and charitable institution located in Davidson, North Carolina, governed by The Trustees of Davidson College. Davidson College is a potential beneficiary of the Trust.

9. Queens University of Charlotte, formerly known as Queens College, is an educational and charitable institution located in Charlotte, North Carolina. Queens University of Charlotte is a potential beneficiary of the Trust.

10. Converse College is an educational and charitable institution located in Spartanburg, South Carolina. Converse College is a potential beneficiary of the Trust.

11. Catawba College is an educational and charitable institution located in Salisbury, North Carolina. Catawba College is a potential beneficiary of the Trust.

12. Lees-McRae College, Incorporated, also know as Lees-McRae College, is an educational and charitable institution located in Banner Elk, North Carolina. Lees-McRae College, Incorporated is a potential beneficiary of the Trust.

13. The Charlotte-Mecklenburg Hospital Authority, successor by merger to Cabarrus Memorial Hospital, is a health care organization located in Charlotte, North Carolina. On behalf of Cabarrus Memorial Hospital, the Charlotte-Mecklenburg Hospital Authority is a potential beneficiary of the Trust.

14. Lenoir-Rhyne University, formerly known as Lenoir Rhyne College, is an educational and charitable institution located in Hickory, North Carolina. Lenoir-Rhyne University and Lutheran Theological Southern Seminary are potential beneficiaries of the Trust. Lenoir-Rhyne University and Lutheran Theological Southern Seminary merged effective July 1, 2012, and Lenoir-Rhyne University is the surviving entity of the merger.

15. The North Carolina Attorney General, who is the representative of the public interest and the interests of all charitable beneficiaries, has been notified of this action in accordance with the requirements of N.C. Gen. Stat. section 36C-2-205(i) and, therefore, has been given an opportunity to be heard. In accordance with that right, the Assistant Attorney General, on behalf

of the North Carolina Attorney General, has indicated that the Attorney General does not wish to be heard regarding this matter.

16. The Trust was created under an irrevocable trust agreement executed by Otto G. Stolz, as Donor, and George A. Batte, Jr., J. Harris Cannon, James L. Rankin, Otto G. Stolz and Cabarrus Bank and Trust Company, as the original Trustees, on April 5, 1979 (the "Trust Agreement"), for the benefit of Duke University School of Law (operated as a part of Duke University), Davidson College (legally operating as The Trustees of Davidson College), Queens College (now known as Queens University of Charlotte), Converse College, Catawba College, Lees-McRae College (also known as Lees-McRae College, Incorporated), Lutheran Theological Southern Seminary (merged into Lenoir-Rhyne University), Cabarrus Memorial Hospital (merged into CMC-Northeast, INC. which merged into The Charlotte-Mecklenburg Hospital Authority) and Lenoir Rhyne College (now known as Lenoir-Rhyne University) (the "Charitable Beneficiaries"). While Mr. Stoltz signed the Trust Agreement as Donor, the Trust was created at the behest of, and with assets donated by, The Cannon Foundation, Inc. Therefore, the Cannon Foundation, Inc. is appropriately identified as settlor of the Trust.

17. The relevant portion of ITEM III of the Trust Agreement which describes the dispositive provisions of the Trust states the following:

> "(1) The Trustees shall distribute forty percent (40%) of the income of the Trust semi-annually or more frequently to the Duke University School of Law (hereinafter referred to as the "Law School") solely for the purpose of supplementing the salary of one or more professors of the Law School selected from time to time by the then acting Dean of the Law School after consultation with the Board of Visitors of the Law School. The research professorship shall be known as the 'Eugene T. Bost Research Professorship.'
>
> (2) All or substantially all of the remaining income of the Trust, but in no event less than seventy-five percent (75%) of the remaining income of the Trust,

shall be distributed semi-annually or more frequently for charitable, religious and educational purposes, exclusively for the benefit of, to perform the functions of, or to carry out the functions of one or more of the following organizations:

Duke University School of Law, Durham, North Carolina
Davidson College, Davidson, North Carolina
Queens College, Charlotte, North Carolina
Converse College, Spartanburg, South Carolina
Catawba College, Salisbury, North Carolina
Lees-McRae College, Banner Elk, North Carolina
Lutheran Theological Southern Seminary, Columbia, South Carolina
Cabarrus Memorial Hospital, Concord, North Carolina
Lenoir Rhyne College, Hickory, North Carolina

(3) The selection of the organization or organizations to receive such remaining income as provided in subparagraph (2) above, and the amount of the income, if any, to be received by such organizations shall be determined by the Trustees in their discretion, and their decision shall be conclusive and binding. Any income not paid out or used currently shall be accumulated and added to trust principal."

18. The current corporate Trustee of the Trust is Wells Fargo, and the current individual Trustees are Robert Cannon Hayes, Edwin S. Outen, Joseph C. Hunter and William C. Cannon, Jr. (collectively, the "Trustees").

19. The Trust Agreement provides that the Trust shall be tax exempt under Section 501(c)(3) of the Code, and classified as a supporting organization as described in Section 509(a)(3) of the Code ("supporting organization"). The Trust was classified as a supporting organization pursuant to a determination letter issued by the Internal Revenue Service (the "Service") on May 25, 1979. The Trust was further classified as a Type III supporting organization in a second determination letter issued by the Service on August 29, 2008.

20. The Trust is categorized as a Type III non-functionally integrated ("NFI") supporting organization. As a Type III NFI supporting organization, the Trust must satisfy several tests adopted by the Service, as modified by Final and Temporary Regulations issued by the

Department of Treasury which took effect on December 28, 2012 (the "New Regulations"). It is impracticable if not impossible for the Trust to comply with the New Regulations.

21. In order for a Charitable Beneficiary to qualify as a supported organization, the Trust must make distributions to the Charitable Beneficiary and the Charitable Beneficiary must be dependent on the distributions from the Trust to the extent defined in the New Regulations. Duke University School of Law is the only mandatory beneficiary of the Trust, and it receives distributions from the Trust annually. The remaining Charitable Beneficiaries comprise a class of permissible beneficiaries to which the Trustees may make distributions in the Trustees' discretion. Under the terms of the Trust Agreement, it is possible for these remaining Charitable Beneficiaries to receive a distribution from the Trust in one year, and not the next. The New Regulations do not provide adequate guidance as to how the Trust, a Type III NFI supporting organization with a class of discretionary rather than mandatory supported organizations, can comply with the New Regulations, leaving the Trustees in an untenable position.

22. Given the unique provisions of the Trust Agreement which provide for multiple discretionary Charitable Beneficiaries, the complexity of applying the New Regulations to the Trust and the uncertainty that the efforts of the Trustees will result in actual compliance, it is impracticable for the Trust to continue to qualify as a Type III NFI supporting organization under the New Regulations. If the Trust cannot qualify as a Type III NFI supporting organization under Section 509(a)(3), it will be classified as a private foundation. For these reasons, the Trust is more appropriately classified as a private non-operating foundation.

23. The classification of the Trust as a private non-operating foundation will not significantly alter the Trust's charitable status, because the Trust will continue to qualify as tax-

exempt under Section 501(c)(3) of the Code. Donations to the Trust will still be deductible for income, gift and estate tax purposes. The Trust will continue to be operated exclusively for the benefit of the Charitable Beneficiaries and for the charitable purposes set forth in ITEM III of the Trust Agreement. In addition, the classification of the Trust as a private non-operating foundation will allow the Trustees to administer the Trust as set forth in the Trust Agreement without the uncertainty of complying with the New Regulations, which were not in force when the Trust was initially created.

24. As a private non-operating foundation, the Trust will be subject to the private foundation rules set forth in Sections 4940 through 4945 of the Code (the "Private Foundation Rules") summarized below:

a. Section 4940 – imposes a two percent (2%) tax on a private foundation's net investment income which may be reduced to one percent (1%) if substantial grants are made by the foundation;

b. Section 4941 – prohibits a private foundation from engaging in self-dealing transactions with disqualified persons;

c. Section 4942 – requires a private foundation to make grants each year in an amount equal to five percent (5%) of the foundation's net asset value;

d. Section 4943 – imposes a tax on a private foundation's excess business holdings;

e. Section 4944 – prohibits a private foundation from investing in high-risk investments which may jeopardize the foundation's ability to carry out its exempt purpose; and

f. Section 4945 – imposes a tax on certain prohibited expenditures made by the private foundation, including expenditures to (i) carry on propaganda, (ii) influence legislation, and (iii) affect elections.

25. Compliance with the Private Foundation Rules will not materially affect the administration of the Trust or the distributions made to the Charitable Beneficiaries. The Trust will pay the tax imposed on the Trust by Section 4940 of the Code. However, none of the other Private Foundation Rules should have an impact on the Trust nor limit the Foundation's ability to operate exclusively for the benefit of the Charitable Beneficiaries and for the charitable purposes set forth in ITEM III of the Trust Agreement.

26. On January 1, 2004, the Trustees adopted a total return unitrust policy for the Trust (the "2004 Unitrust Policy") pursuant to N.C. Gen. Stat. § 37A-1-104.2, which generally required the Trustees to distribute four percent (4%) of the assets of the Trust each year to the Charitable Beneficiaries as the equivalent of the net income of the Trust in accordance with the provisions of ITEM III of the Trust Agreement. As a result of the conversion of the Trust to a private non-operating foundation, the Trustees have adopted a new unitrust policy to distribute the greater of (i) the current four percent (4%) unitrust amount, or (ii) the amount required to be distributed by the Trust under Section 4942 of the Code (5% of the value of the Trust's net assets) to the Charitable Beneficiaries in accordance with the provisions of ITEM III of the Trust Agreement. It is likely that the pool of funds available for distribution to the Charitable Beneficiaries will increase as a result of the Trust's compliance with Section 4942 of the Code.

27. The assets of the Trust now consist of a diversified portfolio of securities managed by Wells Fargo in its capacity as Trustee.

28. As a result of the passage of the New Regulations, administering the Trust as a private foundation provides the Charitable Beneficiaries with long-term benefits and greater tax certainty. However, the Trust Agreement contains administrative provisions that refer to the Trust's prior classification as a supporting organization rather than a private foundation, and the Trust Agreement does not contain provisions necessary for the administration of the Trust as a private foundation. For these reasons and the reasons set forth above, the Petitioners petitioned this Court to modify the provisions of the Trust Agreement by (i) replacing the phrase "supporting organization as described in Section 509(a)(3) of the Code" with "private non-operating foundation as described in Section 509(a) of the Code," (ii) restating the introductory paragraph and section (a) of ITEM X of the Trust Agreement and (iii) adding a new section (c) to ITEM III of the Trust Agreement to incorporate provisions pertaining to the operation of the Trust as a private foundation.

29. The New Regulations have caused the administration of the Trust as a Type III NFI supporting organization to be impracticable if not impossible to achieve. As a result, the Trust is more appropriately classified as a private non-operating foundation. Accordingly, certain administrative provisions of the Trust Agreement which refer to the Trust's prior classification as a supporting organization must be modified.

30. The New Regulations and their application to the Trust, which have caused the Trust to be more accurately classified as a private non-operating foundation, could not have been anticipated by the settlor of the Trust because the Type III NFI supporting organization classification and relevant Treasury Regulations were not in existence. Since the creation of the Trust, the rules applicable to supporting organizations, particularly the New Regulations, have dramatically changed the relationship that must be maintained between supporting and supported

organizations. No provision of the Trust Agreement indicates the settlor's intent that such a relationship be imposed on the administration of the Trust.

31. In addition, the continued administration of the Trust as a Type III NFI supporting organization is disadvantageous to the Trust's purpose because it is impracticable for the Trust to comply with the New Regulations and, in some cases, impossible to achieve. The New Regulations require the Trust and its supported organizations to maintain a heightened level of interconnectedness that is not practicable for a discretionary trust with multiple beneficiaries. The New Regulations simply do not contemplate the unique provisions of the Trust Agreement which support a class of discretionary beneficiaries. In particular, the ability of the Charitable Beneficiaries to qualify as supported organizations may change from year-to-year.

32. Modification of the terms of the Trust Agreement to replace the phrase "supporting organization as described in Section 509(a)(3) of the Code" with "private non-operating foundation as described in Section 509(a) of the Code" conforms with the Trust's classification as a private foundation. The modification is in the best interests of the Charitable Beneficiaries and furthers the settlor's charitable purpose and intent for the Trust to operate for the benefit of the Charitable Beneficiaries and for the charitable purposes set forth in ITEM III of the Trust Agreement.

33. ITEM X of the Trust Agreement grants the Trustees the power to amend the Trust Agreement to conform to changes in the tax law that might jeopardize the Trust's charitable status. As drafted, the power of amendment is too narrow to allow the Trustees to amend the Trust Agreement to operate as a charitable trust classified as other than a supporting organization.

34. Modification of the Trust Agreement to restate the introductory paragraph and section (a) of ITEM X of the Trust Agreement to allow the Trustees to amend the Trust Agreement in the future without requiring the amended Trust to operate as a supporting organization furthers the settlor's charitable intent and related tax objectives without jeopardizing the Trust's tax-exempt status or its ability to operate exclusively for the benefit of the Charitable Beneficiaries and for the charitable purposes set forth in ITEM III of the Trust Agreement.

35. In accordance with the provisions of sections 36C-4-412, 36C-4-413 and 36C-4-416 of the North Carolina General Statutes, this Judgment restates the provisions of the introductory paragraph and section (a) of ITEM X of the Trust Agreement as follows:

> "ITEM X
>
> If future laws jeopardize the ability of the Trust to qualify as a Section 501(c)(3) tax-exempt charitable organization, the Trustees, without order of court, shall have the right to amend this Trust and execute such instruments as the Trustees shall deem, from time to time, necessary or appropriate to make it possible to continue this Trust in accordance with the provisions of such laws, and this Trust may be terminated at any time by action of the Trustees, provided, however:
>
> (a) No such amendment shall alter the intention of the Donor that the Trust be operated exclusively for the benefit of the charitable organizations and for the charitable purposes set forth in ITEM III of this Trust and in a manner which shall make the Trust tax exempt under Section 501(c)(3) of the Code and the donations to it deductible for income, gift and estate tax purposes under the Code."

36. The Trust's new classification as a private non-operating foundation subjects the Trust to the Private Foundation Rules. Actions taken by the Trustees in contravention of the Private Foundation rules could jeopardize the Trust's charitable status.

37. Modification of the Trust Agreement to direct the Trustees to comply with the Private Foundation Rules will further the charitable purpose of the Trust and the settlor's tax objectives.

Since the Trust cannot continue to qualify as a Type III NFI supporting organization, it has become a private foundation. The modification of the Trust Agreement will prevent the Trustees from acting in a manner that could jeopardize the Trust's charitable status or tax-exemption. For the foregoing reason, and in accordance with the provisions of sections 36C-4-412, 36C-4-413 and 36C-4-416 of the North Carolina General Statutes, this Judgment adds a new section (c) to ITEM III of the Trust Agreement as follows:

> "Any other provisions of this instrument notwithstanding, the Trustees are prohibited from engaging in any act of self-dealing as defined in Section 4941(d) of the Code, from retaining any excess business holdings as defined in Section 4943(c) of the Code which would subject this Trust to tax under Section 4943 of the Code, from making any investment which would subject this Trust to tax under Section 4944 of the Code, and from making any taxable expenditures as defined in Section 4945(d) of the Code. The Trustees shall make distributions at such time and in such manner as not to subject this Trust to tax under Section 4942 of the Code."

38. The modifications set forth above are necessary as a result of changes in the regulations applicable to supporting organizations that could not have been anticipated by the settlor of the Trust. Continued administration of the Trust under the New Regulations is impracticable and impossible to achieve. The intention in creating the Trust was to establish a charitable trust for the benefit of the named Charitable Beneficiaries. The tax objective in creating the Trust was for the Trust to be exempt from federal income taxation under Section 501(c)(3) of the Code. In accordance with the provisions of sections 36C-4-412, 36C-4-413 and 36C-4-416 of the North Carolina General Statutes, this Judgment will alter the administrative provisions of the Trust Agreement in furtherance of the charitable purposes of the Trust and in a manner consistent with the intent that the Trust operate as a tax-exempt charitable trust.

39. Modification of the terms of the Trust Agreement is being done in a manner consistent with the Trust's charitable purposes and will further the purposes of the Trust.

40. All of the beneficiaries of the Trust have consented to the modification

Based on the foregoing Findings of Fact, the Court makes the following:

CONCLUSIONS OF LAW

1. All necessary parties have been named to this proceeding.

2. This Court has jurisdiction of this matter pursuant to Chapter 36C of the General Statutes of North Carolina.

3. The Trust is an irrevocable, charitable trust.

4. N.C. Gen. Stat. § 36C-4-412(a) empowers the Court to modify "the administrative or dispositive terms of a trust . . . if, because of circumstances not anticipated by the settlor, modification . . . will further the purposes of the trust." To the extent practicable, the modification must be made in accordance with the settlor's probable intention. The administrative and dispositive terms of the Trust may be modified as described herein due to the aforementioned circumstances not anticipated by the Settlor.

5. N.C. Gen. Stat. § 36C-4-413 provides that if a charitable trust becomes unlawful, impracticable, impossible to achieve, or wasteful, the court "may apply cy pres to modify . . . the trust by directing that the trust property be applied or distributed, in whole or in part, in a manner consistent with the settlor's charitable purposes." This statute embodies the common law principle that amendment of a charitable trust with its *situs* in North Carolina is permitted under general equitable principles. The continued administration of the Trust as a Type III NFI supporting organization has become impracticable if not impossible to achieve.

6. N.C. Gen. Stat. § 36C-4-416 provides that the Court may modify the terms of a trust to achieve the settlor's tax objectives in a manner that is not contrary to the settlor's probable intention, and that the modification may have retroactive effect.

7. Based on the statutory authority regarding representation of beneficiaries as set forth in Article 3 of Chapter 36C of the North Carolina General Statutes, the Court concludes that the interests of all of the beneficiaries of the Trust have been adequately represented and, in these instances where consent of a beneficiary was given by a representative of such beneficiary, such consent is valid and binding on the beneficiary.

8. There is no beneficiary of the Trust who is not a named party hereunder or whose rights and interests are not represented by the Attorney General of the State of North Carolina.

NOW THEREFORE, it is hereby **ORDERED, ADJUDGED** and **DECREED** that:

1. This proceeding presents issues appropriate for judicial resolution by this Court pursuant to N.C. Gen. Stat. § 36C-4-412, § 36C-4-413 and § 36C-4-416.

2. All beneficiaries of the Trust and the interests of those beneficiaries are adequately represented by the Respondents and The North Carolina Attorney General.

3. Continued administration of the Trust as a Type III NFI supporting organization has become impracticable and impossible to achieve.

4. The following modifications of the terms of the Trust Agreement are necessary in light of circumstances not anticipated by the settlor of the Trust, will further the purposes of the

Trust, are being done in a manner to achieve the settlor's tax objectives, and are in accordance with the settlor's probable intention and charitable purposes:

a) Replacing the phrase "supporting organization as described in Section 509(a)(3) of the Code" with "private non-operating foundation as described in Section 509(a) of the Code";

b) Restating the introductory paragraph and section (a) of ITEM X; and

c) Adding a new section (c) to ITEM III.

5. The Trust Agreement is hereby modified to replace the phrase "supporting organization as described in Section 509(a)(3) of the Code" with "private non-operating foundation as described in Section 509(a) of the Code" throughout the Trust Agreement.

6. The Trust Agreement is hereby modified to restate the introductory paragraph and section (a) of ITEM X of the Trust Agreement as follows:

"ITEM X

If future laws jeopardize the ability of the Trust to qualify as a Section 501(c)(3) tax-exempt charitable organization, the Trustees, without order of court, shall have the right to amend this Trust and execute such instruments as the Trustees shall deem, from time to time, necessary or appropriate to make it possible to continue this Trust in accordance with the provisions of such laws, and this Trust may be terminated at any time by action of the Trustees, provided, however:

(b) No such amendment shall alter the intention of the Donor that the Trust be operated exclusively for the benefit of the charitable organizations and for the charitable purposes set forth in ITEM III of this Trust and in a manner which shall make the Trust tax exempt under Section 501(c)(3) of the Code and the donations to it deductible for income, gift and estate tax purposes under the Code.";

7. The Trust Agreement is hereby modified to add a new section (c) to ITEM III of the Trust Agreement as follows:

> "Any other provisions of this instrument notwithstanding, the Trustees are prohibited from engaging in any act of self-dealing as defined in Section 4941(d) of the Code, from retaining any excess business holdings as defined in Section 4943(c) of the Code which would subject this Trust to tax under Section 4943 of the Code, from making any investment which would subject this Trust to tax under Section 4944 of the Code, and from making any taxable expenditures as defined in Section 4945(d) of the Code. The Trustees shall make distributions at such time and in such manner as not to subject this Trust to tax under Section 4942 of the Code.";

8. The modifications ordered herein are effective as of January 1, 2013.

9. The costs of this action (including Petitioners' attorney's fees) are taxed to the assets of the Trust. Legal fees for this matter attached ($21,000.).

This the 9 day of Oct., 2013.

Superior Court Judge

J.P. Hunt

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