



BILL & MELINDA GATES FOUNDATION TRUST

Financial Statements

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 900
801 Second Avenue
Seattle, WA 98104

Independent Auditors' Report

The Trustees
Bill & Melinda Gates Foundation Trust:

We have audited the accompanying statements of financial position of the Bill & Melinda Gates Foundation Trust (the Trust) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Trust'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bill & Melinda Gates Foundation Trust as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

May 28, 2010

BILL & MELINDA GATES FOUNDATION TRUST

Statements of Financial Position

December 31, 2009 and 2008

(In thousands)

Assets	2009	2008
Cash	\$ 255,626	305,184
Investments	33,136,308	29,168,525
Investments loaned under secured lending transactions	497,166	1,261,902
Investment sales receivable	87,836	315,595
Interest and dividends receivable	111,330	141,913
Federal current and deferred excise tax receivable	—	44,119
Total assets	<u>\$ 34,088,266</u>	<u>31,237,238</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other accrued liabilities	\$ 1,466	499
Payable under investment loan agreements	507,849	1,295,252
Investment purchases payable	118,664	367,001
Federal current and deferred excise tax payable	20,490	—
Total liabilities	648,469	1,662,752
Net assets – unrestricted	<u>33,439,797</u>	<u>29,574,486</u>
Total liabilities and net assets	<u>\$ 34,088,266</u>	<u>31,237,238</u>

See accompanying notes to financial statements.

BILL & MELINDA GATES FOUNDATION TRUST

Statements of Activities

Years ended December 31, 2009 and 2008

(In thousands)

	<u>2009</u>	<u>2008</u>
Change in net assets:		
Revenues and gains (losses):		
Contributions	\$ 1,752,905	1,982,275
Investment income (loss), net	5,809,084	(7,830,420)
Total revenues and gains (losses)	<u>7,561,989</u>	<u>(5,848,145)</u>
Expenses (benefit):		
Grants to the Bill & Melinda Gates Foundation	3,626,100	3,307,259
Administrative expenses	—	1
Federal excise and other taxes expense (benefit)	70,578	(76,915)
Total expenses, net	<u>3,696,678</u>	<u>3,230,345</u>
Change in net assets	3,865,311	(9,078,490)
Unrestricted net assets, beginning of year	<u>29,574,486</u>	<u>38,652,976</u>
Unrestricted net assets, end of year	<u>\$ 33,439,797</u>	<u>29,574,486</u>

See accompanying notes to financial statements.

BILL & MELINDA GATES FOUNDATION TRUST

Statements of Cash Flows

Years ended December 31, 2009 and 2008

(In thousands)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,865,311	(9,078,490)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Stock contributions	(1,598,771)	(1,799,362)
Net realized and unrealized (gains) losses on investments	(5,268,724)	8,682,167
Changes in operating assets and liabilities:		
Interest and dividends receivable	30,583	58,820
Federal current and deferred excise tax receivable	44,119	(44,119)
Accounts payable and other accrued liabilities	967	(975)
Federal current and deferred excise tax payable	20,490	(81,728)
Net cash used in operating activities	<u>(2,906,025)</u>	<u>(2,263,687)</u>
Cash flows from investing activities:		
Purchases of investments	(211,743,762)	(291,766,418)
Proceeds from sales of investments	214,600,229	293,899,361
Net cash provided by investing activities	<u>2,856,467</u>	<u>2,132,943</u>
Net decrease in cash and cash equivalents	(49,558)	(130,744)
Cash, beginning of year	<u>305,184</u>	<u>435,928</u>
Cash, end of year	<u>\$ 255,626</u>	<u>305,184</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for excise taxes	\$ 5,975	48,706

See accompanying notes to financial statements.

BILL & MELINDA GATES FOUNDATION TRUST

Notes to Financial Statements

December 31, 2009 and 2008

(In thousands)

(1) Organization

The Bill & Melinda Gates Foundation Trust (the Trust) is a charitable trust that holds the donated investment assets from Bill and Melinda Gates, and receives contributions from Warren Buffett. The Trust operates its main office in Seattle, Washington. Bill and Melinda Gates are its Trustees. The primary role of the Trust is to manage the investment assets and transfer proceeds to the Bill & Melinda Gates Foundation (the Foundation) as necessary to achieve the Foundation's charitable goals (see note 8 Related Parties).

(2) Summary of Significant Accounting Policies

(a) *Basis of Financial Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting.

The Trust recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. For the years ended December 31, 2009 and 2008, all activities of the Trust were classified as unrestricted due to the lack of donor-imposed restrictions.

(b) *Cash*

Cash consists of U.S. and foreign currencies.

(c) *Investments*

Investments are stated at fair value. The estimated fair value of investments is based on quoted market prices, except for alternative investments for which quoted market prices are not available. Alternative investments include private equity interests, commingled funds, bonds, notes, and other investments. The estimated fair value of certain alternative investments, such as private equity interests, is based on valuations provided by the general partner. The Trust reviews and evaluates the values provided by the general partner and assesses the valuation methods and assumptions used in determining the fair value of private equity investments. Other alternative investments are valued in a variety of ways including broker quotations and pricing models. Alternative investments make up less than 4% of total investments. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the statement of activities in the period that such fluctuations occur.

Investment sales and purchases are recorded on a trade-date basis, which results in both investment receivables and payables on unsettled investment trades. Dividend income is recorded based upon the ex-dividend date, and interest income is recorded as earned on an accrual basis. Futures, forwards, and options contracts are marked to market with the change reflected in investment income.

BILL & MELINDA GATES FOUNDATION TRUST

Notes to Financial Statements

December 31, 2009 and 2008

(In thousands)

(d) *Fair Value of Financial Instruments*

The Trust adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (ASC 820-10-55), effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Trust would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, and credit risk)
- Level 3 – significant unobservable inputs (including the Trust's own assumptions in determining the fair value of investments)

See note 3, Investments, for a summary of the inputs used as of December 31, 2009 and 2008 in determining the fair value of the Trusts' investments.

(e) *Contributed Services*

Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of contributed services recorded in the accompanying statement of activities, consisting primarily of investment management services donated by Bill Gates, totaled \$154,134 and \$182,914 for the years ended December 31, 2009 and 2008, respectively. Investment management services contributed are reflected as contributions revenue, and as investment management services expense, which is netted against investment income (loss).

(f) *Tax-Exempt Status*

The Trust is exempt from federal income taxes under Section 501(c)(3) and is classified as a private foundation under Section 509(a) of the Internal Revenue Code. The Trust is subject to federal excise taxes as well as federal and state unrelated business income tax. In addition, some investments in foreign countries are subject to foreign income tax.

BILL & MELINDA GATES FOUNDATION TRUST

Notes to Financial Statements

December 31, 2009 and 2008

(In thousands)

(g) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

(h) *Contributions Received*

The Trust receives contributions from related and unrelated parties. Related-party contributions in 2009 and 2008 were received from Warren Buffett and Bill Gates. Warren Buffett contributed Berkshire Hathaway “B” shares valued at \$1,248,770 and \$1,799,362 in 2009 and 2008, respectively. Bill Gates contributed stock of \$350,001 in 2009. In addition, Bill Gates contributed third-party management fees totaling \$34,533 and \$57,239 in 2009 and 2008, respectively, which are a part of the contributed investment management services as described in note 2(e). Contributions from unrelated parties are only accepted by the Trust if they are unrestricted. From time to time, the Trust is notified that it has been named as the beneficiary in the estate of certain individuals under revocable agreements. Such amounts are recorded as contributions upon the passing of the donor and the amounts become irrevocable.

(i) *Reclassifications*

Certain reclassifications have been made to the 2008 balances to conform to the 2009 presentation of investment assets. In 2009, the Trust further clarified its investment categories. These reclassifications had no effect on the change in net assets in 2008 or total net assets at December 31, 2009.

BILL & MELINDA GATES FOUNDATION TRUST

Notes to Financial Statements

December 31, 2009 and 2008

(In thousands)

(3) Investments

At December 31, 2009 and 2008, the Trust's investments consist of the following:

	<u>2009</u>	<u>2008</u>
Cash equivalents	\$ 303,538	710,003
Equities:		
Consumer goods	3,367,368	2,539,331
Energy	567,689	452,947
Financials	6,120,648	5,074,415
Healthcare	243,167	1,792,849
Industrials	2,577,722	1,631,753
Information technology	501,593	396,938
Materials	396,501	249,742
Telecommunications and utilities	426,437	437,516
Commingled and other	686,290	1,153,562
Debt:		
U.S. government securities	10,724,735	7,706,486
U.S. municipals	4,214	8,025
Foreign government securities	2,530,136	2,989,323
Corporate debt securities	2,718,079	2,280,739
Mortgage-backed securities	710,899	608,526
Other debt securities	474,936	1,098,424
Derivative contracts	104,894	198,526
Private investments	<u>1,174,628</u>	<u>1,101,322</u>
	33,633,474	30,430,427
Less investments loaned under secured lending transactions	<u>(497,166)</u>	<u>(1,261,902)</u>
Total investments	<u>\$ 33,136,308</u>	<u>29,168,525</u>

ASC Subtopic 820-10 allows for the use of a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Trust to value private investments is the NAV per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. Valuations provided by fund administrators consider variables such as the financial performance of underlying investments, recent sales prices of underlying investments and other pertinent information. In addition, actual market exchanges at year-end provide additional observable market inputs of the exit price. The Trust reviews valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

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Notes to Financial Statements

December 31, 2009 and 2008

(In thousands)

Investment income (loss) comprises the following for the years ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Interest and dividend income	\$ 714,757	1,060,307
Net realized and unrealized gains (losses) on investments	5,268,724	(8,682,167)
Investment expenses:		
Contributed investment management expenses (note 2(e))	(154,134)	(182,914)
Third-party investment management and custodian fees and other expenses	<u>(20,263)</u>	<u>(25,646)</u>
Investment income (loss), net	<u>\$ 5,809,084</u>	<u>(7,830,420)</u>

The following is a summary of the inputs used as of December 31, 2009 in valuing the Trust's investments carried at fair value:

	<u>December 31, 2009</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Cash equivalents	\$ 303,538	303,538	—	—
Equities:				
Consumer goods	3,367,368	3,367,368	—	—
Energy	567,689	567,035	—	654
Financials	6,120,648	6,120,648	—	—
Healthcare	243,167	243,167	—	—
Industrials	2,577,722	2,577,718	—	4
Information technology	501,593	501,593	—	—
Materials	396,501	396,501	—	—
Telecommunications and utilities	426,437	426,437	—	—
Commingled and other	686,290	594,757	82,150	9,383
Debt:				
U.S. government securities	10,227,569	9,393,588	830,935	3,046
U.S. municipals	4,214	—	4,214	—
Foreign government securities	2,530,136	—	2,530,136	—
Corporate debt securities	2,718,079	—	2,711,205	6,874
Mortgage-backed securities	710,899	—	703,194	7,705
Other debt securities	474,936	—	427,380	47,556
Derivative contracts	104,894	(653)	105,547	—
Private investments	1,174,628	—	374,839	799,789
	<u>\$ 33,136,308</u>	<u>24,491,697</u>	<u>7,769,600</u>	<u>875,011</u>

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Notes to Financial Statements

December 31, 2009 and 2008

(In thousands)

U.S. government securities in the above table is net of investments loaned under secured lending transactions of \$497,166, of which \$487,414 related to level 1 assets and \$9,752 related to level 2 assets.

The following is a summary of the inputs used as of December 31, 2008 in valuing the Trust's investments carried at fair value:

	December 31, 2008	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	\$ 710,003	710,003	—	—
Equities:				
Consumer goods	2,539,331	2,539,094	237	—
Energy	452,947	452,947	—	—
Financials	5,074,415	5,073,899	—	516
Healthcare	1,792,849	1,792,849	—	—
Industrials	1,631,753	1,631,753	—	—
Information technology	396,938	396,938	—	—
Materials	249,742	249,414	—	328
Telecommunications and utilities	437,516	437,516	—	—
Commingled and other	1,153,562	524,057	510,016	119,489
Debt:				
U.S. government securities	6,595,811	2,575,085	4,017,884	2,842
U.S. municipals	8,025	—	3,025	5,000
Foreign government securities	2,838,096	25,908	2,812,188	—
Corporate debt securities	2,280,739	—	2,247,648	33,091
Mortgage-backed securities	608,526	—	607,153	1,373
Other debt securities	1,098,424	1,177	1,096,227	1,020
Derivative contracts	198,526	(4,915)	203,441	—
Private investments	1,101,322	—	357,296	744,026
	<u>\$ 29,168,525</u>	<u>16,405,725</u>	<u>11,855,115</u>	<u>907,685</u>

Government securities in the above table are net of investments loaned under secured lending transactions of \$1,261,902, of which \$1,106,930 related to level 1 U.S. government securities, \$151,227 related to level 2 foreign government securities, and \$3,745 related to level 2 U.S. government securities.

BILL & MELINDA GATES FOUNDATION TRUST

Notes to Financial Statements

December 31, 2009 and 2008

(In thousands)

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value for 2009 and 2008 respectively:

	<u>Balance as of December 31, 2008</u>	<u>Total realized and unrealized gains (losses)</u>	<u>Purchases and (settlements)</u>	<u>Net transfers in</u>	<u>Balance as of December 31, 2009</u>
Equities:					
Consumer goods	\$ —	(438)	(546)	984	—
Energy	—	(9,154)	9,808	—	654
Financials	516	(220)	(296)	—	—
Industrials	—	—	4	—	4
Materials	328	(328)	—	—	—
Commingled and other	119,489	4,697	(114,892)	89	9,383
Debt:					
U.S. government securities	2,842	204	—	—	3,046
U.S. municipals	5,000	(3)	(4,997)	—	—
Corporate debt securities	33,091	2,715	(17,504)	(11,428)	6,874
Mortgage-backed securities	1,373	2,401	4,490	(559)	7,705
Other debt securities	1,020	(4,587)	50,076	1,047	47,556
Private investments	744,026	(8,612)	5,222	59,153	799,789
	<u>\$ 907,685</u>	<u>(13,325)</u>	<u>(68,635)</u>	<u>49,286</u>	<u>875,011</u>

Note: unrealized gains included in investment income related to Level 3 assets held as of December 31, 2009 totaled \$10,403.

	<u>Balance as of December 31, 2007</u>	<u>Total realized and unrealized gains (losses)</u>	<u>Purchases and (settlements)</u>	<u>Net transfers in</u>	<u>Balance as of December 31, 2008</u>
Equities:					
Consumer goods	\$ 744	(744)	—	—	—
Financials	—	(12,586)	12,682	420	516
Materials	328	—	—	—	328
Commingled and other	13,848	1,013	104,628	—	119,489
Debt:					
U.S. government securities	—	197	2,645	—	2,842
U.S. municipals	4,975	—	25	—	5,000
Corporate debt securities	29,245	82,295	(78,449)	—	33,091
Mortgage-backed securities	6,112	(4,097)	(1,040)	398	1,373
Other debt securities	363	(259)	414	502	1,020
Derivative contracts	(738)	626	112	—	—
Private investments	587,376	(114,930)	271,580	—	744,026
	<u>\$ 642,253</u>	<u>(48,485)</u>	<u>312,597</u>	<u>1,320</u>	<u>907,685</u>

BILL & MELINDA GATES FOUNDATION TRUST

Notes to Financial Statements

December 31, 2009 and 2008

(In thousands)

Note: unrealized gains included in investment income related to Level 3 assets held as of December 31, 2008 totaled \$73,893.

(4) Securities Lending

The Trust participates in securities lending transactions with a third-party investment company whereby the Trust lends certain investments in exchange for a premium. Under the terms of its securities lending agreement, the Trust requires collateral of a value at least equal to 102% of the fair value of the loaned investments and accrued interest, if any. The Trust maintains effective control of the loaned investments during the term of the agreement, in that they may be redeemed prior to the agreement's maturity. Upon the maturity of the agreement, the borrower must return the same, or substantially the same, investments that were borrowed. The principal risks to the Trust of securities lending are that the yield earned on the collateral is insufficient to cover the rebate owed to the borrower, and that an investment purchased via the collateral reinvestment process becomes impaired. As of December 31, 2009, amounts received as collateral and reinvested in other investments decreased \$34,269 as a result of unrealized losses due to market declines, bringing the total value to \$473,580. Investments loaned under secured lending transactions totaled \$497,166 and \$1,261,902 as of December 31, 2009 and 2008, respectively.

Amounts received as collateral totaled \$507,849 and \$1,295,252 as of December 31, 2009 and 2008, respectively. Amounts received as collateral are included in investments and as a payable under investment loan agreements in the accompanying statements of financial position.

(5) Derivative Financial Instruments

In the normal course of business, the Trust uses various financial instruments, including derivative financial instruments, in an effort to manage exposure on long-term investments.

In order to manage price and interest rate risk associated with investing activities, the Trust primarily uses a combination of forward contracts and futures. Under these instruments, the Trust agrees to the future delivery of a currency or security, on an agreed-upon date, and at an agreed-upon price. These contracts are entered into with the intent of minimizing the Trust's economic exposure to adverse fluctuations in financial or currency markets and to reduce interest rate risk.

The Trust also enters into derivative instruments for speculative and other purposes, including income enhancement and as an alternative to ownership of the underlying asset. Specifically, written options and forward contracts are used for enhancing returns on other investments and as an alternative to ownership.

All of the Trust's derivative instrument positions are marked to current value as a component of investment income.

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Notes to Financial Statements

December 31, 2009 and 2008

(In thousands)

The net notional and fair values of forward contracts, futures, options, and swaps as of December 31, 2009 and 2008 are as follows:

	2009		2008	
	Notional value	Fair value	Notional value	Fair value
Forward contracts	\$ 15,647,781	(11,348)	16,742,493	232,204
Futures	(136,067)	—	2,042,725	—
Options	13,772,838	133,467	11,544	(3,875)
Swaps	18,615	(17,225)	21,615	(29,803)
		<u>\$ 104,894</u>		<u>\$ 198,526</u>

All notional amounts have been translated to and aggregated in U.S. dollars.

The Trust's derivative instruments involve varying degrees of risk of loss in excess of the amount recognized in the statement of financial position, arising either from potential changes in market prices or the possible inability of counterparties to meet the terms of their contracts. The Trust monitors the financial condition of the firms used for these contracts in order to minimize the risk of loss. Management believes the Trust's use of derivatives does not result in credit or market risk that would materially affect the Trust's financial statements.

(6) Federal Excise Taxes

The Trust is subject to federal excise taxes imposed on private foundations at 2%, or at 1% if certain conditions are met. The excise tax is imposed on net investment income, as defined under federal law, which includes interest, dividends, and net realized gains on the sale of investments. The Trust qualified for a 1% excise tax rate for the years ended December 31, 2009 and 2008. The current portion of excise tax expense is \$26,424 and \$16,680 for the years ended December 31, 2009 and 2008, respectively.

The Trust made provisions for deferred excise taxes, which were recorded at the 1% excise tax rate in 2009 and 2008. Deferred excise tax expense (credit) was \$44,160 and \$(93,822) for the years ended December 31, 2009 and 2008, respectively, resulting from net unrealized losses and gains on investments, respectively. Additionally, UBIT refunds of \$6 were recognized in 2009.

(7) Commitments and Contingencies

Legal Matters

In the ordinary course of business, the Trust is subject to certain legal actions. In the opinion of management, such matters will not have a material effect on the financial position of the Trust.

(8) Related Parties

The Trust holds and invests assets to fund a related party, the Bill & Melinda Gates Foundation (the Foundation). The Trust makes annual grants to the Foundation as necessary to carry out the

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(In thousands)

Foundation's charitable goals. Neither entity controls the other; however, they share two trustees in common. In 2009 and 2008, the Trust made grants to the Foundation totaling \$3,626,100 and \$3,307,259, respectively.

(9) Conditional Pledge Receivable

The Trust recognizes conditional promises to give as revenues when the conditions are met. On June 26, 2006, Warren Buffett, a Trustee of the Foundation, pledged to the Trust ten million shares of Berkshire Hathaway "B" shares. The shares will be transferred in annual gifts of 5% of the balance of the earmarked shares. Contributions from Mr. Buffett in 2009 and in prior years are as follows:

Date	Berkshire Hathaway "B" shares contributed	
	Shares	Value
July 1, 2009	429	\$ 1,248,770
July 1, 2008	451	1,799,362
July 9, 2007	475	1,763,414
August 24, 2006	500	1,603,000
Total to date	1,855	\$ 6,414,546

Share amounts in the above table are prior to the January 21, 2010 stock split.

Although Mr. Buffett did not designate any significant restrictions on the use of the contributions, he did place three conditions on his remaining pledge:

- (1) At least one of Bill or Melinda Gates must remain alive and active in the policy-setting and administration of the Foundation.
- (2) The Trust must continue to satisfy legal requirements qualifying his gift as charitable and not subject to gift or other taxes.
- (3) The value of his annual gift must be fully additive to the spending required by the Internal Revenue Service Code (i.e., approximately 5% of the Trust's net assets). The additional spending required as a condition of the gift will be based on the prior year's contribution.

As this gift is conditional and the conditions cannot be satisfied in advance of each year's installment of the gift, a receivable for the remaining contribution has not been reflected in the financial statements. Rather, future contribution income will be recognized in annual installments as the conditions of the gift are met.

(10) Subsequent Events

Effective December 31, 2009, the Trust adopted SFAS No. 165, *Subsequent Events* (ASC 855-10), which establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The Trust evaluated subsequent events from December 31, 2009 through May 28, 2010, the date on which the financial statements were available to be issued.