



Independent Auditor's Report

To the Board of Trustees
The Mary Duke Biddle Foundation
Durham, North Carolina

We have audited the accompanying statements of net assets - modified cash basis of The Mary Duke Biddle Foundation (the "Foundation") as of December 31, 2010 and 2009, and the related statements of activities - modified cash basis, changes in net assets - modified cash basis and cash flows - modified cash basis for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 of the notes to financial statements, the Foundation's policy is to prepare its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of The Mary Duke Biddle Foundation as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, on the basis of accounting described in Note 1.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Raleigh, North Carolina
March 22, 2011

Statements of Net Assets – Modified Cash Basis

December 31, 2010 and 2009

| | 2010 | 2009 |
|---|----------------------|----------------------|
| Assets | | |
| Cash | \$ 155,220 | \$ 513,174 |
| Federal excise tax receivable | - | 1,907 |
| Purchased interest | 11,261 | 10,429 |
| Furniture and equipment, net of accumulated depreciation of \$2,996 and \$2,037 in 2010 and 2009, respectively | 2,952 | 3,911 |
| Investments (Note 2) | 20,403,858 | 20,467,398 |
| Total assets | \$ 20,573,291 | \$ 20,996,819 |
| Liabilities and Net Assets | | |
| Federal excise taxes payable | \$ 16,919 | \$ - |
| Due to retirement account | - | 175 |
| Total liabilities | 16,919 | 175 |
| Commitments (Notes 4 and 5) | | |
| Net assets | | |
| Temporarily restricted | 20,556,372 | 20,996,644 |
| Total net assets | 20,556,372 | 20,996,644 |
| Total liabilities and net assets | \$ 20,573,291 | \$ 20,996,819 |

See Notes to Financial Statements.

Statements of Activities – Modified Cash Basis

Years Ended December 31, 2010 and 2009

| | 2010 | 2009 |
|---|----------------------|----------------------|
| Changes in unrestricted net assets: | | |
| Revenue (Note 2): | | |
| Dividends | \$ 300,127 | \$ 323,876 |
| Interest on corporate bonds | 217,025 | 163,574 |
| Interest on U.S. Government obligations | 124,902 | 164,387 |
| Interest on cash held | 116 | 731 |
| Net assets released in accordance with trust restrictions | 1,092,574 | 1,052,763 |
| Total unrestricted revenue | 1,734,744 | 1,705,331 |
| Expenses: | | |
| Grants, Duke University | 618,229 | 720,223 |
| Grants, other | 582,947 | 481,428 |
| Administrative (Note 4) | 511,765 | 498,980 |
| Federal excise taxes (Note 3) | 21,803 | 4,700 |
| Total expenses | 1,734,744 | 1,705,331 |
| Change in unrestricted net assets | - | - |
| Changes in temporarily restricted net assets: | | |
| Net realized gain (loss) on sale of investments (Note 2) | 652,042 | (621,575) |
| Contributions received | 260 | 2,000 |
| Net assets released in accordance with trust restrictions | (1,092,574) | (1,052,763) |
| Decrease in temporarily restricted net assets | (440,272) | (1,672,338) |
| Change in net assets | (440,272) | (1,672,338) |
| Net assets: | | |
| Beginning | 20,996,644 | 22,668,982 |
| Ending | \$ 20,556,372 | \$ 20,996,644 |

See Notes to Financial Statements.

Statements of Changes in Net Assets – Modified Cash Basis

Years Ended December 31, 2010 and 2009

| | Temporarily Restricted |
|----------------------------|-----------------------------|
| Balance, December 31, 2008 | \$ 22,668,982 |
| Change in net assets | <u>(1,672,338)</u> |
| Balance, December 31, 2009 | 20,996,644 |
| Change in net assets | <u>(440,272)</u> |
| Balance, December 31, 2010 | <u>\$ 20,556,372</u> |

See Notes to Financial Statements.

Statements of Cash Flows – Modified Cash Basis

Years Ended December 31, 2010 and 2009

| | 2010 | 2009 |
|---|--------------------|--------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ (440,272) | \$ (1,672,338) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Bond amortization, net | 19,375 | 973 |
| Depreciation | 959 | 959 |
| Net realized (gain) loss on sale of investments | (652,042) | 621,575 |
| Changes in assets and liabilities: | | |
| Federal excise tax receivable | 1,907 | 27,073 |
| Interest purchased | (832) | (3,953) |
| Due to retirement account | (175) | 175 |
| Federal excise taxes payable | 16,919 | – |
| Net cash used in operating activities | (1,054,161) | (1,025,536) |
| Cash Flows From Investing Activities | | |
| Purchase of investments | (8,465,153) | (11,323,898) |
| Proceeds from sales and maturities of investments | 9,161,360 | 12,777,342 |
| Net cash provided by investing activities | 696,207 | 1,453,444 |
| Net increase (decrease) in cash | (357,954) | 427,908 |
| Cash: | | |
| Beginning | 513,174 | 85,266 |
| Ending | \$ 155,220 | \$ 513,174 |
| Supplemental Disclosures of Cash Flow Information | | |
| Cash payments for excise taxes | \$ 2,977 | \$ (22,373) |

See Notes to Financial Statements.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations: The Mary Duke Biddle Foundation (the "Foundation") is a private foundation created principally for the benefit of Duke University. In accordance with the terms of the Trust Agreement establishing the Foundation, at least one-half of the Foundation's grants must be distributed to Duke University. The Trust Agreement restricts the remainder of the Foundation's grants to religious, educational, and charitable activities in the States of New York and North Carolina.

A summary of the Foundation's significant accounting policies follows:

Basis of presentation: The Foundation's accounts are maintained, and these statements are presented, on a modified cash basis method of accounting under which only contributions and income collected, expenses paid, and assets, liabilities and net assets arising as a result of cash transactions are recognized. Therefore, unrealized net gains or losses on investments, accrued income and expenses (other than excise taxes), payables (including grants), deferred expenses and the overfunded or underfunded status of the Foundation's pension plan, which would be recognized under accounting principles generally accepted in the United States of America, and which may be material in amount, are not recognized in the accompanying financial statements.

All of the Foundation's net assets are considered to be temporarily restricted as the assets and related investment earnings must be used for in accordance with the terms of the Trust Agreement.

Use of estimates: The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported

amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash: The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits and believes such amounts are not exposed to any significant credit risk.

Investments: Investments are carried at cost. Market values included in these notes to financial statements are based on information reported by the Foundation's investment managers.

Income taxes: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a private foundation. The Foundation is also generally exempt from state income taxes under provisions of the North Carolina Nonprofit Corporation Act. Therefore, no provision for income taxes has been reflected in the accompanying financial statements.

Management has evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that would require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2007.

Subsequent events: The Foundation has evaluated its subsequent events (events occurring after December 31, 2010) through March 22, 2011, which represents the date the financial statements were available to be issued.

Note 2. Investments

The following is an analysis of the investments by type at December 31, 2010 and 2009:

| | 2010 | | 2009 | |
|------------------------------------|----------------------|----------------------|---------------|---------------|
| | Cost | Fair Value | Cost | Fair Value |
| Common stock | \$ 7,322,347 | \$ 9,583,513 | \$ 7,581,049 | \$ 9,412,680 |
| Corporate bonds | 3,354,109 | 3,479,167 | 3,133,471 | 3,307,633 |
| U.S. Government agency obligations | 1,763,686 | 1,817,166 | 2,834,788 | 2,901,875 |
| U.S. Government obligations | 645,414 | 620,790 | 161,059 | 151,772 |
| Mutual funds | 7,020,417 | 7,218,486 | 6,668,004 | 6,018,485 |
| Cash held by investment manager | 297,885 | 297,885 | 89,027 | 89,027 |
| | \$ 20,403,858 | \$ 23,017,007 | \$ 20,467,398 | \$ 21,881,471 |

There were no investments in any one Company which comprised 5% or more of either the aggregate cost of investments or the aggregate fair value of investments at December 31, 2010 or 2009. Investment managers periodically maintain cash on hand awaiting purchase of investments. Such amounts are not believed to pose significant credit risk to the Foundation. At December 31, 2010, the Foundation held

approximately \$1,800,000 (or 9%) of the aggregate cost of its investment portfolio in Fannie Mae, Ginnie Mae and Freddie Mac securities. At December 31, 2009, the Foundation also held approximately \$2,800,000 (or 14%) of the aggregate cost of its investment portfolio in Fannie Mae and Freddie Mac securities. These asset backed securities are included in U. S. Government agency obligations in the schedule above.

The following table summarizes the relationship between cost and fair value of investments as of December 31, 2010 and 2009:

| | As of December 31, | |
|---|--------------------|---------------------|
| | 2010 | 2009 |
| Gross unrealized gains | \$ 2,873,690 | \$ 2,364,673 |
| Gross unrealized losses | (260,541) | (950,600) |
| Excess of fair value over cost (unrealized appreciation) | \$2,613,149 | \$ 1,414,073 |

The following table summarizes the investment returns for the years ended December 31, 2010 and 2009:

| | Years Ended December 31, | |
|---|--------------------------|---------------------|
| | 2010 | 2009 |
| Change in unrealized appreciation (1) | \$ 1,199,076 | \$ 3,876,093 |
| Realized net gains (losses) | 652,042 | (621,575) |
| Total net gains | 1,851,118 | 3,254,518 |
| Investment income | 642,170 | 652,568 |
| Total return | \$ 2,493,288 | \$ 3,907,086 |
| Annual investment income yield (based on average fair values) | 2.86% | 3.11% |
| Annual total return yield (based on average fair values) | 11.11% | 18.62% |

(1) This amount is not recognized in the Foundation's financial statements prepared on the modified cash basis.

The Foundation invests in a various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the Foundation's investment balances disclosed herein.

Market risk: Market risk arises primarily from changes in the market value of financial instruments. Theoretically, the Foundation's exposure is equal to the notional value of contracts purchased and unlimited on such contracts sold short.

Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Foundation's overall exposure to market risk. The Foundation attempts to control its exposure to market risk through various analytical monitoring techniques.

Concentrations of credit risk: The Foundation is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Foundation may be exposed to risk. The risk of default depends on the credit-worthiness of the counterparty or issuer of the instrument. It is the Foundation's policy to review, as necessary, the credit standing of each counterparty.

In the normal course of its business, the Foundation enters into contracts and agreements with certain service providers, such as clearing and custody agents, trustees and administrators that contain a variety of representations and warranties and which provide general indemnifications and guarantees against specified potential losses in connection with their activities as an agent of, or providing services to, the Foundation. The Foundation's maximum exposure under these agreements is

unknown, as this may involve future claims that could be made against the Foundation and have not yet occurred. The Foundation expects the risk of any future obligation under these arrangements to be remote and has not recorded any contingent liability in the financial statements for these indemnifications.

Note 3. Federal Excise Tax

An annual federal excise tax is imposed on net investment income, including realized capital gains, of private foundations. The tax rate is 1% if qualifying distributions exceed net investment income. If such qualifying distributions do not exceed net investment income, a tax rate of 2% is imposed. The actual tax rate was 2% for 2010 and 1% for 2009.

Note 4. Pension Plan

The Foundation has a defined benefit plan that covers all of its employees who meet the eligibility requirements. The plan provides benefits to eligible employees based upon 100% of their final 3-year compensation, reduced for benefit service less than 25 years and reduced for benefits received from Duke University or Duke Hospital retirement plans. Pension expense was \$60,000 and \$45,708 in 2010 and 2009, respectively.

Note 5. Grant Commitments

The Foundation is required by the Internal Revenue Code to make minimum charitable distributions based on the fair value of Foundation assets. The amount of any charitable distributions made in excess of the required amount in any year may be used to reduce the minimum amount of grants required to be distributed in future years, subject to a five-year carryover limitation. The failure to make the minimum charitable distribution could result in additional taxes and possible loss of the Foundation's charitable organization status. Minimum charitable distributions for 2011 are expected to approximate the actual amount of grant distributions made during 2010.

As of December 31, 2010 and 2009, the Foundation had open grant commitments totaling \$987,358 and \$528,366, respectively.

Statement of Net Assets Information – Modified Cash Basis

December 31, 2010

| Investments | Face/Shares | Cost | Market |
|---------------------------------------|-------------|-----------|-----------|
| <i>Common stock:</i> | | | |
| 3M Company | 530 | \$ 42,080 | \$ 45,739 |
| Abbott Labs | 1,500 | 69,556 | 71,865 |
| Ace Ltd Ord | 850 | 34,743 | 52,913 |
| Ameriprise Financial Inc | 2,280 | 88,617 | 131,214 |
| Amgen Inc | 1,740 | 101,736 | 95,526 |
| Annaly Capital Management Inc | 3,000 | 52,426 | 53,760 |
| Apple Inc | 165 | 41,505 | 53,222 |
| Tat Inc | 4,000 | 105,314 | 117,520 |
| Baxter International Inc | 1,750 | 80,251 | 88,585 |
| BCE Inc | 2,000 | 59,390 | 70,920 |
| Best Buy Inc | 2,000 | 82,479 | 68,580 |
| BP P L C Sponsored Adr | 2,200 | 120,782 | 97,174 |
| Bristol Myers Squibb Co | 1,495 | 35,339 | 39,588 |
| Cardinal Health Inc | 1,220 | 42,462 | 46,982 |
| CB Richard Ellis Group Inc | 4,000 | 52,603 | 81,920 |
| Centerpoint Energy Inc | 4,400 | 71,771 | 69,344 |
| Chevron Corp New | 2,025 | 154,854 | 184,781 |
| Chubb Corp | 1,600 | 66,308 | 95,424 |
| Cimarex Energy Co | 550 | 39,803 | 48,692 |
| Cisco Systems Inc | 9,525 | 214,295 | 192,691 |
| Citigroup Inc | 10,180 | 45,247 | 48,151 |
| Comerica Inc | 2,100 | 85,736 | 88,704 |
| Conocophillips | 670 | 36,483 | 45,627 |
| Constellation Energy Group Inc | 1,255 | 45,480 | 38,579 |
| Corning Inc | 6,945 | 145,538 | 134,177 |
| Cummins Inc | 900 | 21,954 | 99,144 |
| CVS Caremark Corp | 1,390 | 38,955 | 48,650 |
| Danaher Corp | 1,010 | 44,026 | 47,642 |
| Darden Restaurants Inc | 1,200 | 51,110 | 56,220 |
| Deere & Co | 2,200 | 81,968 | 183,260 |
| Disney Walt Holding Co | 1,950 | 49,624 | 73,145 |
| Dominion Res Inv Va New | 1,850 | 68,979 | 79,032 |
| Dreamworks Animation Skg Inc | 2,600 | 100,780 | 76,622 |
| Duke Energy Corp New | 59,200 | 242,109 | 1,054,352 |
| Emc Corp | 4,600 | 76,869 | 105,340 |
| Eog Res Inc | 1,150 | 76,757 | 105,122 |
| Exxon Mobil Corp | 1,675 | 121,914 | 122,476 |
| Ford Motor Co | 8,315 | 75,251 | 139,609 |
| Forest Labs Inc | 1,310 | 44,000 | 41,881 |
| Foster Wheeler | 3,600 | 120,536 | 124,272 |
| Freeport Mcmoran Copper&Gold Cl B | 675 | 22,027 | 80,291 |
| Gap Inc | 4,585 | 91,990 | 101,512 |
| General Dynamics Corp | 800 | 61,963 | 56,616 |
| General Electric Co | 12,985 | 261,941 | 237,496 |
| Goldman Sachs Group Inc | 375 | 65,570 | 63,060 |
| Halliburton Company | 1,405 | 44,181 | 57,366 |
| Hartford Financial Services Group Inc | 2,600 | 59,837 | 68,874 |
| Heinz H J Co | 1,100 | 43,164 | 54,318 |
| Hewlett Packard Co | 2,895 | 122,513 | 121,880 |
| Home Depot Inc | 1,360 | 32,785 | 47,682 |
| IAC/InterActiveCorp | 1,625 | 39,480 | 46,638 |

(continued on page 26)

| <i>Investments (Continued)</i> | Face/Shares | Cost | Market |
|---|--------------------|------------------|------------------|
| <i>Common stock:</i> | | | |
| Intel Corp | 5,780 | \$ 110,081 | \$ 121,553 |
| International Business Machines | 1,545 | 159,975 | 226,744 |
| International Flavors and Fragrances, Inc | 895 | 45,816 | 49,753 |
| International Paper Co | 1,000 | 26,220 | 27,240 |
| ITT Corp | 2,100 | 107,222 | 109,431 |
| Johnson & Johnson | 1,434 | 91,794 | 88,693 |
| JP Morgan Chase & Co | 2,905 | 124,298 | 123,230 |
| L-3 Communications Holdings Inc | 950 | 79,622 | 66,966 |
| Liberty Media Corporation | 5,600 | 84,550 | 88,312 |
| Macy's Inc | 2,550 | 28,179 | 64,515 |
| Marvell Technology Group Ltd | 3,100 | 31,115 | 57,505 |
| McKesson Corp | 665 | 41,411 | 46,916 |
| Medco Health Solutions Inc | 720 | 41,183 | 44,114 |
| Merck & Co Inc | 2,900 | 110,710 | 104,516 |
| Microsoft Corp | 1,625 | 44,143 | 45,354 |
| Monsanto Co | 1,200 | 94,420 | 83,568 |
| National Oilwell Varco Inc | 1,300 | 55,775 | 86,957 |
| Nestle S A Spnsrd Adr Repstg Reg Sh | 1,650 | 44,219 | 97,053 |
| News Corp | 4,000 | 59,774 | 65,200 |
| Nike Inc Cl B | 645 | 36,620 | 55,096 |
| Nintendo Co Ltd | 2,000 | 81,569 | 72,660 |
| Noble Corp | 2,100 | 56,292 | 75,117 |
| Norfolk Southern Corp | 1,600 | 73,880 | 100,384 |
| Occidental Petroleum Corp | 1,920 | 123,841 | 188,352 |
| Oracle Corp | 6,335 | 117,541 | 198,286 |
| Partnerre Ltd | 570 | 42,425 | 45,800 |
| Pfizer Inc | 3,400 | 55,756 | 59,534 |
| Philip Morris International Inc | 1,000 | 48,647 | 58,530 |
| PNC Financial Services Group Inc | 690 | 45,199 | 41,897 |
| Procter & Gamble Co | 607 | 32,688 | 39,048 |
| Prudential Financial Inc | 1,800 | 57,298 | 105,678 |
| Ralcorp Holdings Inc | 800 | 48,221 | 52,008 |
| Reynolds American Inc | 2,000 | 48,407 | 65,240 |
| Rockwell Collins Inc Del Com Stk | 1,300 | 86,143 | 75,738 |
| Ross Stores Inc | 920 | 33,673 | 58,190 |
| Sealed Air Corp | 1,610 | 34,069 | 40,975 |
| Siemens A G Sponsored Adr | 1,300 | 84,108 | 161,525 |
| Spectra Energy Corporation | 5,500 | 32,425 | 137,445 |
| Symantec Corp | 3,600 | 58,165 | 60,372 |
| Target Corp | 1,600 | 60,360 | 96,208 |
| Texas Instruments Inc | 1,660 | 36,514 | 53,950 |
| Tyco Electronics Ltd | 1,620 | 41,161 | 57,121 |
| Tyco International Ltd | 1,165 | 39,901 | 48,278 |
| Tyson Foods Inc | 2,325 | 40,408 | 40,037 |
| Unilever NV | 2,100 | 62,914 | 65,940 |
| Union Pacific Corp | 495 | 45,440 | 45,867 |
| United States Steel Corp | 2,300 | 95,040 | 135,746 |
| United Technologies Corp | 698 | 28,500 | 54,947 |
| Unitedhealth Group Inc | 2,500 | 80,228 | 90,275 |
| Unum Group | 1,820 | 41,117 | 44,080 |
| Verizon Communications Inc | 1,340 | 44,177 | 47,945 |
| Wal-Mart Stores Inc | 825 | 42,043 | 44,492 |
| WellPoint Inc | 1,100 | 64,932 | 62,271 |
| Wells Fargo & Co New | 1,700 | 47,057 | 52,683 |
| Total common stock | | 7,322,347 | 9,583,513 |

| Investments (Continued) | Face/Shares | Cost | Market |
|---|--------------------|------------------|------------------|
| <i>Corporate bonds:</i> | | | |
| Abbott Labs 5.3% 5/27/2040 | 40,000 | \$ 39,697 | \$ 41,084 |
| Aflac Inc Sr Notes 8.5% 5/15/2019 | 65,000 | 75,154 | 80,373 |
| Albemarle Corp 4.5% 12/15/2020 | 45,000 | 44,599 | 44,289 |
| Alliant Techsystems 6 3/4% 4/1/2016 | 60,000 | 60,425 | 62,178 |
| Amer Express Credit Co 2 3/4% 9/15/15 | 75,000 | 74,589 | 73,778 |
| Ameriprise Financial 7.3% 6/28/2019 | 55,000 | 67,785 | 64,988 |
| AT&T INC 2 1/2% 8/15/15 | 95,000 | 95,979 | 94,668 |
| AutoZone Inc 4% 11/15/2020 | 55,000 | 54,762 | 51,948 |
| Banc Of America Commercial Mortgage Inc Ser 2006-4 CI A3A 5.6% Due 8/10/2013 | 75,000 | 75,122 | 78,735 |
| Bank Of America Notes 6 1/4% Due 4/15/2012 | 85,000 | 84,358 | 89,531 |
| BB&T Corp 3.85% 7/27/2012 | 100,000 | 103,973 | 104,029 |
| Blackrock Inc 6 1/4% 9/15/2017 | 75,000 | 80,682 | 84,375 |
| CB Richard Ellis Service 11 5/8% 6/15/2018 | 50,000 | 55,586 | 57,940 |
| Cisco Systems 5.5% 1/15/2040 | 105,000 | 102,504 | 109,694 |
| Community Health Systems 8 7/8% 7/15/2015 | 75,000 | 74,663 | 78,750 |
| Dean Foods Co 7% 1/15/2040 | 75,000 | 73,559 | 68,813 |
| EBay Inc 3 1/4% 10/15/2020 | 45,000 | 44,745 | 41,859 |
| Genworth Financial Inc 8 5/8% 12/15/2016 | 110,000 | 116,755 | 123,706 |
| Goldman Sachs Group 3 5/8% 8/1/2012 | 75,000 | 75,050 | 77,400 |
| Goldman Sachs Group Floating Rate 2/6/2012 | 60,000 | 59,684 | 59,922 |
| Health Care Reit Inc 6% 11/15/2013 | 100,000 | 103,736 | 109,490 |
| Ingersoll Rand Gl Hld Co 9 1/2% 4/15/2014 | 90,000 | 93,583 | 108,423 |
| Kansas City Southern 8% 6/1/2015 | 125,000 | 127,839 | 134,375 |
| Key Bank NA 7% 2/1/2011 | 105,000 | 105,517 | 105,431 |
| Markel Corp 7 1/8% 9/30/2019 | 110,000 | 109,848 | 119,449 |
| Merrill Lynch & Co Med Term Notes 5.77% 7/25/2011 | 100,000 | 101,750 | 102,810 |
| Microsoft Corp 4 1/2% 10/1/2040 | 60,000 | 60,000 | 56,172 |
| National Rural Util Corp 10 3/8% 11/1/2018 | 75,000 | 88,317 | 103,455 |
| Netflix 8 1/2% 11/15/2017 | 50,000 | 51,610 | 56,250 |
| NRG Energy Inc 8.5% 6/15/2019 | 75,000 | 76,331 | 77,438 |
| Oshkosh Corp 8 1/4% 3/1/2017 | 130,000 | 135,457 | 141,375 |
| Raymond James Financial 8.6% 8/15/2019 | 35,000 | 34,995 | 41,479 |
| Torchmark Corp 9 1/4% 6/15/2019 | 90,000 | 95,692 | 110,151 |
| Triumph Group Inc 8% 11/15/2017 | 125,000 | 126,685 | 130,000 |
| Unisys Corp 12 1/2% 1/15/2016 | 50,000 | 53,862 | 55,500 |
| Valassis Comm 8 1/4% 3/1/2015 | 75,000 | 75,753 | 78,473 |
| Wachovia Corp Floating Rate 3/1/2012 | 70,000 | 69,481 | 69,986 |
| Wal-Mart Stores Inc 6.20% 4/15/2038 | 115,000 | 121,551 | 130,916 |
| Willis North America 6.2% 3/25/2017 | 85,000 | 89,884 | 87,346 |
| Windstream Corp 8 5/8% 8/1/2016 | 75,000 | 76,787 | 78,938 |
| Woolworth Corp 8.5% 1/15/2022 | 100,000 | 95,760 | 93,650 |
| Total corporate bonds | | 3,354,109 | 3,479,167 |

(continued on page 28)

| Investments (Continued) | Face/Shares | Cost | Market |
|---|--------------------|---------------------|---------------------|
| <i>U.S. Government agency obligations:</i> | | | |
| Federal Home Loan Mortgage Corp: | | | |
| Gold Participation 6.5% due 12/1/32 | 24,220 | \$ 24,961 | \$ 27,233 |
| 4.5% Due 9/1/2039 | 81,650 | 85,363 | 83,749 |
| 4.5% Due 11/1/2039 | 158,501 | 160,842 | 162,575 |
| 6% Due 1/1/2028 | 38,982 | 40,750 | 42,245 |
| 6% Due 7/1/2033 | 12,478 | 12,757 | 13,713 |
| 6% Due 10/1/2035 | 89,591 | 90,785 | 97,645 |
| Government National Mortgage Association: | | | |
| 6% Due 7/15/2035 | 100,475 | 104,587 | 110,381 |
| Federal National Mortgage Association: | | | |
| 4.5% Due 1/1/2040 | 130,971 | 136,570 | 134,586 |
| 4.5% Due 4/1/2039 | 149,722 | 155,473 | 153,855 |
| 4.5% Due 9/1/2035 | 124,971 | 127,802 | 128,983 |
| 5% Due 10/1/2035 | 77,548 | 78,835 | 81,875 |
| 5% Due 11/1/2023 | 104,960 | 108,431 | 111,405 |
| 5% Due 11/1/2033 | 73,001 | 76,714 | 77,213 |
| 5.5% Due 1/1/2036 | 116,605 | 116,200 | 125,397 |
| 5.5% Due 2/1/2037 | 167,848 | 176,644 | 179,983 |
| 5.5% Due 7/1/2036 | 63,700 | 62,170 | 68,306 |
| 5.5% Due 8/1/2023 | 53,840 | 56,583 | 58,244 |
| 6% Due 4/1/2024 | 107,621 | 108,637 | 118,254 |
| 6% Due 6/1/2016 | 6,899 | 8,084 | 7,510 |
| 6% Due 6/1/2017 | 15,798 | 16,129 | 17,232 |
| 6.5% Due 7/1/2031 | 14,925 | 15,369 | 16,782 |
| Total U.S. Government agency obligations | | 1,763,686 | 1,817,166 |
| <i>U.S. Government obligations:</i> | | | |
| 2 1/2% Due 6/30/2017 | 85,000 | 85,231 | 84,686 |
| 2 3/4% Due 2/15/2019 | 105,000 | 109,882 | 103,646 |
| 2 5/8% Due 11/15/2020 | 60,000 | 59,355 | 56,598 |
| 3 3/8% Due 11/30/2012 | 115,000 | 120,061 | 121,210 |
| 4 1/4% Due 5/15/2039 | 40,000 | 45,019 | 39,408 |
| 5 1/4% Due 2/15/2029 | 100,000 | 119,640 | 114,690 |
| 6 1/4% Due 8/15/2023 | 80,000 | 106,226 | 100,552 |
| Total U.S. Government obligations | | 645,414 | 620,790 |
| Mutual Funds: | | | |
| Old Mutual TS&W Small Cap Fund | 107,204 | 1,924,432 | 1,945,755 |
| TS&W International Equity Fund | 259,593 | 3,687,592 | 3,696,599 |
| Vanguard Total Stock Market Index Fund | 51,727 | 1,408,393 | 1,576,132 |
| Total mutual funds | | 7,020,417 | 7,218,486 |
| Cash held by investment manager | | 297,885 | 297,885 |
| Total investments | | \$20,403,858 | \$23,017,007 |