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Form **990-PF**

Return of Private Foundation

or Section 4947(a)(1) Nonexempt Charitable Trust

Treated as a Private Foundation

OMB No 1545-0052

Department of the Treasury
Internal Revenue Service

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

2009

For calendar year 2009, or tax year beginning

, 2009, and ending

, 20

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

| | | | |
|---|--|---|---|
| Use the IRS label. Otherwise, print or type. See Specific Instructions. | Name of foundation THE PALETTE FUND, INC. | | A Employer identification number 26-2736653 |
| | Number and street (or P O box number if mail is not delivered to street address) | Room/suite | B Telephone number (see page 10 of the instructions) |
| | 149 FIFTH AVENUE | 7TH FL | |
| | City or town, state, and ZIP code NEW YORK, NY 10010 | | |
| H Check type of organization: <input checked="" type="checkbox"/> Section 501(c)(3) exempt private foundation <input type="checkbox"/> Section 4947(a)(1) nonexempt charitable trust <input type="checkbox"/> Other taxable private foundation | | | |
| I Fair market value of all assets at end of year (from Part II, col. (c), line 16) ▶ \$ 13,703,527 | | J Accounting method: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) _____ | |
| | | E If private foundation status was terminated under section 507(b)(1)(A), check here <input type="checkbox"/> F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here <input type="checkbox"/> | |

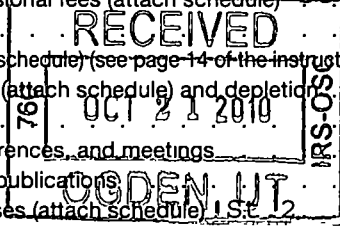
| Part I Analysis of Revenue and Expenses (The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see page 11 of the instructions).) | | (a) Revenue and expenses per books | (b) Net investment income | (c) Adjusted net income | (d) Disbursements for charitable purposes (cash basis only) |
|--|---|------------------------------------|---------------------------|-------------------------|---|
| Revenue | 1 Contributions, gifts, grants, etc., received (attach schedule) | 11,738,303 | | | |
| | 2 Check <input type="checkbox"/> if the foundation is not required to attach Sch. B | | | | |
| | 3 Interest on savings and temporary cash investments | 3,055 | 3,055 | | |
| | 4 Dividends and interest from securities | 127,378 | 127,378 | | |
| | 5a Gross rents | | | | |
| | b Net rental income or (loss) | | | | |
| | 6a Net gain or (loss) from sale of assets not on line 10 | 80,606 | | | |
| | b Gross sales price for all assets on line 6a 1,851,202 | | | | |
| | 7 Capital gain net income (from Part IV, line 2) | | 80,606 | | |
| | 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 | 11,949,342 | 211,039 | | | |
| Operating and Administrative Expenses | 13 Compensation of officers, directors, trustees, etc. | 23,077 | | | 23,077 |
| | 14 Other employee salaries and wages | | | | |
| | 15 Pension plans, employee benefits | | | | |
| | 16a Legal fees (attach schedule) | 2,819 | | | 2,819 |
| | b Accounting fees (attach schedule) | | | | |
| | c Other professional fees (attach schedule) St. 1 | 147,031 | | | 147,031 |
| | 17 Interest | | | | |
| | 18 Taxes (attach schedule) (see page 14 of the instructions) | 2,542 | | | 42 |
| | 19 Depreciation (attach schedule) and depletion | | | | |
| | 20 Occupancy | 10,800 | | | 10,800 |
| | 21 Travel, conferences, and meetings | 8,169 | | | 8,169 |
| | 22 Printing and publications | 5,273 | | | 5,273 |
| | 23 Other expenses (attach schedule) St. 2 | 52,284 | 34,081 | | 18,191 |
| | 24 Total operating and administrative expenses. Add lines 13 through 23 | 251,995 | 34,081 | | 215,402 |
| 25 Contributions, gifts, grants paid | 179,290 | | | 179,290 | |
| 26 Total expenses and disbursements. Add lines 24 and 25 | 431,285 | 34,081 | | 394,692 | |
| 27 Subtract line 26 from line 12: | | | | | |
| a Excess of revenue over expenses and disbursements | 11,518,057 | | | | |
| b Net investment income (if negative, enter -0-) | | 176,958 | | | |
| c Adjusted net income (if negative, enter -0-) | | | | | |

For Privacy Act and Paperwork Reduction Act Notice, see page 30 of the instructions.

Cat. No. 11289X

Form 990-PF (2009)

SCANNED OCT 27 2010



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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 | End of year | |
|------------------------------------|---|--|-------------------|----------------|-----------------------|
| | | | (a) Book Value | (b) Book Value | (c) Fair Market Value |
| Assets | 1 Cash—non-interest-bearing | | 2,820 | 26,630 | 26,630 |
| | 2 Savings and temporary cash investments | | 1,447,942 | 6,377,162 | 6,377,162 |
| | 3 Accounts receivable ▶ Accrued interest | | | | |
| | Less: allowance for doubtful accounts ▶ | | 4,253 | 0 | 0 |
| | 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 page 16 of the instructions) | | | | |
| | 7 Other notes and loans receivable (attach schedule) ▶ | | | | |
| | Less: allowance for doubtful accounts ▶ | | | | |
| | 8 Inventories for sale or use | | | | |
| | 9 Prepaid expenses and deferred charges | | | | |
| | 10a Investments—U.S. and state government obligations (attach schedule) | | | | |
| | b Investments—corporate stock (attach schedule) <i>St.</i> 3 | | | 1,657,025 | 1,892,494 |
| | c Investments—corporate bonds (attach schedule) <i>St.</i> 4 | | | 4,514,528 | 4,657,241 |
| | 11 Investments—land, buildings, and equipment: basis ▶ | | | | |
| Liabilities | Less: accumulated depreciation (attach schedule) ▶ | | | | |
| | 12 Investments—mortgage loans | | | | |
| | 13 Investments—other (attach schedule) <i>St.</i> 5 | | 351,776 | 750,000 | 750,000 |
| | 14 Land, buildings, and equipment: basis ▶ | | | | |
| | Less: accumulated depreciation (attach schedule) ▶ | | | | |
| | 15 Other assets (describe ▶ Sundry) | | 500 | 0 | 0 |
| | 16 Total assets (to be completed by all filers—see the instructions. Also, see page 1, item I) | | 1,807,291 | 13,325,345 | 13,703,527 |
| | 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) | | | | |
| Net Assets or Fund Balances | Foundations that follow SFAS 117, check here ▶ <input type="checkbox"/> 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, check here ▶ <input type="checkbox"/> and complete lines 27 through 31. | | | | |
| | 27 Capital stock, trust principal, or current funds | | 1,807,291 | 13,325,345 | |
| | 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 page 17 of the instructions) | | 1,807,291 | 13,325,345 | |
| | 31 Total liabilities and net assets/fund balances (see page 17 of the instructions) | | 1,807,291 | 13,325,345 | |

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 | 1,807,291 |
| 2 Enter amount from Part I, line 27a | 2 | 11,518,057 |
| 3 Other increases not included in line 2 (itemize) ▶ | 3 | |
| 4 Add lines 1, 2, and 3 | 4 | 13,325,348 |
| 5 Decreases not included in line 2 (itemize) ▶ Rounding | 5 | 3 |
| 6 Total net assets or fund balances at end of year (line 4 minus line 5)—Part II, column (b), line 30 | 6 | 13,325,348 |

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 Statement 6 | | | | |
| 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 | | | | |
| b | | | | |
| c | | | | |
| d | | | | |
| e | | | | |
| Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69 | | | | |
| (i) FMV 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 | | | | |
| 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 | 80,606 |
| 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 pages 13 and 17 of the 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

(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.

| (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)) |
|--|---------------------------------------|---|--|
| 2008 | 35,665 | 616,454 | 0.057855 |
| 2007 | | | |
| 2006 | | | |
| 2005 | | | |
| 2004 | | | |
| 2 Total of line 1, column (d) | | | 2 0.057855 |
| 3 Average distribution ratio for the 5-year base period—divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years | | | 3 0.057855 |
| 4 Enter the net value of noncharitable-use assets for 2009 from Part X, line 5 | | | 4 7,324,506 |
| 5 Multiply line 4 by line 3 | | | 5 423,759 |
| 6 Enter 1% of net investment income (1% of Part I, line 27b) | | | 6 1,770 |
| 7 Add lines 5 and 6 | | | 7 425,529 |
| 8 Enter qualifying distributions from Part XII, line 4 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 on page 18. | | | 8 394,692 |

Part VI Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948—see page 18 of the instructions)

| | | | | |
|-----------|---|-----------|-------|-------|
| 1a | Exempt operating foundations described in section 4940(d)(2), check here <input type="checkbox"/> and enter "N/A" on line 1. Date of ruling or determination letter: _____ (attach copy of letter if necessary—see instructions) | | | |
| b | Domestic foundations that meet the section 4940(e) requirements in Part V, check here <input type="checkbox"/> and enter 1% of Part I, line 27b | 1 | | 3,539 |
| 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 | | 3,539 |
| 4 | Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-) | 4 | | |
| 5 | Tax based on investment income. Subtract line 4 from line 3. If zero or less, enter -0- | 5 | | 3,539 |
| 6 | Credits/Payments: | | | |
| a | 2009 estimated tax payments and 2008 overpayment credited to 2009 | 6a | 2,420 | |
| b | Exempt foreign organizations—tax withheld at source | 6b | | |
| c | Tax paid with application for extension of time to file (Form 8868) | 6c | 3,500 | |
| d | Backup withholding erroneously withheld | 6d | | |
| 7 | Total credits and payments. Add lines 6a through 6d | 7 | | 5,920 |
| 8 | Enter any penalty for underpayment of estimated tax. Check here <input type="checkbox"/> if Form 2220 is attached | 8 | | |
| 9 | Tax due. If the total of lines 5 and 8 is more than line 7, enter amount owed | 9 | | |
| 10 | Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid | 10 | | 2,381 |
| 11 | Enter the amount of line 10 to be: Credited to 2010 estimated tax 2,381 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? | | ✓ |
| b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see page 19 of the instructions for definition)? <i>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.</i> | | ✓ |
| c Did the foundation file Form 1120-POL for this year? | | ✓ |
| 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? <i>If "Yes," attach a detailed description of the activities</i> | | ✓ |
| 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? <i>If "Yes," attach a conformed copy of the changes</i> | | ✓ |
| 4a Did the foundation have unrelated business gross income of \$1,000 or more during the year? | | ✓ |
| b If "Yes," has it filed a tax return on Form 990-T for this year? | N | A |
| 5 Was there a liquidation, termination, dissolution, or substantial contraction during the year? <i>If "Yes," attach the statement required by General Instruction T.</i> | | ✓ |
| 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? | ✓ | |
| 7 Did the foundation have at least \$5,000 in assets at any time during the year? <i>If "Yes," complete Part II, col. (c), and Part XV</i> | ✓ | |
| 8a Enter the states to which the foundation reports or with which it is registered (see page 19 of the instructions) ▶ <u>New York</u> | | |
| 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 <i>General Instruction G</i> ? <i>If "No," attach explanation</i> | ✓ | |
| 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 2009 or the taxable year beginning in 2009 (see instructions for Part XIV on page 27)? <i>If "Yes," complete Part XIV</i> | | ✓ |
| 10 Did any persons become substantial contributors during the tax year? <i>If "Yes," attach a schedule listing their names and addresses</i> | | ✓ |

Part VII-A Statements Regarding Activities (continued)

| | | | | |
|-----------|--|-----------|---|---|
| 11 | At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," attach schedule (see page 20 of the instructions) | 11 | | ✓ |
| 12 | Did the foundation acquire a direct or indirect interest in any applicable insurance contract before August 17, 2008? | 12 | | ✓ |
| 13 | Did the foundation comply with the public inspection requirements for its annual returns and exemption application? | 13 | ✓ | |

Website address ► www.thepalettefund.org

14 The books are in care of ► Terrence Meck Telephone no. ► 646-861-3292
 Located at ► 149 Fifth Avenue, 7th Floor ZIP+4 ► 10010

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**

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required

File Form 4720 if any item is checked in the "Yes" column, unless an exception applies.

| | Yes | No |
|--|-----------|-----|
| 1a During the year did the foundation (either directly or indirectly): | | |
| (1) Engage in the sale or exchange, or leasing of property with a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| (2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| (3) Furnish goods, services, or facilities to (or accept them from) a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| (4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| (5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| (6) Agree to pay money or property to a government official? (Exception. Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| b If any answer is "Yes" to 1a(1)–(6), did any of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance (see page 20 of the instructions)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1b | N A |
| Organizations relying on a current notice regarding disaster assistance check here <input type="checkbox"/> | | |
| 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 2009? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1c | ✓ |
| 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 2009, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2009? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| If "Yes," list the years ► 20____, 20____, 20____, 20____ | | |
| b Are there any years listed in 2a for which the foundation is not applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to all years listed, answer "No" and attach statement—see page 20 of the instructions.) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2b | N A |
| c If the provisions of section 4942(a)(2) are being applied to any of the years listed in 2a, list the years here. ► 20____, 20____, 20____, 20____ | | |
| 3a Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| b If "Yes," did it have excess business holdings in 2009 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 2009.) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3b | N A |
| 4a Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes? | 4a | ✓ |
| 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 2009? | 4b | ✓ |

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

5a During the year did the foundation pay or incur any amount to:

(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))? ☐ Yes ☒ No

(2) Influence the outcome of any specific public election (see section 4955); or to carry on, directly or indirectly, any voter registration drive? ☐ Yes ☒ No

(3) Provide a grant to an individual for travel, study, or other similar purposes? ☐ Yes ☒ No

(4) Provide a grant to an organization other than a charitable, etc., organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)? (see page 22 of the 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 page 22 of the instructions)? **5b** N A

Organizations relying on a current notice regarding disaster assistance check here ☐

c If the answer is "Yes" to question 5a(4), does the foundation claim exemption from the tax because it maintained expenditure responsibility for the grant? ☐ 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.

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** N A

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors**1 List all officers, directors, trustees, foundation managers and their compensation (see page 22 of the 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 |
|--|---|---|---|---------------------------------------|
| Terrence Meck 35 Bethune Street, New York, NY | President - 20 | 23,077 | 0 | 0 |
| Peter Benassi 9480 Beverly Crest Drive, Beverly Hills, CA | Director - 2 | 0 | 0 | 0 |
| | | | | |
| | | | | |

2 Compensation of five highest-paid employees (other than those included on line 1—see page 23 of the instructions). If none, enter "NONE."

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

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

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 page 23 of the instructions). If none, enter "NONE."

| (a) Name and address of each person paid more than \$50,000 | (b) Type of service | (c) Compensation |
|--|---------------------|------------------|
| None | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total number of others receiving over \$50,000 for professional services | | ▶ |

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 | |
| 2 | |
| 3 | |
| 4 | |

Part IX-B Summary of Program-Related Investments (see page 24 of the instructions)

| Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2 | Amount |
|--|--------|
| 1 | |
| 2 | |
| All other program-related investments. See page 24 of the instructions | |
| 3 | |
| Total. Add lines 1 through 3 | ▶ |

Part X Minimum Investment Return (All domestic foundations must complete this part. Foreign foundations, see page 24 of the 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 | 6,671,322 |
| b | Average of monthly cash balances | 1b | 14,725 |
| c | Fair market value of all other assets (see page 24 of the instructions) | 1c | 750,000 |
| d | Total (add lines 1a, b, and c) | 1d | 7,436,047 |
| 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 | |
| 3 | Subtract line 2 from line 1d | 3 | 7,436,047 |
| 4 | Cash deemed held for charitable activities. Enter 1 1/2 % of line 3 (for greater amount, see page 25 of the instructions) | 4 | 111,541 |
| 5 | Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4 | 5 | 7,324,506 |
| 6 | Minimum investment return. Enter 5% of line 5 | 6 | 366,225 |

Part XI Distributable Amount (see page 25 of the 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 | 366,225 |
| 2a | Tax on investment income for 2009 from Part VI, line 5 | 2a | 3,539 |
| b | Income tax for 2009. (This does not include the tax from Part VI.) | 2b | |
| c | Add lines 2a and 2b | 2c | 3,539 |
| 3 | Distributable amount before adjustments. Subtract line 2c from line 1 | 3 | 362,686 |
| 4 | Recoveries of amounts treated as qualifying distributions | 4 | |
| 5 | Add lines 3 and 4 | 5 | 362,686 |
| 6 | Deduction from distributable amount (see page 25 of the instructions) | 6 | |
| 7 | Distributable amount as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1 | 7 | 362,686 |

Part XII Qualifying Distributions (see page 25 of the 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 | 394,692 |
| b | Program-related investments—total from Part IX-B | 1b | |
| 2 | Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes | 2 | |
| 3 | Amounts set aside for specific charitable projects that satisfy the: | | |
| a | Suitability test (prior IRS approval required) | 3a | |
| b | Cash distribution test (attach the required schedule) | 3b | |
| 4 | Qualifying distributions. Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4 | 4 | 394,692 |
| 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 page 26 of the instructions) | 5 | |
| 6 | Adjusted qualifying distributions. Subtract line 5 from line 4 | 6 | 394,692 |

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 page 26 of the instructions)

| | (a) Corpus | (b) Years prior to 2008 | (c) 2008 | (d) 2009 |
|---|---------------|----------------------------|-------------|----------------|
| 1 Distributable amount for 2009 from Part XI, line 7 | | | | 362,686 |
| 2 Undistributed income, if any, as of the end of 2009: | | | | |
| a Enter amount for 2008 only | | | 0 | |
| b Total for prior years: 20 __, 20 __, 20 __ | | 0 | | |
| 3 Excess distributions carryover, if any, to 2009: | | | | |
| a From 2004 | | | | |
| b From 2005 | | | | |
| c From 2006 | | | | |
| d From 2007 | | | | |
| e From 2008 4,922 | | | | |
| f Total of lines 3a through e | 4,922 | | | |
| 4 Qualifying distributions for 2009 from Part XII, line 4: ► \$ 394,692 | | | | |
| a Applied to 2008, but not more than line 2a | | | 0 | |
| b Applied to undistributed income of prior years (Election required—see page 26 of the instructions) | | 0 | | |
| c Treated as distributions out of corpus (Election required—see page 26 of the instructions) | 0 | | | |
| d Applied to 2009 distributable amount | | | | 362,686 |
| e Remaining amount distributed out of corpus | 32,006 | | | |
| 5 Excess distributions carryover applied to 2009 (If an amount appears in column (d), the same amount must be shown in column (a).) | 0 | | | 0 |
| 6 Enter the net total of each column as indicated below: | | | | |
| a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5 | 36,928 | | | |
| b Prior years' undistributed income. Subtract line 4b from line 2b | | 0 | | |
| c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed | | 0 | | |
| d Subtract line 6c from line 6b. Taxable amount—see page 27 of the instructions | | 0 | | |
| e Undistributed income for 2008. Subtract line 4a from line 2a. Taxable amount—see page 27 of the instructions | | | 0 | |
| f Undistributed income for 2009. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2010 | | | | 0 |
| 7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see page 27 of the instructions) | 0 | | | |
| 8 Excess distributions carryover from 2004 not applied on line 5 or line 7 (see page 27 of the instructions) | 0 | | | |
| 9 Excess distributions carryover to 2010. Subtract lines 7 and 8 from line 6a | 36,928 | | | |
| 10 Analysis of line 9: | | | | |
| a Excess from 2005 | | | | |
| b Excess from 2006 | | | | |
| c Excess from 2007 | | | | |
| d Excess from 2008 4,922 | | | | |
| e Excess from 2009 32,006 | | | | |

Part XIV Private Operating Foundations (see page 27 of the instructions and Part VII-A, question 9)

1a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2009, 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 | | | (e) Total |
|--|----------|---------------|----------|----------|-----------|
| | (a) 2009 | (b) 2008 | (c) 2007 | (d) 2006 | |
| 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 page 28 of the 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).)

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.

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

Check here ☒ if the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds. If the foundation makes gifts, grants, etc. (see page 28 of the instructions) to individuals or organizations under other conditions, complete items 2a, b, c, and d.

a The name, address, and telephone number 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 Statement 7 | | | | |
| Total | | | ▶ 3a | 179,290 |
| b Approved for future payment None | | | | |
| Total | | | ▶ 3b | 0 |

Part XVI-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated.

| Enter gross amounts unless otherwise indicated. | | Unrelated business income | | Excluded by section 512, 513, or 514 | | (e) Related or exempt function income (See page 28 of the instructions) |
|---|--|---------------------------|---------------|--------------------------------------|---------------|--|
| | | (a) Business code | (b) Amount | (c) Exclusion code | (d) Amount | |
| 1 | Program service revenue: | | | | | |
| a | _____ | | | | | |
| b | _____ | | | | | |
| c | _____ | | | | | |
| d | _____ | | | | | |
| e | _____ | | | | | |
| f | _____ | | | | | |
| g | Fees and contracts from government agencies | | | | | |
| 2 | Membership dues and assessments | | | | | |
| 3 | Interest on savings and temporary cash investments | | | 14 | 3,055 | |
| 4 | Dividends and interest from securities | | | 14 | 127,378 | |
| 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 | 80,606 | |
| 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) | | | | 211,039 | |
| 13 | Total. Add line 12, columns (b), (d), and (e) | | | | 13 | 211,039 |

(See worksheet in line 13 instructions on page 28 to verify calculations.)

Part XVI-B Relationship of Activities to the Accomplishment of Exempt Purposes

[illegible]

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

[illegible]



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 |
|--------------------------|--------------------------|---------------------------------|
| | | |
| | | |
| | | |
| | | |
| | | |

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 or fiduciary) is based on all information of which preparer has any knowledge.

Sign Here

| | | | | | | |
|---|---|--|----------------------|--|---|--|
| Paid Preparer's Use Only | Signature of officer or trustee  | | Date 10/13/10 | | Title _____ | |
| | Preparer's signature  | | Date 10/12/10 | | Check if self-employed <input type="checkbox"/> | |
| Firm's name (for yours if self-employed), address, and ZIP code | | GEORGE V. DELSON ASSOCIATES 885 SECOND AVENUE, NEW YORK, NY 10017 | | | EIN 13-2842281 Phone no. _____ | |

Schedule B
(Form 990, 990-EZ,
or 990-PF)

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

► Attach to Form 990, 990-EZ, or 990-PF.

OMB No 1545-0047

2009

Name of the organization

THE PALETTE FUND, INC.

Employer identification number

26 : 2736653

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

- ☐ 501(c)() (enter number) organization
- ☐ 4947(a)(1) nonexempt charitable trust **not** treated as a private foundation
- ☐ 527 political organization

Form 990-PF

- ☒ 501(c)(3) exempt private foundation
- ☐ 4947(a)(1) nonexempt charitable trust treated as a private foundation
- ☐ 501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**.

Note. Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

General Rule

- ☒ For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II.

Special Rules

- ☐ For a section 501(c)(3) organization filing Form 990 or 990-EZ that met the 33⅓% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), and received from any one contributor, during the year, a contribution of the greater of (1) \$5,000 or (2) 2% of the amount on (i) Form 990, Part VIII, line 1h or (ii) Form 990-EZ, line 1. Complete Parts I and II.
- ☐ For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, aggregate contributions of more than \$1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. Complete Parts I, II, and III.
- ☐ For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions for use *exclusively* for religious, charitable, etc., purposes, but these contributions did not aggregate to more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Do not complete any of the parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc., contributions of \$5,000 or more during the year ► \$

Caution. An organization that is not covered by the General Rule and/or the Special Rules does not file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2 of its Form 990, or check the box on line H of its Form 990-EZ, or on line 2 of its Form 990-PF, to certify that it does not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

Name of organization
THE PALETTE FUND, INC.

Employer identification number
26 : 2736653

Part I Contributors (see instructions)

| (a) No. | (b) Name, address, and ZIP + 4 | (c) Aggregate contributions | (d) Type of contribution |
|------------|---|--------------------------------|---|
| | Estate of Rand Skolnick Terrence Meck, Executor, 35 Bethune Street New York, NY 10014 | \$ 11,735,753 | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| | | \$ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| | | \$ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| | | \$ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| | | \$ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| | | \$ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| | | \$ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |

THE PALETTE FUND
26-2736653
2009 FORM 990-PF

STATEMENT 1

Part I Line 16 (c)(a)
Other Professional Fees

| | |
|------------|---------|
| Consulting | 147,031 |
|------------|---------|

STATEMENT 2

Part I Line 23 (c)
Other Expenses

| | |
|--------------------------|----------------------|
| Investment Advisory Fees | 34,081 |
| Dues and Subscriptions | 2,265 |
| Bank Charges | 358 |
| Payroll Taxes | 883 |
| Payroll Fees | 364 |
| Telephone | 340 |
| Filing Fees | 250 |
| Supplies | 6,686 |
| Program Expenses | 6,845 |
| Miscellaneous | <u>212</u> |
| Total | <u><u>52,284</u></u> |

THE PALETTE FUND, INC.

26-2736653

2009 FORM 990-PF

STATEMENT 3

PART II, LINE 10(b)

INVESTMENT - CORPORATE STOCK

| SECURITY DESCRIPTION | QUANTITY | TOTAL COST | MARKET VALUE |
|--|-----------------|-----------------------|-------------------------|
| AB ELECTROLOX SPON ADR (ELUXY) | 141 | \$4,266 | \$6,592 |
| ADECCO SA UNSPON ADR (AHEXY) | 220 | 4,848 | 6,083 |
| AEON CO LTD ADR (AONNY) | 476 | 4,772 | 3,879 |
| ALLIANZ SE ADS (AZSEY) | 960 | 9,293 | 11,952 |
| AMCOR LIMITED ADR NEW (AMCRY) | 100 | 1,630 | 2,215 |
| ASTRAZENECA PLC ADS (AZN) | 201 | 9,184 | 9,435 |
| AU OPTRONICS CORP (AUO) | 716 | 7,122 | 8,585 |
| AUST NZ BK NEW ADR (ANZBY) | 302 | 4,869 | 6,191 |
| BANCO BRADESCO S A NEW (BBD) | 318 | 4,843 | 6,955 |
| BANCO SANTANDER S.A. (STD) | 729 | 10,521 | 11,985 |
| BARCLAYS PLC ADR (BCS) | 408 | 7,729 | 7,181 |
| BASF SE SP ADR (BASFY) | 190 | 8,451 | 11,799 |
| BAYER AG SPON ADR (BAYRY) | 129 | 7,456 | 10,294 |
| BAYERISCHE MOTOREN WERKE AG (BAMXY) | 363 | 5,854 | 5,514 |
| BHP BILLITON PLC SPONS ADR (BBL) | 55 | 2,653 | 3,512 |
| BNP PARIBAS SP ADR REPSTG (BNPQY) | 263 | 9,311 | 10,562 |
| BP PLC ADS (BP) | 267 | 13,043 | 15,478 |
| BT GP PLC SPON ADR (BT) | 271 | 5,641 | 5,892 |
| CELESIO AG UNSPONS ADR (CAKFY) | 466 | 2,388 | 2,330 |
| CREDIT AGRICOLE SA UNSP ADR (CRARY) | 820 | 6,071 | 7,257 |
| DANSKE BK A/S SPON ADR (DNSKY) | 675 | 8,795 | 7,628 |
| DEUTSCHE BK AG REG SHS (DB) | 158 | 9,958 | 11,204 |
| DEUTSCHE POST AG SPONSORED ADR (DPSGY) | 428 | 5,979 | 8,303 |
| DEUTSCHE TELEKOM AG 1 ORD 1ADS (DT) | 609 | 7,488 | 8,952 |
| E.ON AG (EONGY) | 255 | 9,306 | 10,646 |
| EAST JAPAN RY CO ADR (EJPRY) | 474 | 4,688 | 5,001 |
| ELECTRICITE DE FRANCE ADR (ECIFY) | 544 | 5,543 | 6,430 |
| ENEL SOCIETA PER AZIONI ADR (ENLAY) | 1,220 | 6,938 | 7,137 |
| ENI SPA AMER DEP RCPT (E) | 122 | 5,601 | 6,174 |
| ERICSSON LM TEL ADR CL B NEW (ERIC) | 691 | 6,507 | 6,350 |
| ESPRIT HLDGS LTD SPONSORED ADR (ESPGY) | 296 | 4,064 | 3,952 |
| FRANCE TELECOM (FTE) | 403 | 9,786 | 10,172 |
| GLAXOSMITHKLINE PLC ADS (GSK) | 310 | 11,694 | 13,098 |
| ISRAEL CHEMICALS LTD ADR (ISCHY) | 234 | 2,658 | 3,136 |
| JSC MMC NORILSK NICKEL ADR (NILSY) | 254 | 2,170 | 3,645 |

THE PALETTE FUND, INC.

26-2736653

2009 FORM 990-PF

| SECURITY DESCRIPTION | QUANTITY | TOTAL COST | MARKET VALUE |
|--|-----------------|-----------------------|-------------------------|
| KB FINANCIAL GRP INC SONS ADR (KB) | 161 | 5,806 | 8,187 |
| KONINKLIJKE AHOLD ADR (AHONY) | 698 | 7,950 | 9,249 |
| LENOVO GROUP LTD SPONS ADR (LNVGY) | 277 | 2,301 | 3,421 |
| MACQUARIE BK LTD SPONS ADR (MQBKY) | 123 | 4,250 | 5,351 |
| MARKS & SPENCER GRP PLC ADR (MAKSY) | 310 | 4,048 | 4,030 |
| MITSUBISHI CORP SPONS ADR NEW (MSBHY) | 37 | 1,384 | 1,841 |
| MITSUMI & CO LTD ADR (MITSY) | 10 | 2,378 | 2,857 |
| MUENCHENER RUECK-UNSPONS ADR (MURGY) | 616 | 8,359 | 9,548 |
| NATL AUST BK LTD SPNS ADR (NABZY) | 360 | 7,067 | 8,791 |
| NEW WORLD DEV CO LTD SPON ADR (NDVLY) | 671 | 2,929 | 2,684 |
| NEXEN INC (NXY) | 244 | 5,199 | 5,839 |
| NIPPON TELEGRAPH&TELEPHONE ADS (NTT) | 486 | 10,135 | 9,594 |
| NISSAN MTR CO LTD SPND ADR (NSANY) | 665 | 8,938 | 11,724 |
| NOKIA CP ADR (NOK) | 961 | 13,045 | 12,349 |
| NOVARTIS AG ADR (NVS) | 198 | 8,616 | 10,777 |
| OAD GAZPROM SP REG S GDR (OGZPY) | 115 | 2,881 | 2,881 |
| OIL CO LUKOIL SPN ADR (LUKOY) | 143 | 6,517 | 8,065 |
| OLD MUTUAL PLC UNSPONSORED (ODMTY) | 192 | 2,850 | 2,736 |
| ORIX CORP (IX) | 186 | 6,258 | 6,354 |
| RIO TINTO PLC SPON ADR (RTP) | 14 | 2,845 | 3,015 |
| ROLLS ROYCE PLC SPONS ADR (RYCEY) | 166 | 5,901 | 6,476 |
| ROYAL DSM NV SPONSORED ADR (RDSMY) | 235 | 2,814 | 2,926 |
| ROYAL DUTCH SHELL PLC (RDS'A) | 311 | 15,988 | 18,694 |
| RWE AG SPONSORED ADR (RWEQY) | 63 | 5,228 | 6,105 |
| SANOFI AVENTIS ADS (SNY) | 319 | 10,509 | 12,527 |
| SHARP CORPORATION A D R (SHCAY) | 562 | 6,100 | 7,121 |
| SILICON PREC IND LTD SP ADR (SPIL) | 486 | 3,079 | 3,407 |
| SOCIETE GENERALE SP ADR (SCGLY) | 638 | 7,900 | 8,964 |
| SONY CORP ADR 1974 NEW (SNE) | 110 | 2,899 | 3,190 |
| STANDARD BANK GRP LTD UNSP ADR (SBGOY) | 202 | 5,273 | 5,610 |
| STATOIL ASA ADR (STO) | 370 | 7,564 | 9,217 |
| SUMITOMO MITSUI FINL GRP ADR (SMFJY) | 2,435 | 9,900 | 6,940 |
| SUNCOR ENERGY INC NEW COM (SU) | 180 | 5,315 | 6,356 |
| TELECOM CP NZ LTD ADS (NZT) | 92 | 875 | 827 |
| TELECOM ITALIA SPA ADS (NEW) (TI) | 447 | 6,208 | 6,897 |
| TELEFONICA SA ADR (TEF) | 88 | 6,442 | 7,350 |
| TELSTRA CP LTD GDR (TLSYY) | 138 | 1,910 | 2,111 |
| TELUS CORP (TU) | 71 | 1,882 | 2,212 |
| UTD MICROELECTR CP SP ADR NEW (UMC) | 1,342 | 4,641 | 5,207 |

THE PALETTE FUND, INC.

26-2736653

2009 FORM 990-PF

| SECURITY DESCRIPTION | QUANTITY | TOTAL COST | MARKET VALUE |
|--------------------------------------|-----------------|-----------------------|-------------------------|
| VIVENDI SA SPONSORED ADR (VIVDY) | 357 | 10,456 | 10,621 |
| VODAFONE GP PLC ADS NEW (VOD) | 754 | 15,723 | 17,410 |
| VOLVO AB ADR B (VOLVY) | 242 | 1,441 | 2,047 |
| WOLSELEY PLC (WOSCY) | 3,119 | 6,928 | 6,488 |
| WPP PLC ADR (WPPGY) | 174 | 6,930 | 8,465 |
| XSTRATA PLC ADR (XSRAY) | 1,706 | 5,840 | 6,227 |
| YUE YUEN INDL HLDGS LTO (YUEIY) | 191 | 2,917 | 2,789 |
| 3M COMPANY (MMM) | 320 | 20,524 | 26,454 |
| ALTRIA GROUP INC (MO) | 1,060 | 18,061 | 20,808 |
| ASTRAZENECA PLC ADS (AZN) | 470 | 21,017 | 22,062 |
| AT&T INC (T) | 910 | 22,606 | 25,507 |
| BOEING CO (BA) | 480 | 22,738 | 25,982 |
| BP PLC ADS (BP) | 430 | 21,510 | 24,927 |
| BRISTOL MYERS SQUIBB CO (BMY) | 980 | 20,212 | 24,745 |
| CHEVRON CORP (CVX) | 320 | 22,268 | 24,637 |
| CONOCOPHILLIPS (COP) | 450 | 22,701 | 22,982 |
| DIAGEO PLC SPON ADR NEW (DEO) | 350 | 20,443 | 24,294 |
| ELI LILLY & CO (LLY) | 700 | 23,352 | 24,997 |
| FPL GROUP INC (FPL) | 380 | 21,664 | 20,072 |
| GENERAL ELECTRIC CO (GE) | 1,330 | 17,880 | 20,123 |
| GENUINE PARTS CO (GPC) | 640 | 22,204 | 24,294 |
| H J HEINZ CO (HNZ) | 570 | 21,012 | 24,373 |
| HEALTH CARE REIT INC (HCN) | 450 | 16,791 | 19,944 |
| HSBC HOLDINGS PLC SPON ADR NEW (HBC) | 400 | 19,017 | 22,836 |
| INTEL CORP (INTC) | 690 | 13,361 | 14,076 |
| JOHNSON & JOHNSON (JNJ) | 260 | 14,964 | 16,747 |
| KIMBERLY CLARK CORP (KMB) | 410 | 22,202 | 26,121 |
| KRAFT FOODS INC CL A (KFT) | 810 | 21,531 | 22,016 |
| MICROSOFT CORP (MSFT) | 800 | 18,745 | 24,384 |
| NOKIA CP ADR (NOK) | 1,770 | 24,669 | 22,745 |
| PHILIP MORRIS INTL INC (PM) | 400 | 17,855 | 19,276 |
| TRAVELERS COMPANIES INC COM (TRV) | 410 | 18,049 | 20,443 |
| UNILEVER NV NY SH NEW (UN) | 800 | 20,646 | 25,864 |
| VERIZON COMMUNICATIONS (VZ) | 760 | 22,918 | 25,179 |
| VODAFONE GP PLC ADS NEW (VOD) | 1,090 | 21,768 | 25,168 |
| 3M COMPANY (MMM) | 236 | 18,305 | 19,510 |
| ADOBE SYSTEMS (ADBE) | 189 | 6,648 | 6,951 |
| AMERICAN TOWER CP CLASS A (AMT) | 291 | 9,027 | 12,574 |
| APPLE INC (AAPL) | 201 | 30,627 | 42,357 |

THE PALETTE FUND, INC.

26-2736653

2009 FORM 990-PF

| SECURITY DESCRIPTION | QUANTITY | TOTAL COST | MARKET VALUE |
|------------------------------------|-----------------|---------------------------|---------------------------|
| BANK OF AMERICA CORP (BAC) | 884 | 13,378 | 13,313 |
| BAXTER INTL INC (BAX) | 123 | 7,101 | 7,218 |
| CAPITAL ONE FINANCIAL CORP (COF) | 287 | 8,223 | 11,004 |
| CELGENE CORP (CELG) | 117 | 5,671 | 6,515 |
| CISCO SYS INC (CSCO) | 1,263 | 27,244 | 30,236 |
| DOW CHEMICAL CO (DOW) | 723 | 17,161 | 19,976 |
| EXPRESS SCRIPTS INC COMMON (ESRX) | 259 | 17,106 | 22,383 |
| FEDEX CORP (FDX) | 77 | 7,058 | 6,426 |
| FREEPORT MCMORAN CP&GLD (FCX) | 178 | 11,388 | 14,292 |
| GENL DYNAMICS CORP (GD) | 251 | 17,270 | 17,111 |
| GILEAD SCIENCE (GILD) | 243 | 11,292 | 10,515 |
| GOLDMAN SACHS GRP INC (GS) | 177 | 27,119 | 29,885 |
| GOOGLE INC-CL A (GOOG) | 71 | 31,017 | 44,019 |
| HEWLETT PACKARD (HPQ) | 674 | 28,432 | 34,718 |
| INTL BUSINESS MACHINES CORP (IBM) | 252 | 28,506 | 32,987 |
| JPMORGAN CHASE & CO (JPM) | 486 | 17,930 | 20,252 |
| KOHL'S CORPORATION WISC (KSS) | 184 | 9,529 | 9,923 |
| MEDCO HEALTH SOLUTIONS INC (MHS) | 285 | 13,617 | 18,214 |
| MERCK & CO INC NEW COM (MRK) | 413 | 11,347 | 15,091 |
| MICROSOFT CORP (MSFT) | 813 | 19,097 | 24,780 |
| OCCIDENTAL PETROLEUM CORP DE (OXY) | 292 | 20,325 | 23,754 |
| ORACLE CORP (ORCL) | 633 | 14,000 | 15,527 |
| PFIZER INC (PFE) | 379 | 6,916 | 6,894 |
| PHILIP MORRIS INTL INC (PM) | 213 | 9,893 | 10,264 |
| PRAXAIR INC (PX) | 73 | 5,414 | 5,863 |
| PRECISION CASTPARTS CORP (PCP) | 139 | 15,060 | 15,339 |
| STAPLES INC (SPLS) | 424 | 9,176 | 10,426 |
| THE DIRECTV GROUP CL A (DTV) | 526 | 16,370 | 17,542 |
| TRANSOCEAN LTD (RIG) | 307 | 24,976 | 25,420 |
| UNION PACIFIC CORP (UNP) | 334 | 18,951 | 21,343 |
| UNITED TECHNOLOGIES CORP (UTX) | 292 | 16,311 | 20,268 |
| VALE S.A (VALE) | 250 | 5,049 | 7,258 |
| VISA INC CL A (V) | 171 | 11,860 | 14,956 |
| WALT DISNEY CO HLDG CO (DIS) | 476 | 12,386 | 15,351 |
| TOTAL | | <u><u>\$1,657,025</u></u> | <u><u>\$1,892,494</u></u> |

THE PALETTE FUND, INC.

26-2736653

2009 FORM 990-PF

STATEMENT 4

PART II, LINE 10(b)

INVESTMENTS - CORPORATE BONDS OR NOTES

| <u>SECURITY DESCRIPTION</u> | <u>BOOK COST</u> | <u>MARKET VALUE</u> |
|------------------------------------|-------------------------|----------------------------|
| GENERAL ELEC CAP CORP | \$195,042 | \$195,356 |
| ANHEUSER-BUSCH COS INC | 49,908 | 51,581 |
| ANHEUSER-BUSCH COS INC | 49,849 | 51,581 |
| CONOCOPHILLIPS SR UNS GLOBAL | 102,264 | 103,332 |
| CONOCOPHILLIPS SR UNS GLOBAL | 249,802 | 265,498 |
| EXPRESS SCRIPTS SR UNS GLOBAL | 99,710 | 109,113 |
| GOLDMAN SACHS GROUP INC | 184,635 | 184,188 |
| HASBRO INC SR UNSGLOBAL | 81,405 | 87,100 |
| HASBRO INC SR UNSGLOBAL | 50,443 | 54,438 |
| HASBRO INC SR UNSGLOBAL | 121,040 | 130,650 |
| IBM CORP | 399,881 | 399,200 |
| ITT CORP | 252,247 | 261,965 |
| MICROSOFT CORP SR UNS GLOBAL | 201,333 | 202,142 |
| NOVANT HEALTH IN SR UNS | 203,506 | 200,074 |
| OCCIDENTAL PETE | 249,294 | 251,830 |
| TIME WARNER CABLE | 199,271 | 197,588 |
| VERIZON NEW YORK INC | 226,386 | 239,362 |
| VIACOM INC | 159,093 | 165,002 |
| VIACOM INC | 40,192 | 41,250 |
| VIACOM INC | 199,644 | 201,570 |
| DEUTSCHE TEL FIN SR UNS GLOBAL | 249,258 | 262,163 |
| FRANCE TELECOM | 150,264 | 156,744 |
| HUSKY ENERGY INC | 252,401 | 272,513 |
| POTASH CORP SR UNS | 204,187 | 214,920 |
| VALE OVERSEAS SR UNSGLOBAL | 218,130 | 229,486 |
| VODAFONE GROUP SR UNS GLOBAL | 125,343 | 128,598 |
| | <u>\$4,514,528</u> | <u>\$4,657,241</u> |

STATEMENT 5

PART II, LINE 13

INVESTMENTS - OTHER

| | <u>COST</u> | <u>MARKET VALUE</u> |
|---------------------------|--------------------|----------------------------|
| FRONTPOINT OFFSHORE MULTI | \$750,000 | \$750,000 |

THE PALETTE FUND, INC

STATEMENT 6

2009 FORM 990-PF

26-2736653

Activity

ALL SECURITIES ACQUIRED BY PURCHASE

REALIZED GAIN/(LOSS) DETAIL

| Security Description | Date | | Quantity | Sales | | Orig / Adj Total Cost | Realized Gain/(Loss) | Comments |
|-------------------------|----------|----------|----------|------------|--|--------------------------|-------------------------|----------|
| | Acquired | Sold | | Proceeds | | | | |
| ACE LTD | 06/17/09 | 06/19/09 | 42,000 | \$1,801.86 | | \$1,826.58 | \$(24.72) | |
| | 06/17/09 | 09/23/09 | 105,000 | 5,313.25 | | 4,566.45 | 746.80 | |
| | 06/17/09 | 11/25/09 | 18,000 | 901.07 | | 782.82 | 118.25 | |
| | 08/12/09 | 11/25/09 | 119,000 | 5,957.08 | | 5,974.87 | (17.79) | |
| ALLSTATE CORP | 06/17/09 | 10/27/09 | 126,000 | 3,779.75 | | 2,975.81 | 803.94 | |
| | 08/12/09 | 10/27/09 | 108,000 | 3,239.78 | | 3,068.53 | 151.25 | |
| AMGEN INC | 07/30/09 | 10/21/09 | 51,000 | 2,996.24 | | 3,277.21 | (280.97) | |
| | 08/12/09 | 10/21/09 | 48,000 | 2,819.99 | | 2,987.52 | (167.53) | |
| APPLE INC | 06/17/09 | 10/16/09 | 30,000 | 5,661.76 | | 4,074.42 | 1,587.34 | |
| | 06/17/09 | 06/19/09 | 110,000 | 2,666.87 | | 2,678.06 | (11.19) | |
| AT&T INC | 06/17/09 | 10/22/09 | 137,000 | 3,576.10 | | 3,335.40 | 240.70 | |
| | 08/12/09 | 10/22/09 | 110,000 | 2,871.32 | | 2,827.66 | 43.66 | |
| BANK OF AMERICA CORP | 06/17/09 | 07/20/09 | 105,000 | 1,281.95 | | 1,311.45 | (29.50) | |
| | 06/17/09 | 07/09/09 | 41,000 | 1,889.89 | | 1,789.61 | 100.28 | |
| CELGENE CORP | 06/17/09 | 09/18/09 | 84,000 | 3,031.04 | | 2,543.35 | 487.69 | |
| | 06/17/09 | 11/05/09 | 94,000 | 2,737.44 | | 2,846.13 | (108.69) | |
| | 06/17/09 | 11/16/09 | 21,000 | 635.51 | | 635.84 | (0.33) | |
| | 08/12/09 | 11/16/09 | 163,000 | 4,932.73 | | 5,688.29 | (755.56) | |
| FREEPORT MCMORAN CP&GLD | 06/17/09 | 12/11/09 | 84,000 | 6,449.83 | | 4,276.11 | 2,173.72 | |
| | 06/17/09 | 09/08/09 | 49,000 | 2,761.03 | | 2,646.49 | 114.54 | |
| GENZYME CORP | 06/17/09 | 09/10/09 | 36,000 | 1,991.59 | | 1,944.36 | 47.23 | |
| | 08/12/09 | 09/10/09 | 42,000 | 2,323.53 | | 2,112.60 | 210.93 | |
| GILEAD SCIENCE | 06/17/09 | 12/21/09 | 135,000 | 5,838.81 | | 6,057.32 | (218.51) | |
| | 07/22/09 | 12/21/09 | 28,000 | 1,211.01 | | 1,336.01 | (125.00) | |
| GOLDMAN SACHS GRP INC | 08/12/09 | 12/21/09 | 13,000 | 562.26 | | 600.98 | (38.72) | |
| | 06/17/09 | 06/19/09 | 9,000 | 1,288.36 | | 1,290.82 | (2.46) | |
| INTEL CORP | 06/17/09 | 07/08/09 | 14,000 | 1,923.59 | | 2,007.94 | (84.35) | |
| | 06/17/09 | 11/25/09 | 189,000 | 3,662.52 | | 3,010.01 | 652.51 | |
| | 08/12/09 | 11/25/09 | 147,000 | 2,848.62 | | 2,782.42 | 66.20 | |

CONTINUED

THE PALETTE FUND, INC

2009 FORM 990-PF

26-2736653

Activity

ALL SECURITIES ACQUIRED BY PURCHASE

REALIZED GAIN/(LOSS) DETAIL (CONTINUED)

| Security Description | Date Acquired | Date Sold | Quantity | Sales Proceeds | Orig / Adj Total Cost | Realized Gain/(Loss) | Comments |
|---------------------------------------|------------------|--------------|----------|-------------------|--------------------------|-------------------------|--------------------------|
| mitsubishi corp SPONS ADR NEW | 06/22/09 | 08/11/09 | 56.000 | 2,657.65 | 2,451.90 | 205.75 | |
| NORDEA BANK AB-UNSP ADR | 06/22/09 | 08/28/09 | 160.000 | 1,679.70 | 1,192.00 | 487.70 | |
| | 06/23/09 | 08/28/09 | 12.000 | 125.98 | 86.40 | 39.58 | |
| | 08/12/09 | 08/28/09 | 285.000 | 2,931.96 | 2,693.25 | 238.71 | |
| RWE AG SPONSORED ADR | 06/22/09 | 08/28/09 | 25.000 | 2,320.97 | 1,960.00 | 360.97 | |
| | 06/22/09 | 12/18/09 | 20.000 | 1,867.95 | 1,568.00 | 299.95 | |
| SOCIETE GENERALE SP ADR | 11/09/09 | 11/09/09 | | 506.87 | 0.00 | 506.87 | 1 Sale of Foreign Rights |
| SONY CORP ADR 1974 NEW | 06/22/09 | 08/11/09 | 57.000 | 1,609.06 | 1,452.13 | 156.93 | |
| SUNCOR ENERGY INC NEW COM | 06/22/09 | 08/03/09 | 0.040 | 1.35 | 1.13 | 0.22 | |
| TELEFONICA SA ADR | 06/22/09 | 10/01/09 | 36.000 | 2,922.71 | 2,331.36 | 591.35 | |
| | 06/22/09 | 12/09/09 | 37.000 | 3,104.58 | 2,396.12 | 708.46 | |
| TOTAL FINA ELF SA | 06/22/09 | 08/11/09 | 27.000 | 1,437.97 | 1,422.09 | 15.88 | |
| | 06/22/09 | 11/05/09 | 59.000 | 3,667.84 | 3,107.53 | 560.31 | |
| | 06/23/09 | 11/05/09 | 4.000 | 248.67 | 210.36 | 38.31 | |
| | 08/12/09 | 11/05/09 | 54.000 | 3,357.01 | 2,967.30 | 389.71 | |
| TOYOTA MOTOR CP ADR NEW | 06/22/09 | 07/07/09 | 19.000 | 1,418.28 | 1,436.02 | (17.74) | |
| VOLVO AB ADR B | 06/22/09 | 10/19/09 | 25.000 | 238.53 | 146.75 | 91.78 | |
| WOLSELEY PLC | 07/07/09 | 08/19/09 | 60.000 | 137.99 | 111.60 | 26.39 | |
| Net Realized Gain/(Loss) This Period | | | | \$21,138.79 | \$17,903.59 | \$3,235.20 | |
| Net Realized Gain/(Loss) Year to Date | | | | \$122,602.23 | \$104,963.78 | \$17,638.45 | |

Gain / loss information is provided for informational purposes only and should not be used for tax preparation. Please refer to the gain / loss section of the disclosures for important information about gain / loss reporting.

1 - This information reflects your requested adjustments to the transaction details.

THE PALETTE FUND, INC

2009 FORM 990-PF

26-2736653

ALL SECURITIES ACQUIRED BY PURCHASE

| Shares or Face Value | Security Description | Purchase Date | Sale Date | Cost | Proceeds | Gain (Loss) | |
|-------------------------|---|------------------|--------------|--------------|--------------|---------------|--------------|
| | | | | | | Short Term | Long Term |
| 100,000.000 | ALTRIA GROUP INC SR UNS GLOBAL 7.750% DUE 02/06/2014 @ 100.00 CUSIP: 02209SAG8 | 04/03/2009 | 06/16/2009 | 104,516.57 | 110,094.00 | 5,577.43 | |
| 100,000.000 | ALTRIA GROUP INC SR UNS GLOBAL 7.750% DUE 02/06/2014 @ 100.00 CUSIP: 02209SAG8 | 04/03/2009 | 06/16/2009 | 104,516.57 | 110,288.00 | 5,771.43 | |
| 150,000.000 | DELL INC SR UNS GLOBAL 5.625% DUE 04/15/2014 @ 100.00 CUSIP: 24702RAG6 | 04/02/2009 | 07/08/2009 | 152,008.98 | 160,576.50 | 8,567.52 | |
| 80,000.000 | DELL INC SR UNS GLOBAL 5.625% DUE 04/15/2014 @ 100.00 CUSIP: 24702RAG6 | 04/02/2009 | 07/08/2009 | 81,071.45 | 85,655.20 | 4,583.75 | |
| 100,000.000 | PROCTER & GAMBLE CO SR UNS GLOB 6.875% DUE 09/15/2009 @ 100.00 CUSIP: 742718BM0 | 01/06/2009 | 09/15/2009 | 100,000.00 | 100,000.00 | | |
| 250,000.000 | SBC COMMUNICATIO SR UNS GLOBAL 4.125% DUE 09/15/2009 @ 100.00 CUSIP: 78387GAN3 | 12/09/2008 | 09/15/2009 | 250,000.00 | 250,000.00 | | |
| 100,000.000 | GOLDMAN SACHS GP 7.350% DUE 10/01/2009 @ 100.00 CUSIP: 38141GAD6 | 12/22/2008 | 10/01/2009 | 100,000.00 | 100,000.00 | | |
| 300,000.000 | AGILENT TECH INC GLOBAL 5.500% DUE 09/14/2015 @ 100.00 CUSIP: 00846UAE1 | 09/09/2009 | 10/09/2009 | 299,071.87 | 307,662.00 | 8,590.13 | |
| 200,000.000 | GEN ELEC CAP CRP SER A 3.500% DUE 08/13/2012 @ 100.00 CUSIP: 36962G4E1 | 08/10/2009 | 12/18/2009 | 199,634.04 | 205,728.00 | 6,093.96 | |
| 120,000.000 | INTL STEEL GROUP 6.500% DUE 04/15/2014 @ 100.00 CUSIP: 46037TAB0 | 06/25/2009 | 12/18/2009 | 113,744.86 | 129,793.20 | 16,048.34 | |
| | TOTAL PORTFOLIO | | | 1,504,564.34 | 1,559,796.90 | 55,232.56 | 0.00 |

THE PALETTE FUND, INC

2009 FORM 990-PF

26-2736653

Activity

ALL SECURITIES ACQUIRED BY PURCHASE

REALIZED GAIN/(LOSS) DETAIL

| Security Description | Date Acquired | Date Sold | Quantity | Sales Proceeds | Orig / Adj Total Cost | Realized Gain/(Loss) | Comments |
|--------------------------------|------------------|--------------|----------|-------------------|--------------------------|-------------------------|--------------|
| AKBANK TURK ANONIM SIRKETI ADR | 06/22/09 | 09/16/09 | 160.000 | \$1,809.18 | \$1,340.80 | \$468.38 | |
| | 08/12/09 | 09/16/09 | 150.000 | 1,696.11 | 1,695.00 | 1.11 | |
| AMCOR LIMITED ADR NEW | 06/22/09 | 08/11/09 | 65.000 | 1,122.13 | 1,013.35 | 108.78 | |
| ARCELMITTAL SALUXEMBOURG NEW | 06/22/09 | 07/07/09 | 14.000 | 431.85 | 440.69 | (8.84) | |
| | 06/22/09 | 08/11/09 | 67.000 | 2,325.22 | 2,109.03 | 216.19 | |
| | 06/22/09 | 11/06/09 | 39.000 | 1,378.18 | 1,227.64 | 150.54 | |
| | 08/12/09 | 11/06/09 | 10.000 | 353.38 | 354.60 | (1.22) | |
| ASTRAZENECA PLC ADS | 06/22/09 | 08/19/09 | 34.000 | 1,565.74 | 1,499.40 | 66.34 | |
| AU OPTRONICS CORP | 06/22/09 | 09/16/09 | | 7.76 | 0.00 | 7.76 | Cash in Lieu |
| AUST NZ BK NEW ADR | 06/22/09 | 08/19/09 | 53.000 | 870.23 | 691.12 | 179.11 | |
| | 06/22/09 | 11/09/09 | 220.000 | 4,560.00 | 2,868.80 | 1,691.20 | |
| BCE INC (NEW) | 06/22/09 | 08/11/09 | 82.000 | 1,876.99 | 1,673.31 | 203.68 | |
| | 06/22/09 | 11/06/09 | 48.000 | 1,183.37 | 979.50 | 203.87 | |
| | 08/12/09 | 11/06/09 | 55.000 | 1,355.95 | 1,293.05 | 62.90 | |
| BNP PARIBAS SP ADR REPSTG | 06/22/09 | 08/19/09 | 28.000 | 1,096.17 | 869.40 | 226.77 | |

CONTINUED

THE PALETTE FUND, INC

2009 FORM 990-PF

26-2736653

Activity

ALL SECURITIES ACQUIRED BY PURCHASE

REALIZED GAIN/(LOSS) DETAIL

| Security Description | Date Acquired | Date Sold | Quantity | Sales Proceeds | Orig / Adj Total Cost | Realized Gain/(Loss) | Comments |
|-------------------------|------------------|--------------|----------|-------------------|--------------------------|-------------------------|----------|
| ACE LTD | 06/17/09 | 06/19/09 | 42,000 | \$1,801.86 | \$1,826.58 | \$(24.72) | |
| | 06/17/09 | 09/23/09 | 105,000 | 5,313.25 | 4,566.45 | 746.80 | |
| | 06/17/09 | 11/25/09 | 18,000 | 901.07 | 782.82 | 118.25 | |
| | 08/12/09 | 11/25/09 | 119,000 | 5,957.08 | 5,974.87 | (17.79) | |
| ALLSTATE CORP | 06/17/09 | 10/27/09 | 126,000 | 3,779.75 | 2,975.81 | 803.94 | |
| | 08/12/09 | 10/27/09 | 108,000 | 3,239.78 | 3,088.53 | 151.25 | |
| AMGEN INC | 07/30/09 | 10/21/09 | 51,000 | 2,996.24 | 3,277.21 | (280.97) | |
| | 08/12/09 | 10/21/09 | 48,000 | 2,819.99 | 2,987.52 | (167.53) | |
| APPLE INC | 06/17/09 | 10/16/09 | 30,000 | 5,661.76 | 4,074.42 | 1,587.34 | |
| AT&T INC | 06/17/09 | 06/19/09 | 110,000 | 2,666.87 | 2,678.06 | (11.19) | |
| | 06/17/09 | 10/22/09 | 137,000 | 3,576.10 | 3,335.40 | 240.70 | |
| | 08/12/09 | 10/22/09 | 110,000 | 2,871.32 | 2,827.66 | 43.66 | |
| BANK OF AMERICA CORP | 06/17/09 | 07/20/09 | 105,000 | 1,281.95 | 1,311.45 | (29.50) | |
| CELGENE CORP | 06/17/09 | 07/09/09 | 41,000 | 1,889.89 | 1,789.61 | 100.28 | |
| CVS CAREMARK CORP | 06/17/09 | 09/18/09 | 84,000 | 3,031.04 | 2,543.35 | 487.69 | |
| | 06/17/09 | 11/05/09 | 94,000 | 2,737.44 | 2,845.13 | (108.69) | |
| | 06/17/09 | 11/16/09 | 21,000 | 635.51 | 635.84 | (0.33) | |
| | 08/12/09 | 11/16/09 | 163,000 | 4,932.73 | 5,688.29 | (755.56) | |
| FREEPORT MCMORAN CP&GLD | 06/17/09 | 12/11/09 | 84,000 | 6,449.83 | 4,276.11 | 2,173.72 | |
| GENZYME CORP | 06/17/09 | 09/08/09 | 49,000 | 2,761.03 | 2,646.49 | 114.54 | |
| | 06/17/09 | 09/10/09 | 36,000 | 1,991.59 | 1,944.36 | 47.23 | |
| | 08/12/09 | 09/10/09 | 42,000 | 2,323.53 | 2,112.60 | 210.93 | |
| GILEAD SCIENCE | 06/17/09 | 12/21/09 | 135,000 | 5,838.81 | 6,057.32 | (218.51) | |
| | 07/22/09 | 12/21/09 | 28,000 | 1,211.01 | 1,336.01 | (125.00) | |
| | 08/12/09 | 12/21/09 | 13,000 | 562.26 | 600.98 | (38.72) | |
| GOLDMAN SACHS GRP INC | 06/17/09 | 06/19/09 | 9,000 | 1,288.36 | 1,290.82 | (2.46) | |
| | 06/17/09 | 07/08/09 | 14,000 | 1,923.59 | 2,007.94 | (84.35) | |
| INTEL CORP | 06/17/09 | 11/25/09 | 189,000 | 3,662.52 | 3,010.01 | 652.51 | |
| | 08/12/09 | 11/25/09 | 147,000 | 2,848.62 | 2,782.42 | 66.20 | |

CONTINUED

THE PALETTE FUND, INC

2009 FORM 990-PF

26-2736653

Activity

ALL SECURITIES ACQUIRED BY PURCHASE

REALIZED GAIN/(LOSS) DETAIL (CONTINUED)

| Security Description | Date Acquired | Date Sold | Quantity | Sales Proceeds | Orig / Adj Total Cost | Realized Gain/(Loss) | Comments |
|-------------------------------|------------------|--------------|----------|-------------------|--------------------------|-------------------------|----------|
| MC DONALDS CORP | 06/17/09 | 07/30/09 | 29.000 | 1,619.64 | 1,661.35 | (41.71) | |
| | 06/17/09 | 09/09/09 | 41.000 | 2,255.79 | 2,348.81 | (93.02) | |
| | 06/17/09 | 09/10/09 | 45.000 | 2,472.19 | 2,577.96 | (105.77) | |
| | 08/12/09 | 09/10/09 | 70.000 | 3,845.64 | 3,932.60 | (86.96) | |
| METLIFE INCORPORATED | 06/17/09 | 10/28/09 | 101.000 | 3,460.18 | 2,952.03 | 508.15 | |
| | 08/12/09 | 10/28/09 | 115.000 | 3,939.80 | 4,129.36 | (189.56) | |
| MICROSOFT CORP | 06/17/09 | 07/24/09 | 40.000 | 931.69 | 935.59 | (3.90) | |
| OCCIDENTAL PETROLEUM CORP DE | 06/17/09 | 07/08/09 | 50.000 | 2,963.47 | 3,186.40 | (222.93) | |
| | 06/17/09 | 12/14/09 | 41.000 | 3,154.08 | 2,612.85 | 541.23 | |
| PHILIP MORRIS INTL INC | 06/17/09 | 12/11/09 | 162.000 | 7,848.27 | 6,816.31 | 1,031.96 | |
| QUALCOMM INC | 08/12/09 | 12/14/09 | 135.000 | 6,046.00 | 6,342.34 | (296.34) | |
| RESEARCH IN MOTION | 06/17/09 | 09/29/09 | 42.000 | 2,819.04 | 3,269.70 | (450.66) | |
| | 06/17/09 | 09/30/09 | 14.000 | 956.04 | 1,089.90 | (133.86) | |
| | 07/23/09 | 09/30/09 | 30.000 | 2,048.66 | 2,329.54 | (280.88) | |
| | 08/12/09 | 09/30/09 | 87.000 | 5,941.10 | 6,360.34 | (419.24) | |
| STATE STREET CORP | 09/10/09 | 11/16/09 | 122.000 | 4,961.56 | 6,548.15 | (1,586.59) | |
| TARGET CORPORATION | 06/17/09 | 08/11/09 | 67.000 | 2,840.79 | 2,558.46 | 282.33 | |
| | 06/17/09 | 11/23/09 | 79.000 | 3,731.14 | 3,016.69 | 714.45 | |
| | 06/17/09 | 12/01/09 | 69.000 | 3,234.24 | 2,634.83 | 599.41 | |
| | 06/17/09 | 12/04/09 | 48.000 | 2,195.15 | 1,832.93 | 362.22 | |
| | 08/12/09 | 12/04/09 | 175.000 | 8,003.15 | 7,442.49 | 560.66 | |
| TRANSOCEAN LTD | 06/17/09 | 07/30/09 | 30.000 | 2,362.26 | 2,333.33 | 28.93 | |
| UNION PACIFIC CORP | 06/17/09 | 06/19/09 | 61.000 | 3,113.62 | 3,151.10 | (37.48) | |
| VALE S.A | 06/17/09 | 12/04/09 | 180.000 | 5,089.40 | 3,324.54 | 1,764.86 | |
| | 06/17/09 | 12/18/09 | 107.000 | 2,948.93 | 1,976.26 | 972.67 | |
| | 08/12/09 | 12/18/09 | 27.000 | 744.12 | 545.33 | 198.79 | |
| WAL MART STORES INC | 06/17/09 | 08/11/09 | 40.000 | 2,006.23 | 1,937.04 | 69.19 | |
| | 06/17/09 | 11/10/09 | 99.000 | 5,170.94 | 4,794.17 | 376.77 | |
| | 08/12/09 | 11/10/09 | 89.000 | 4,648.62 | 4,488.94 | 159.68 | |
| WALT DISNEY CO HLDG CO | 06/17/09 | 09/09/09 | 113.000 | 3,038.94 | 2,679.91 | 359.03 | |
| WEATHERFORD INTERNATIONAL LTD | 06/17/09 | 11/25/09 | 142.000 | 2,372.43 | 2,912.07 | (539.64) | |
| | 08/12/09 | 11/25/09 | 201.000 | 3,358.16 | 3,776.79 | (418.63) | |
| WELLPOINT INC | 06/19/09 | 07/30/09 | 8.000 | 412.87 | 410.67 | 2.20 | |
| | 06/19/09 | 10/01/09 | 42.000 | 1,975.23 | 2,156.02 | (180.79) | |
| | 06/19/09 | 10/08/09 | 9.000 | 401.48 | 462.00 | (60.52) | |
| | 07/01/09 | 10/08/09 | 30.000 | 1,338.26 | 1,548.71 | (210.45) | |

CONTINUED

THE PALETTE FUND, INC

2009 FORM 990-PF

26-2736653

Activity

ALL SECURITIES ACQUIRED BY PURCHASE

REALIZED GAIN/(LOSS) DETAIL (CONTINUED)

| Security Description | Date Acquired | Date Sold | Quantity | Sales Proceeds | Orig / Adj Total Cost | Realized Gain/(Loss) | Comments |
|---------------------------------------|------------------|--------------|----------|-------------------|--------------------------|-------------------------|----------|
| | 07/07/09 | 10/08/09 | 29,000 | 1,293.65 | 1,493.78 | (200.13) | |
| | 08/12/09 | 10/09/09 | 73,000 | 3,256.43 | 3,760.96 | (504.53) | |
| WELLS FARGO & CO NEW | 06/17/09 | 08/11/09 | 122,000 | 3,310.06 | 2,935.02 | 375.04 | |
| YAHOO INC | 10/02/09 | 11/25/09 | 375,000 | 5,707.01 | 6,436.61 | (729.60) | |
| YUM BRANDS INC | 06/17/09 | 09/18/09 | 44,000 | 1,528.08 | 1,492.48 | 35.60 | |
| | 07/15/09 | 09/18/09 | 26,000 | 902.96 | 885.82 | 17.14 | |
| | 07/15/09 | 10/08/09 | 12,000 | 416.26 | 408.84 | 7.42 | |
| | 08/11/09 | 10/08/09 | 53,000 | 1,838.46 | 1,862.89 | (24.43) | |
| | 08/12/09 | 10/08/09 | 132,000 | 4,578.81 | 4,673.92 | (95.11) | |
| Net Realized Gain/(Loss) This Period | | | | \$78,132.14 | \$71,473.89 | \$6,658.25 | |
| Net Realized Gain/(Loss) Year to Date | | | | \$224,035.61 | \$216,300.89 | \$7,734.72 | |
| | | | | | TOTAL | 80,606.00 | |

THE PALETTE FUND, INC.**26-2736653****2009 FORM 990-PF****STATEMENT 7****PART XV, LINE 3(a)****GRANTS AND CONTRIBUTIONS PAID**

| <u>NAME</u> | <u>AMOUNT</u> | <u>PURPOSE</u> |
|---------------------------------|------------------|----------------|
| ACRIA | \$1,200 | UNRESTRICTED |
| BAILEY HOUSE | 31,237 | UNRESTRICTED |
| EMPIRE STATE PRIDE AGENDA | 350 | UNRESTRICTED |
| GLAAD | 20,000 | UNRESTRICTED |
| GMHC | 16,000 | UNRESTRICTED |
| HETRICK-MARTIN INSTITUTE | 10,000 | UNRESTRICTED |
| JOHNS HOPKINS UNIVERSITY | 25,000 | UNRESTRICTED |
| LAMBDA LEGAL | 2,200 | UNRESTRICTED |
| LIBERTY HILL | 3,303 | UNRESTRICTED |
| NATIONAL AIDS HOUSING COALITION | 20,000 | UNRESTRICTED |
| NATURAL GOURMET INSTITUTE | 10,000 | UNRESTRICTED |
| PANCAN | 10,000 | UNRESTRICTED |
| POINT FOUNDATION | 25,000 | UNRESTRICTED |
| URBAN ZEN | 5,000 | UNRESTRICTED |
| TOTAL | <u>\$179,290</u> | |