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Return of Private Foundation
 or Section 4947(a)(1) Nonexempt Charitable Trust
 Treated as a Private Foundation

2009

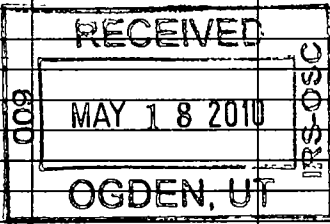
Note: The foundation may be able to use a copy of this return to satisfy state reporting requirements.

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 KANALY FOUNDATION		A Employer identification number 76-0381632
	Number and street (or P.O. box number if mail is not delivered to street address) 5555 SAN FELIPE - SUITE 200	Room/suite	B Telephone number (see page 10 of the instructions) (713) 626-9483
	City or town, state, and ZIP code HOUSTON, TX 77056		C If exemption application is pending, check here <input type="checkbox"/> D 1 Foreign organizations, check here <input type="checkbox"/> 2 Foreign organizations meeting the 85% test, check here and attach computation <input type="checkbox"/> 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"/>
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) ▶ \$ 1,044,744.		J Accounting method: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) _____ (Part I, column (d) must be on cash basis)	

Part I Analysis of Revenue and Expenses (The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see 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)
1	Contributions, gifts, grants, etc., received (attach schedule)				
2	Check <input type="checkbox"/> if the foundation is not required to attach Sch. B.				
3	Interest on savings and temporary cash investments				
4	Dividends and interest from securities	29,007.	29,007.		STMT 1
5a	Gross rents				
	b Net rental income or (loss)				
6a	Net gain or (loss) from sale of assets not on line 10	-97,475.			
	b Gross sales price for all assets on line 6a 528,107.				
7	Capital gain net income (from Part IV, line 2)				
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)	1,917.	1,411.		STMT 3
12	Total. Add lines 1 through 11	-66,551.	30,418.		
13	Compensation of officers, directors, trustees, etc.				
14	Other employee salaries and wages				
15	Pension plans, employee benefits				
16a	Legal fees (attach schedule)				
	b Accounting fees (attach schedule) STMT 4	1,000.	1,000.	NONE	NONE
	c Other professional fees (attach schedule)				
17	Interest				
18	Taxes (attach schedule) (see page 14 of the instructions) STMT 5	134.			
19	Depreciation (attach schedule) and depletion				
20	Occupancy				
21	Travel, conferences, and meetings				
22	Printing and publications				
23	Other expenses (attach schedule)				
24	Total operating and administrative expenses. Add lines 13 through 23	1,134.	1,000.	NONE	NONE
25	Contributions, gifts, grants paid	40,000.			40,000.
26	Total expenses and disbursements. Add lines 24 and 25	41,134.	1,000.	NONE	40,000.
27	Subtract line 26 from line 12				
	a Excess of revenue over expenses and disbursements	-107,685.			
	b Net investment income (if negative, enter -0-)		29,418.		
	c Adjusted net income (if negative, enter -0-)				



REVELOPE POSTMARK DATE MAY 14 2010

SCANNED MAY 19 2010 Revenue

Operating and Administrative Expenses

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	301,509.	637.	637.
	2	Savings and temporary cash investments		235,817.	235,817.
	3	Accounts receivable ▶ Less: allowance for doubtful accounts ▶			
	4	Pledges receivable ▶ Less allowance for doubtful accounts ▶			
	5	Grants receivable			
	6	Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see 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			
	10 a	Investments - U S and state government obligations (attach schedule) STMT 6	224,922.	100,101.	105,165.
	b	Investments - corporate stock (attach schedule) STMT 7	443,350.	234,683.	257,204.
	c	Investments - corporate bonds (attach schedule) STMT 9	137,854.	148,764.	153,590.
	11	Investments - land, buildings, and equipment basis Less accumulated depreciation (attach schedule) ▶			
	12	Investments - mortgage loans			
	13	Investments - other (attach schedule) STMT 10		275,420.	292,331.
	14	Land, buildings, and equipment basis Less accumulated depreciation (attach schedule) ▶			
15	Other assets (describe ▶)				
16	Total assets (to be completed by all filers - see the instructions Also, see page 1, item I)	1,107,635.	995,422.	1,044,744.	
Liabilities	17	Accounts payable and accrued expenses			
	18	Grants payable			
	19	Deferred revenue			
	20	Loans from officers, directors, trustees, and other disqualified persons			
	21	Mortgages and other notes payable (attach schedule)			
	22	Other liabilities (describe ▶)			
23	Total liabilities (add lines 17 through 22)				
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 and complete lines 27 through 31. ▶ <input checked="" type="checkbox"/>				
	27	Capital stock, trust principal, or current funds	1,107,635.	995,422.	
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)	1,107,635.	995,422.		
31	Total liabilities and net assets/fund balances (see page 17 of the instructions)	1,107,635.	995,422.		

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	1,107,635.
2	Enter amount from Part I, line 27a	2	-107,685.
3	Other increases not included in line 2 (itemize) ▶ SEE STATEMENT 11	3	6.
4	Add lines 1, 2, and 3	4	999,956.
5	Decreases not included in line 2 (itemize) ▶ SEE STATEMENT 12	5	4,534.
6	Total net assets or fund balances at end of year (line 4 minus line 5) - Part II, column (b), line 30	6	995,422.

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 SEE PART IV DETAIL						
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			(l) Gains (Col (h) gain minus col (k), but not less than -0-) or Losses (from col (h))			
(i) F.M.V. as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col. (j), if any				
a						
b						
c						
d						
e						
2 Capital gain net income or (net capital loss)				2	-97,475.	
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.						

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

(For optional use by domestic private foundations subject to the section 4940(a) tax on net investment income.)

If section 4940(d)(2) applies, leave this part blank.

Was the foundation liable for the section 4942 tax on the distributable amount of any year in the base period? Yes No
If "Yes," the foundation does not qualify under section 4940(e). Do not complete this part

1 Enter the appropriate amount in each column for each year; see page 18 of the instructions before making any entries.

(a) Base period years Calendar year (or tax year beginning in)	(b) Adjusted qualifying distributions	(c) Net value of noncharitable-use assets	(d) Distribution ratio (col (b) divided by col (c))
2008	NONE	1,118,730.	NONE
2007	61,250.	1,266,878.	0.04834719681
2006	138,421.	1,233,253.	0.11224055405
2005	69,916.	1,199,835.	0.05827134564
2004	21,495.	1,091,272.	0.01969719740
2 Total of line 1, column (d)			2 0.23855629390
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 0.04771125878
4 Enter the net value of noncharitable-use assets for 2009 from Part X, line 5			4 969,814.
5 Multiply line 4 by line 3			5 46,271.
6 Enter 1% of net investment income (1% of Part I, line 27b)			6 294.
7 Add lines 5 and 6			7 46,565.
8 Enter qualifying distributions from Part XII, line 4			8 40,000.

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.

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 ruling 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	588.
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	588.
4	Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0)	4	NONE
5	Tax based on investment income. Subtract line 4 from line 3. If zero or less, enter -0-	5	588.
6	Credits/Payments.		
a	2009 estimated tax payments and 2008 overpayment credited to 2009	6a	788.
b	Exempt foreign organizations-tax withheld at source	6b	NONE
c	Tax paid with application for extension of time to file (Form 8868)	6c	NONE
d	Backup withholding erroneously withheld	6d	
7	Total credits and payments. Add lines 6a through 6d	7	788.
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	200.
11	Enter the amount of line 10 to be Credited to 2010 estimated tax <input type="checkbox"/> 200. Refunded <input type="checkbox"/>	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?		X
1b	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>		X
1c	Did the foundation file Form 1120-POL for this year?	X	
d	Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year. (1) On the foundation <input type="checkbox"/> \$ _____ (2) On foundation managers <input type="checkbox"/> \$ _____		
e	Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers <input type="checkbox"/> \$ _____		
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>		X
3	Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? <i>If "Yes," attach a conformed copy of the changes</i>		X
4a	Did the foundation have unrelated business gross income of \$1,000 or more during the year?		X
4b	If "Yes," has it filed a tax return on Form 990-T for this year?		
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>		X
6	Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	X	
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>	X	
8a	Enter the states to which the foundation reports or with which it is registered (see page 19 of the instructions) <input type="checkbox"/> STMT 13		
8b	If the answer is "Yes" to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by General Instruction G? <i>If "No," attach explanation</i>	X	
9	Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2009 or the taxable year beginning in 2009 (see instructions for Part XIV on page 27)? <i>If "Yes," complete Part XIV</i>		X
10	Did any persons become substantial contributors during the tax year? <i>If "Yes," attach a schedule listing their names and addresses</i>		X

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		X
12	Did the foundation acquire a direct or indirect interest in any applicable insurance contract before August 17, 2008?	12		X
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application?	13	X	
Website address ▶ N/A				
14	The books are in care of ▶ KANALY TRUST COMPANY Telephone no. ▶ (713) 626-9483			
Located at ▶ 5555 SAN FELIPE -STE 200, HOUSTON, TX ZIP + 4 ▶ 77056				
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)? Organizations relying on a current notice regarding disaster assistance check here <input type="checkbox"/>	1b	
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?	1c	X
2	Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5)).		
a	At the end of tax year 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 ▶		
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)	2b	X
c	If the provisions of section 4942(a)(2) are being applied to any of the years listed in 2a, list the years here. ▶		
3a	Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year? <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)	3b	
4a	Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?	4a	X
b	Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2009?	4b	X

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

- 5a** During the year did the foundation pay or incur any amount to
- (1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))? Yes No
 - (2) Influence the outcome of any specific public election (see section 4955); or to carry on, directly or indirectly, any voter registration drive? Yes No
 - (3) Provide a grant to an individual for travel, study, or other similar purposes? Yes No
 - (4) Provide a grant to an organization other than a charitable, etc., organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)? (see 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**
 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** X
 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**

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
SEE STATEMENT 14		-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		NONE	NONE	NONE

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

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors (continued)

3 Five highest-paid independent contractors for professional services (see 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		NONE

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

Part IX-A Summary of Direct Charitable Activities

List the foundation's four largest direct charitable activities during the tax year. Include relevant statistical information such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc.	Expenses
1 NONE	
2	
3	
4	

Part IX-B Summary of Program-Related Investments (see page 23 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 NONE	
2	
All other program-related investments See page 24 of the instructions	
3 NONE	
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	535,437.
b	Average of monthly cash balances	1b	302,411.
c	Fair market value of all other assets (see page 24 of the instructions)	1c	146,735.
d	Total (add lines 1a, b, and c)	1d	984,583.
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1e	
2	Acquisition indebtedness applicable to line 1 assets	2	NONE
3	Subtract line 2 from line 1d	3	984,583.
4	Cash deemed held for charitable activities. Enter 1 1/2% of line 3 (for greater amount, see page 25 of the instructions)	4	14,769.
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	969,814.
6	Minimum investment return. Enter 5% of line 5	6	48,491.

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	48,491.
2a	Tax on investment income for 2009 from Part VI, line 5	2a	588.
b	Income tax for 2009. (This does not include the tax from Part VI.)	2b	
c	Add lines 2a and 2b	2c	588.
3	Distributable amount before adjustments. Subtract line 2c from line 1	3	47,903.
4	Recoveries of amounts treated as qualifying distributions	4	NONE
5	Add lines 3 and 4	5	47,903.
6	Deduction from distributable amount (see page 25 of the instructions)	6	NONE
7	Distributable amount as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1	7	47,903.

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	40,000.
b	Program-related investments - total from Part IX-B	1b	
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	2	NONE
3	Amounts set aside for specific charitable projects that satisfy the:		
a	Suitability test (prior IRS approval required)	3a	NONE
b	Cash distribution test (attach the required schedule)	3b	NONE
4	Qualifying distributions. Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	4	40,000.
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	N/A
6	Adjusted qualifying distributions. Subtract line 5 from line 4	6	40,000.

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				47,903.
2 Undistributed income, if any, as of the end of 2009:				
a Enter amount for 2008 only			NONE	
b Total for prior years: 20 07, 20 , 20		NONE		
3 Excess distributions carryover, if any, to 2009:				
a From 2004	NONE			
b From 2005	NONE			
c From 2006	24,124.			
d From 2007	NONE			
e From 2008	NONE			
f Total of lines 3a through e	24,124.			
4 Qualifying distributions for 2009 from Part XII, line 4: ► \$ 40,000.				
a Applied to 2008, but not more than line 2a			NONE	
b Applied to undistributed income of prior years (Election required - see page 26 of the instructions)		NONE		
c Treated as distributions out of corpus (Election required - see page 26 of the instructions)	NONE			
d Applied to 2009 distributable amount				40,000.
e Remaining amount distributed out of corpus	NONE			
5 Excess distributions carryover applied to 2009. (If an amount appears in column (d), the same amount must be shown in column (a))	7,903.			7,903.
6 Enter the net total of each column as indicated below:				
a Corpus Add lines 3f, 4c, and 4e Subtract line 5	16,221.			
b Prior years' undistributed income Subtract line 4b from line 2b		NONE		
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed		NONE		
d Subtract line 6c from line 6b Taxable amount - see page 27 of the instructions		NONE		
e Undistributed income for 2008 Subtract line 4a from line 2a. Taxable amount - see page 27 of the instructions			NONE	
f Undistributed income for 2009. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2010.				
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)	NONE			
8 Excess distributions carryover from 2004 not applied on line 5 or line 7 (see page 27 of the instructions)	NONE			
9 Excess distributions carryover to 2010. Subtract lines 7 and 8 from line 6a	16,221.			
10 Analysis of line 9:				
a Excess from 2005	NONE			
b Excess from 2006	16,221.			
c Excess from 2007	NONE			
d Excess from 2008	NONE			
e Excess from 2009	NONE			

Part XIV Private Operating Foundations (see page 27 of the instructions and Part VII-A, question 9) **NOT APPLICABLE**

1a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 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).)

VIRGINIA L KANALY

b List any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest.
 NONE

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

Check here if the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds. If the foundation makes gifts, grants, etc. (see 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:
 SEE STATEMENT 15

b The form in which applications should be submitted and information and materials they should include:
 SEE ATTACHED STATEMENT FOR LINE 2

c Any submission deadlines:
 N/A

d Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors:
 SEE ATTACHED STATEMENT FOR LINE 2

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 <i>Paid during the year</i> SEE STATEMENT 16				
Total				40,000.
b <i>Approved for future payment</i>				
Total				3b

**FORM 990-PF - PART IV
CAPITAL GAINS AND LOSSES FOR TAX ON INVESTMENT INCOME**

Kind of Property		Description				P or D	Date acquired	Date sold
Gross sale price less expenses of sale	Depreciation allowed/ allowable	Cost or other basis	FMV as of 12/31/69	Adj. basis as of 12/31/69	Excess of FMV over adj. basis		Gain or (loss)	
		TOTAL SHORT-TERM CAPITAL GAIN DIVIDENDS					109.	
		TOTAL LONG-TERM CAPITAL GAIN DIVIDENDS					481.	
20,325.00		7. BERKSHIRE HATHAWAY INC CL B PROPERTY TYPE: SECURITIES 24,966.00					11/17/2006 -4,641.00	07/16/2009
26,200.00		50000. CIT GROUP INC 5.40%13 SR NOTE PROPERTY TYPE: SECURITIES 49,934.00					05/16/2007 -23,734.00	07/17/2009
8,843.00		373. CISCO SYS INC PROPERTY TYPE: SECURITIES 6,725.00					07/07/2005 2,118.00	09/28/2009
6,770.00		1170.646 COHEN & STEERS REALTY INCOME FU PROPERTY TYPE: SECURITIES 21,256.00					03/09/2007 -14,486.00	04/22/2009
4,769.00		87. DEVON ENERGY CORP NEW PROPERTY TYPE: SECURITIES 5,395.00					04/12/2006 -626.00	07/16/2009
9,980.00		684.932 DIAMOND HILL LONG SHORT FUND CL PROPERTY TYPE: SECURITIES 13,048.00					04/29/2008 -3,068.00	07/22/2009
25,000.00		25000. FED HOME LN BK 4.08%09 NOTES PROPERTY TYPE: SECURITIES 25,000.00					01/07/2005	01/27/2009
25,000.00		25000. FED NATL MTG 5.125%13 ** CALLE PROPERTY TYPE: SECURITIES 25,000.00					11/13/2007	05/14/2009
4,000.00		368.324 FORWARD INTL SMALL CO FUND INV C PROPERTY TYPE: SECURITIES 4,339.00					10/02/2008 -339.00	07/22/2009
6,382.00		522.25 FORWARD INTL SMALL CO FUND INV CL PROPERTY TYPE: SECURITIES 6,152.00					10/02/2008 230.00	09/28/2009

**FORM 990-PF - PART IV
CAPITAL GAINS AND LOSSES FOR TAX ON INVESTMENT INCOME**

Kind of Property		Description				P or D	Date acquired	Date sold
Gross sale price less expenses of sale	Depreciation allowed/ allowable	Cost or other basis	FMV as of 12/31/69	Adj basis as of 12/31/69	Excess of FMV over adj basis		Gain or (loss)	
6,067.00		119. HESS CORPORATION PROPERTY TYPE: SECURITIES 5,406.00					10/03/2005	07/16/2009
							661.00	
7,353.00		67. INTERNATIONAL BUSINESS MACHS CORP PROPERTY TYPE: SECURITIES 5,602.00					06/05/2003	07/16/2009
							1,751.00	
35,818.00		393. ISHARES TRUST S&P 500 S&P 500 INDEX PROPERTY TYPE: SECURITIES 50,611.00					08/06/2008	05/28/2009
							-14,793.00	
20,152.00		214. ISHARES TRUST S&P 500 S&P 500 INDEX PROPERTY TYPE: SECURITIES 19,086.00					12/18/2008	07/16/2009
							1,066.00	
16,762.00		178. ISHARES TRUST S&P 500 S&P 500 INDEX PROPERTY TYPE: SECURITIES 22,756.00					06/27/2008	07/16/2009
							-5,994.00	
17,679.00		399. ISHARES S&P 500 GROWTH S&P 500 GROW PROPERTY TYPE: SECURITIES 27,438.00					08/09/2007	04/22/2009
							-9,759.00	
30,450.00		854. ISHARES TR MSCI EAFE FD MSCI EAFE I PROPERTY TYPE: SECURITIES 37,039.00					12/16/2008	02/20/2009
							-6,589.00	
9,268.00		200. ISHARES TR RUSSELL 2000 RUSSELL 200 PROPERTY TYPE: SECURITIES 15,674.00					09/05/2007	04/09/2009
							-6,406.00	
7,164.00		146. ISHARES TR DJ US HLTHCAR US HEALTHC PROPERTY TYPE: SECURITIES 8,020.00					10/20/2008	04/09/2009
							-856.00	
8,906.00		214. ISHARES S&P SMCAP GROWTH S&P SMALLC PROPERTY TYPE: SECURITIES 15,329.00					09/26/2007	04/09/2009
							-6,423.00	
12,312.00		333. ISHARES MSCI GWTH IDX FD PROPERTY TYPE: SECURITIES 26,990.00					11/08/2007	02/20/2009
							-14,678.00	

**FORM 990-PF - PART IV
CAPITAL GAINS AND LOSSES FOR TAX ON INVESTMENT INCOME**

Kind of Property		Description				P or D	Date acquired	Date sold
Gross sale price less expenses of sale	Depreciation allowed/ allowable	Cost or other basis	FMV as of 12/31/69	Adj. basis as of 12/31/69	Excess of FMV over adj basis		Gain or (loss)	
3,068.00		50. JOHNSON & JOHNSON PROPERTY TYPE: SECURITIES 2,483.00				12/15/2003	09/28/2009	
						585.00		
6,135.00		100. JOHNSON & JOHNSON PROPERTY TYPE: SECURITIES 2,998.00				10/21/1997	09/28/2009	
						3,137.00		
6,135.00		100. JOHNSON & JOHNSON PROPERTY TYPE: SECURITIES 2,998.00				10/21/1997	09/28/2009	
						3,137.00		
14,052.00		291. MARKET VECTORS ETF TRUST GOLD MINER PROPERTY TYPE: SECURITIES 10,658.00				02/27/2009	10/12/2009	
						3,394.00		
13,201.00		290. MARKET VECTORS ETF TRUST GOLD MINER PROPERTY TYPE: SECURITIES 8,658.00				03/10/2009	12/17/2009	
						4,543.00		
11,652.00		449. MICROSOFT CORP PROPERTY TYPE: SECURITIES 6,655.00				07/01/2005	09/28/2009	
						4,997.00		
25,000.00		25000. MINNEAPOLIS MN TAXABLE 7% 3/1/12 PROPERTY TYPE: SECURITIES 24,919.00				11/30/2000	10/23/2009	
						81.00		
11,249.00		197. PEPSICO INC PROPERTY TYPE: SECURITIES 11,488.00				06/17/2008	07/16/2009	
						-239.00		
3,771.00		142. POWERSHS QQQ TRUST SER 1 PROPERTY TYPE: SECURITIES 4,929.00				09/27/2004	03/03/2009	
						-1,158.00		
5,869.00		400. POWERSHS EXCH TRAD FD TR POWERSHARE PROPERTY TYPE: SECURITIES 8,221.00				02/08/2007	07/23/2009	
						-2,352.00		
8,804.00		600. POWERSHS EXCH TRAD FD TR POWERSHARE PROPERTY TYPE: SECURITIES 11,918.00				02/08/2007	07/23/2009	
						-3,114.00		

**FORM 990-PF - PART IV
CAPITAL GAINS AND LOSSES FOR TAX ON INVESTMENT INCOME**

Kind of Property		Description				P or D	Date acquired	Date sold
Gross sale price less expenses of sale	Depreciation allowed/ allowable	Cost or other basis	FMV as of 12/31/69	Adj. basis as of 12/31/69	Excess of FMV over adj basis		Gain or (loss)	
18,036.00		520. PROSHS ULTRASHRT S&P500 PROSHARES T PROPERTY TYPE: SECURITIES 20,387.00					11/05/2009	12/23/2009
4,465.00		186. SPDR DOW JONES INTL REAL ESTATE ETF PROPERTY TYPE: SECURITIES 11,357.00					09/05/2007	04/22/2009
61,880.00		6056.533 TCW TOTAL RETURN BOND FUND I CL PROPERTY TYPE: SECURITIES 57,147.00					08/04/2009	12/09/2009
25,000.00		25000. US TREAS NTE 3.125%11/09 U S T NO PROPERTY TYPE: SECURITIES 25,000.00					12/13/2007	11/30/2009
TOTAL GAIN(LOSS)							----- -97,475. =====	

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

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME
AIM CHARTER FUND CL Y	304.	304.
CAMBIAR OPPORTUNITY FUND INV CL	16.	16.
CIT GROUP INC 5.40%13 SR NOTE DUE	2,363.	2,363.
CALAMOS CONVERTIBLE FUND CL A	128.	128.
COHEN & STEERS REALTY INCOME FUND CL I	98.	98.
DEVON ENERGY CORP NEW	28.	28.
EATON VANCE STRUCTURED EMRG MKTS CL I	200.	200.
FEDERAL FARM CR BKS 6.9% 9/01/10	1,725.	1,725.
FED HOME LN BK 4.08%09 NOTES DUE	510.	510.
FEDERAL NAT MTG ASSN 6.625% 11/15/10	1,656.	1,656.
FED NATL MTG 4.375%12 NOTES DUE	1,094.	1,094.
FED NATL MTG 5.125%13 ** CALLED **DUE	641.	641.
ABSOLUTE STRATEGIES FUND INSTL SHR	382.	382.
FORWARD INTL SMALL CO FUND INV CL	144.	144.
NATIXIS GATEWAY Y	286.	286.
HARDING LOEVNER EMERGING MARKETS	54.	54.
HESS CORPORATION	36.	36.
INTERNATIONAL BUSINESS MACHS CORP	70.	70.
ISHARES TRUST S&P 500 S&P 500 INDEX	625.	625.
ISHARES S&P 500 GROWTH S&P 500 GROWTH IN	71.	71.
ISHARES TR MSCI EAFE FD MSCI EAFE INDEX	205.	205.
ISHARES TR RUSSELL 1000 RUSSELL 1000 GRO	126.	126.
ISHARES TR RUSSELL 2000 RUSSELL 2000 IND	28.	28.
ISHARES TR DJ US HLTHCAR US HEALTHCARE S	39.	39.
ISHARES S&P SMCAP GROWTH S&P SMALLCAP 60	3.	3.
JOHNSON & JOHNSON	360.	360.
MICROSOFT CORP	175.	175.
MINNEAPOLIS MN TAXABLE 7% 3/1/12-09	2,003.	2,003.
NATIXIS VAUGHAN NELSON SMALL CAP VALUE Y	136.	136.
NUVEEN TRADEWINDS INTL VALUE I	167.	167.
PEPSICO INC	256.	256.
PIMCO ALL ASSET INSTL CL	1,839.	1,839.

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

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME
PIMCO COMMODITY REAL RETURN STRAT CL INS	1,421.	1,421.
PIMCO INVESTMENT GRADE CORP BOND INSTITU	63.	63.
POWERSHS EXCH TRAD FD TR POWERSHARES DYN	22.	22.
ROYCE MICRO CAP FUND INVESTMENT CL	162.	162.
SPDR DOW JONES INTL REAL ESTATE ETF	78.	78.
SCH ADV CASH RESRV PREM	16.	16.
AIM LIQUID ASSETS PORT MMKT-RES CL	1,012.	1,012.
TCW TOTAL RETURN BOND FUND I CLASS	2,644.	2,644.
TEXTRON INC	27.	27.
US TREAS NOT 4.375%08/12 UST NOTE DUE 08	1,094.	1,094.
US TREAS NT 4.5%11/10 DUE 11/15/10	1,125.	1,125.
US TREAS NOTE 4.875%4/11 U S T NOTE DUE	1,219.	1,219.
US TREAS NTE 3.125%11/09 U S T NOTE DUE	781.	781.
VERIZON NEW ENGLAND INC 6.5% 9/15/11	3,575.	3,575.
TOTAL	29,007.	29,007.

FORM 990PF, PART I - OTHER INCOME
=====

DESCRIPTION -----	REVENUE AND EXPENSES PER BOOKS -----	NET INVESTMENT INCOME -----
TOTALS	1,917. =====	1,411. =====

FORM 990PF, PART I - ACCOUNTING FEES
=====

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME	ADJUSTED NET INCOME	CHARITABLE PURPOSES
TAX PREPARATION FEE (ALLOCABLE)	1,000.	1,000.		
TOTALS	1,000.	1,000.	NONE	NONE

FORM 990PF, PART I - TAXES
=====

DESCRIPTION -----	REVENUE AND EXPENSES PER BOOKS -----
FOREIGN TAXES ON QUALIFIED FOR	111.
FOREIGN TAXES ON NONQUALIFIED	23.

TOTALS	134.
	=====

THE KANALY FOUNDATION

76-0381632

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

DESCRIPTION	ENDING BOOK VALUE	ENDING FMV
FHLB 4.08% 1/27/09		
US TREASURY NTS 3.125% 11/30/0		
FFCB 6.9% 9/1/10	25,154.	26,079.
US TREAS NT 4.5% 11/15/10	25,047.	25,867.
US TREAS N/B 4.875% 4/30/11	24,928.	26,324.
MINN MN TAXABLE 7% 3/1/12-09		
US TREAS NT 4.375% 8/15/12	24,972.	26,895.
FANNIE MAE 4.375% 9/15/12		
FED NAT'L MTG 6.625% 11/15/10		
TOTALS	100,101.	105,165.

THE KANALY FOUNDATION

76-0381632

FORM 990PF, PART II - CORPORATE STOCK
=====

DESCRIPTION	ENDING BOOK VALUE	ENDING FMV
BERKSHIRE HATHAWAY INC-C1 B		
CISCO SYSTEMS INC		
COHEN & STEERS RLTY INCOME-I		
DEVON ENERGY CORP NEW		
SPDR DJ WILSHIRE INTL REAL EST		
HESS CORP		
INTL BUSINESS MACHINES CORP		
ISHARES MSCI EAFE GROWTH INDEX		
ISHARES RUSSELL 2000 INDEX		
ISHARES TR S&P 500/BARRA GRWTH		
JOHNSON & JOHNSON		
MICROSOFT CORP		
PEPSICO INC		
POWERSHARES DYN OIL & GAS		
POWERSHARES QQQ NASDAQ 100		
DIAMOND HILLS L/S - I		
EATON VANCE STRUCTD EMERG MKT		
FORWARD INTL SMALL COMP		
HARDING LOEVNER EMERG MKTS		
ISHARES S&P SMALLCAP 600 GRW		
ISHARES S&P 500 INDEX FD		
ISHARES TR DOW JONES US HEAL S		
ISHARES TR MSCE EAFE INDEX		
SPDR GOLD TRUST SHARE		
ABSOLUTE OPPTY FD INST		
AIM CHARTER FUND CL Y		
ASTON TAMRO SMALL CAP FD		
CAMBIAR OPPORTUNITY FUND		
ISHARES TR RUSSELL 1000		
	15,659.	19,144.
	13,247.	13,721.
	9,919.	12,405.
	19,811.	21,117.
	20,835.	20,815.
	39,997.	43,984.
	19,741.	22,037.
	10,653.	12,150.
	20,661.	22,881.

THE KANALY FOUNDATION

76-0381632

FORM 990PF, PART II - CORPORATE STOCK
=====

DESCRIPTION -----	ENDING BOOK VALUE -----	ENDING FMV ---
NATIXIS VAUGHAN NELSON	29,535.	32,857.
NUVEEN TRADEWINDS INTL	24,625.	24,008.
ROYCE MICRO CAP FUND	10,000.	12,085.
TOTALS	----- 234,683. =====	----- 257,204. =====

THE KANALY FOUNDATION

76-0381632

FORM 990PF, PART II - CORPORATE BONDS
 =====

DESCRIPTION	ENDING BOOK VALUE	ENDING FMV
VERIZON NEW ENGLAND INC 6.5% 9	57,020.	59,069.
CIT GROUP INC		
FED NTL MG ASN 5.125% 11/14/13		
CALAMOS CONV FD CL A	20,858.	20,758.
FED NATL MTGE 4.375% 12	25,004.	26,720.
FED NATL MTG 6.625% 10	25,024.	26,338.
PIMCO INVESTMENT GRADE	20,858.	20,705.
TOTALS	148,764.	153,590.

THE KANALY FOUNDATION

76-0381632

FORM 990PF, PART II - OTHER INVESTMENTS
=====

DESCRIPTION	COST/ FMV	C OR F	ENDING BOOK VALUE	ENDING FMV
-----	-----	-----	-----	---
ABSOLUTE STRATEGIES FUND	C		52,318.	54,170.
DIAMOND HILL LONG SHORT	C		20,194.	17,560.
ENTERPRISE PRD PRTRNS LP	C		16,580.	18,532.
KINDER MORGAN ENERGY LP	C		16,550.	18,599.
NATIXIS GATEWAY Y	C		44,155.	45,779.
PIMCO ALL ASSET INSTL CL	C		34,683.	34,831.
PIMCO COMMODITY REAL	C		29,883.	36,409.
PLAINS ALL AMERN PPLN LP	C		16,704.	18,445.
POWERSHS DB US DOLLAR TR	C		20,338.	20,749.
SPDR GOLD TRUST	C		24,015.	27,257.
			-----	-----
TOTALS			275,420.	292,331.
			=====	=====

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

DESCRIPTION	AMOUNT
-----	-----
ROUNDING	6.
TOTAL	6.
	=====

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

DESCRIPTION -----	AMOUNT -----
MUTUAL FUNDS POSTED IN 2009 TAXED IN 200	1,266.
FUNDS BALANCE ADJUSTMENT	3,268.

TOTAL	4,534.
	=====

STATE(S) WHERE THE FOUNDATION IS REGISTERED
=====

TX

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

OFFICER NAME:
VIRGINIA L KANALY
ADDRESS:
5555 SAN FELIPE - SUITE 200
HOUSTON, TX 77057
TITLE:
TRUSTEE

OFFICER NAME:
STEVEN P KANALY
ADDRESS:
5555 SAN FELIPE - SUITE 200
HOUSTON, TX 77057
TITLE:
TRUSTEE

OFFICER NAME:
JEFFREY C KANALY
ADDRESS:
5555 SAN FELIPE - SUITE 200
HOUSTON, TX 77056
TITLE:
TRUSTEE

OFFICER NAME:
ANDREW D KANALY
ADDRESS:
5555 SAN FELIPE - SUITE 200
HOUSTON, TX 77056
TITLE:
TRUSTEE

THE KANALY FOUNDATION
FORM 990PF, PART XV - LINES 2a - 2d
=====

76-0381632

RECIPIENT NAME:
JEFFREY KANALY
ADDRESS:
4550 POST OAK PLACE DRIVE - STE 139
HOUSTON, TX 77027
RECIPIENT'S PHONE NUMBER: 713-626-9483
FORM, INFORMATION AND MATERIALS:
NO SPECIFIC GUIDELINES
NONE
RESTRICTIONS OR LIMITATIONS ON AWARDS:
NONE

STATEMENT 15

=====

RECIPIENT NAME:

OPEN DOOR MISSION

ADDRESS:

P O BOX 9356

HOUSTON, TX 77261

RELATIONSHIP:

NONE

PURPOSE OF GRANT:

GENERAL FUNDING FOR PROGRAMS

FOUNDATION STATUS OF RECIPIENT:

501(C)(3)

AMOUNT OF GRANT PAID 10,000.

RECIPIENT NAME:

LONE STAR CHAPTER OF MS SOCIETY

ADDRESS:

8111 N STADIUM DR #100

HOUSTON, TX 77054

RELATIONSHIP:

NONE

PURPOSE OF GRANT:

GENERAL FUNDING FOR PROGRAMS

FOUNDATION STATUS OF RECIPIENT:

501(C)(3)

AMOUNT OF GRANT PAID 30,000.

TOTAL GRANTS PAID:

40,000.

=====

SCHEDULE D
(Form 1041)

Department of the Treasury
Internal Revenue Service

Capital Gains and Losses

▶ **Attach to Form 1041, Form 5227, or Form 990-T. See the instructions for Schedule D (Form 1041) (also for Form 5227 or Form 990-T, if applicable).**

OMB No 1545-0092

2009

Name of estate or trust THE KANALY FOUNDATION	Employer identification number 76-0381632
---------------------------------------------------------	-----------------------------------------------------

Note: Form 5227 filers need to complete only Parts I and II.

Part I Short-Term Capital Gains and Losses - Assets Held One Year or Less

(a) Description of property (Example 100 shares 7% preferred of "Z" Co)	(b) Date acquired (mo, day, yr.)	(c) Date sold (mo, day, yr)	(d) Sales price	(e) Cost or other basis (see page 4 of the instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)
1a SHORT-TERM CAPITAL GAIN DIVIDENDS		STMT 1			109.
b Enter the short-term gain or (loss), if any, from Schedule D-1, line 1b					1b -10,962.
2 Short-term capital gain or (loss) from Forms 4684, 6252, 6781, and 8824					2
3 Net short-term gain or (loss) from partnerships, S corporations, and other estates or trusts					3
4 Short-term capital loss carryover. Enter the amount, if any, from line 9 of the 2008 Capital Loss Carryover Worksheet					4 ()
5 Net short-term gain or (loss). Combine lines 1a through 4 in column (f). Enter here and on line 13, column (3) on the back ▶					5 -10,853.

Part II Long-Term Capital Gains and Losses - Assets Held More Than One Year

(a) Description of property (Example 100 shares 7% preferred of "Z" Co)	(b) Date acquired (mo, day, yr.)	(c) Date sold (mo, day, yr)	(d) Sales price	(e) Cost or other basis (see page 4 of the instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)
6a LONG-TERM CAPITAL GAIN DIVIDENDS		STMT 1			481.
b Enter the long-term gain or (loss), if any, from Schedule D-1, line 6b					6b -87,103.
7 Long-term capital gain or (loss) from Forms 2439, 4684, 6252, 6781, and 8824					7
8 Net long-term gain or (loss) from partnerships, S corporations, and other estates or trusts					8
9 Capital gain distributions					9
10 Gain from Form 4797, Part I					10
11 Long-term capital loss carryover. Enter the amount, if any, from line 14 of the 2008 Capital Loss Carryover Worksheet					11 ()
12 Net long-term gain or (loss). Combine lines 6a through 11 in column (f). Enter here and on line 14a, column (3) on the back ▶					12 -86,622.

For Paperwork Reduction Act Notice, see the Instructions for Form 1041.

Schedule D (Form 1041) 2009

Part III Summary of Parts I and II		(1) Beneficiaries' (see page 5)	(2) Estate's or trust's	(3) Total
Caution: Read the instructions before completing this part.				
13	Net short-term gain or (loss)	13		-10,853.
14	Net long-term gain or (loss):			
a	Total for year	14a		-86,622.
b	Unrecaptured section 1250 gain (see line 18 of the wrksh.)	14b		
c	28% rate gain	14c		
15	Total net gain or (loss). Combine lines 13 and 14a ▶	15		-97,475.

Note: If line 15, column (3), is a net gain, enter the gain on Form 1041, line 4 (or Form 990-T, Part I, line 4a). If lines 14a and 15, column (2), are net gains, go to Part V, and do not complete Part IV. If line 15, column (3), is a net loss, complete Part IV and the Capital Loss Carryover Worksheet, as necessary.

Part IV Capital Loss Limitation

16	Enter here and enter as a (loss) on Form 1041, line 4 (or Form 990-T, Part I, line 4c, if a trust), the smaller of:	16	(3,000)
a	The loss on line 15, column (3) or b \$3,000		

Note: If the loss on line 15, column (3), is more than \$3,000, or if Form 1041, page 1, line 22 (or Form 990-T, line 34), is a loss, complete the Capital Loss Carryover Worksheet on page 7 of the instructions to figure your capital loss carryover.

Part V Tax Computation Using Maximum Capital Gains Rates

Form 1041 filers. Complete this part only if both lines 14a and 15 in column (2) are gains, or an amount is entered in Part I or Part II and there is an entry on Form 1041, line 2b(2), and Form 1041, line 22, is more than zero.

Caution: Skip this part and complete the worksheet on page 8 of the instructions if:

- Either line 14b, col. (2) or line 14c, col. (2) is more than zero, or
- Both Form 1041, line 2b(1), and Form 4952, line 4g are more than zero.

Form 990-T trusts. Complete this part only if both lines 14a and 15 are gains, or qualified dividends are included in income in Part I of Form 990-T, and Form 990-T, line 34, is more than zero. Skip this part and complete the worksheet on page 8 of the instructions if either line 14b, col. (2) or line 14c, col. (2) is more than zero.

17	Enter taxable income from Form 1041, line 22 (or Form 990-T, line 34)	17		
18	Enter the smaller of line 14a or 15 in column (2) but not less than zero	18		
19	Enter the estate's or trust's qualified dividends from Form 1041, line 2b(2) (or enter the qualified dividends included in income in Part I of Form 990-T)	19		
20	Add lines 18 and 19	20		
21	If the estate or trust is filing Form 4952, enter the amount from line 4g; otherwise, enter -0- ▶	21		
22	Subtract line 21 from line 20. If zero or less, enter -0-	22		
23	Subtract line 22 from line 17. If zero or less, enter -0-	23		
24	Enter the smaller of the amount on line 17 or \$2,300	24		
25	Is the amount on line 23 equal to or more than the amount on line 24? <input type="checkbox"/> Yes. Skip lines 25 and 26; go to line 27 and check the "No" box. <input type="checkbox"/> No. Enter the amount from line 23	25		
26	Subtract line 25 from line 24	26		
27	Are the amounts on lines 22 and 26 the same? <input type="checkbox"/> Yes. Skip lines 27 thru 30, go to line 31 <input type="checkbox"/> No. Enter the smaller of line 17 or line 22	27		
28	Enter the amount from line 26 (If line 26 is blank, enter -0-)	28		
29	Subtract line 28 from line 27	29		
30	Multiply line 29 by 15% (.15)	30		
31	Figure the tax on the amount on line 23. Use the 2009 Tax Rate Schedule for Estates and Trusts (see the Schedule G instructions in the instructions for Form 1041)	31		
32	Add lines 30 and 31	32		
33	Figure the tax on the amount on line 17 Use the 2009 Tax Rate Schedule for Estates and Trusts (see the Schedule G instructions in the instructions for Form 1041)	33		
34	Tax on all taxable income. Enter the smaller of line 32 or line 33 here and on Form 1041, Schedule G, line 1a (or Form 990-T, line 36)	34		

Name of estate or trust as shown on Form 1041 Do not enter name and employer identification number if shown on the other side

Employer identification number

THE KANALY FOUNDATION

76-0381632

Part II Long-Term Capital Gains and Losses - Assets Held More Than One Year

(a) Description of property (Example: 100 sh 7% preferred of "Z" Co)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Sales price (see page 4 of the instructions)	(e) Cost or other basis (see page 4 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
6a 7. BERKSHIRE HATHAWAY INC CL B	11/17/2006	07/16/2009	20,325.00	24,966.00	-4,641.00
50000. CIT GROUP INC					
5.40%13 SR NOTE DUE 03/	05/16/2007	07/17/2009	26,200.00	49,934.00	-23,734.00
373. CISCO SYS INC	07/07/2005	09/28/2009	8,843.00	6,725.00	2,118.00
1170.646 COHEN & STEERS REALTY INCOME FUND CL I	03/09/2007	04/22/2009	6,770.00	21,256.00	-14,486.00
87. DEVON ENERGY CORP NEW	04/12/2006	07/16/2009	4,769.00	5,395.00	-626.00
684.932 DIAMOND HILL LONG SHORT FUND CL I	04/29/2008	07/22/2009	9,980.00	13,048.00	-3,068.00
25000. FED HOME LN BK					
4.08%09 NOTES DUE 01/	01/07/2005	01/27/2009	25,000.00	25,000.00	
25000. FED NATL MTG					
5.125%13 ** CALLED **DUE 11	11/13/2007	05/14/2009	25,000.00	25,000.00	
119. HESS CORPORATION	10/03/2005	07/16/2009	6,067.00	5,406.00	661.00
67. INTERNATIONAL BUSINESS MACHS CORP	06/05/2003	07/16/2009	7,353.00	5,602.00	1,751.00
178. ISHARES TRUST S&P 500 S&P 500 INDEX	06/27/2008	07/16/2009	16,762.00	22,756.00	-5,994.00
399. ISHARES S&P 500 GROWTH S&P 500 GROWTH INDEX	08/09/2007	04/22/2009	17,679.00	27,438.00	-9,759.00
200. ISHARES TR RUSSELL 2000 RUSSELL 2000 INDEX FUN	09/05/2007	04/09/2009	9,268.00	15,674.00	-6,406.00
214. ISHARES S&P SMCAP GROWTH S&P SMALLCAP 600	09/26/2007	04/09/2009	8,906.00	15,329.00	-6,423.00
333. ISHARES MSCI GWTH IDX FD	11/08/2007	02/20/2009	12,312.00	26,990.00	-14,678.00
50. JOHNSON & JOHNSON	12/15/2003	09/28/2009	3,068.00	2,483.00	585.00
100. JOHNSON & JOHNSON	10/21/1997	09/28/2009	6,135.00	2,998.00	3,137.00
100. JOHNSON & JOHNSON	10/21/1997	09/28/2009	6,135.00	2,998.00	3,137.00
449. MICROSOFT CORP	07/01/2005	09/28/2009	11,652.00	6,655.00	4,997.00
25000. MINNEAPOLIS MN TAXABLE 7% 3/1/12-09	11/30/2000	10/23/2009	25,000.00	24,919.00	81.00
197. PEPSICO INC	06/17/2008	07/16/2009	11,249.00	11,488.00	-239.00
142. POWERSHS QQQ TRUST SER 1	09/27/2004	03/03/2009	3,771.00	4,929.00	-1,158.00
400. POWERSHS EXCH TRAD FD TR POWERSHARES DYNAMIC OIL	02/08/2007	07/23/2009	5,869.00	8,221.00	-2,352.00
600. POWERSHS EXCH TRAD FD TR POWERSHARES DYNAMIC OIL	02/08/2007	07/23/2009	8,804.00	11,918.00	-3,114.00
186. SPDR DOW JONES INTL REAL ESTATE ETF	09/05/2007	04/22/2009	4,465.00	11,357.00	-6,892.00

6b Total. Combine the amounts in column (f). Enter here and on Schedule D, line 6b

FEDERAL CAPITAL GAIN DIVIDENDS
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SHORT-TERM CAPITAL GAIN DIVIDENDS

CALAMOS CONVERTIBLE FUND CL A	21.00
CALAMOS CONVERTIBLE FUND CL A	70.00
ABSOLUTE STRATEGIES FUND INSTL SHR	8.00
ABSOLUTE STRATEGIES FUND INSTL SHR	
ABSOLUTE STRATEGIES FUND INSTL SHR	10.00
ABSOLUTE STRATEGIES FUND INSTL SHR	

TOTAL SHORT-TERM CAPITAL GAIN DIVIDENDS	-----	109.00
		=====

LONG-TERM CAPITAL GAIN DIVIDENDS

15% RATE CAPITAL GAIN DIVIDENDS

	50.00
PIMCO COMMODITY REAL RETURN STRAT CL INSTL	430.00

TOTAL 15% RATE CAPITAL GAIN DIVIDENDS	-----	481.00

TOTAL LONG-TERM CAPITAL GAIN DIVIDENDS		481.00
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