Form **990-PF**

Department of the Treasury
Internal Revenue Service

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

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

OMB No 1545-0052

2009

For calendar year 2009, or tax year beginning , 2009, and ending ,

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.

McDaniel Charitable Foundation
2831 Palmer Highway, 2nd Floor
Texas City, TX 77590

A Employer identification number
76-0538313

B Telephone number (see the instructions)
409-942-2947

C If exemption application is pending, check here ► ☐
D 1 Foreign organizations, check here ► ☐
2 Foreign organizations meeting the 85% test, check here and attach computation ► ☐
E If private foundation status was terminated under section 507(b)(1)(A), check here ► ☐
F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here ► ☐

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

I Fair market value of all assets at end of year (from Part II, column (c), line 16) ► $ 6,206,614.

J Accounting method: ☐ Cash [X] Accrual
☐ 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 the instructions).)*

	Line	(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 (att sch)				
	2 Ck ► [X] if the foundn is not req to att Sch B				
	3 Interest on savings and temporary cash investments			N/A	
	4 Dividends and interest from securities	83,386.	83,386.		
	5a Gross rents				
	b Net rental income or (loss)				
	6a Net gain/(loss) from sale of assets not on line 10	-368,229.			
	b Gross sales price for all assets on line 6a 7,086,896.				
	7 Capital gain net income (from Part IV, line 2)		0.		
	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/(loss) (att sch)				
	11 Other income (attach schedule)				
	12 **Total.** Add lines 1 through 11	-284,843.	83,386.		
OPERATING AND ADMINISTRATIVE EXPENSES	13 Compensation of officers, directors, trustees, etc	109,000.	26,000.		83,000.
	14 Other employee salaries and wages	177,803.			177,803.
	15 Pension plans, employee benefits	6,925.			6,925.
	16a Legal fees (attach schedule) See St 1	5,422.	2,711.		2,711.
	b Accounting fees (attach sch) See St 2	12,883.	6,442.		6,441.
	c Other prof fees (attach sch) See St 3	34,548.	34,548.		
	17 Interest				
	18 Taxes (attach schedule)(see instr) See Stm 4	275.			
	19 Depreciation (attach sch) and depletion	39,653.			
	20 Occupancy	8,982.	2,309.		6,674.
	21 Travel, conferences, and meetings	1,954.	544.		1,410.
	22 Printing and publications				
	23 Other expenses (attach schedule) See Statement 5	133,880.	3,143.		130,737.
	24 **Total operating and administrative expenses.** Add lines 13 through 23	531,325.	75,697.		415,701.
	25 Contributions, gifts, grants paid Part XV	889,131.			889,131.
	26 **Total expenses and disbursements.** Add lines 24 and 25	1,420,456.	75,697.		1,304,832.
	27 Subtract line 26 from line 12:				
	a **Excess of revenue over expenses and disbursements**	-1,705,299.			
	b **Net investment income** (if negative, enter -0-)		7,689.		
	c **Adjusted net income** (if negative, enter -0-)				

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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	9,145.	3,737.	3,737.
	2 Savings and temporary cash investments	245,207.		
	3 Accounts receivable ► 1,423.			
	Less allowance for doubtful accounts ►	3,052.	1,423.	1,423.
	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 the instructions)			
	7 Other notes and loans receivable (attach sch) ►			
	Less allowance for doubtful accounts ►			
	8 Inventories for sale or use			
	9 Prepaid expenses and deferred charges		29,449.	29,449.
	10a Investments — U S. and state government obligations (attach schedule) Statement 6	625,973.	116,006.	116,006.
	b Investments — corporate stock (attach schedule) Statement 7	3,468,107.	3,878,249.	3,878,249.
	c Investments — corporate bonds (attach schedule) Statement 8	1,170,815.	977,750.	977,750.
	11 Investments — land, buildings, and equipment: basis ►			
	Less. accumulated depreciation (attach schedule) ►			
	12 Investments — mortgage loans			
	13 Investments — other (attach schedule)	46,980.		
	14 Land, buildings, and equipment: basis ► 1,182,061.			
	Less. accumulated depreciation (attach schedule) See Stmt 9 ► 71,944.	951,790.	1,110,117.	1,200,000.
	15 Other assets (describe ►)			
	16 **Total assets** (to be completed by all filers — see instructions. Also, see page 1, item I)	6,521,069.	6,116,731.	6,206,614.
LIABILITIES	17 Accounts payable and accrued expenses			
	18 Grants payable			
	19 Deferred revenue			
	20 Loans from officers, directors, trustees, & other disqualified persons			
	21 Mortgages and other notes payable (attach schedule)			
	22 Other liabilities (describe ►)			
	23 **Total liabilities** (add lines 17 through 22)	0.	0.	
NET ASSETS OR FUND BALANCES	**Foundations that follow SFAS 117, check here ► [X] and complete lines 24 through 26 and lines 30 and 31.**			
	24 Unrestricted	6,521,069.	6,116,731.	
	25 Temporarily restricted			
	26 Permanently restricted			
	Foundations that do not follow SFAS 117, check here ► [ ] and complete lines 27 through 31.			
	27 Capital stock, trust principal, or current funds			
	28 Paid-in or capital surplus, or land, building, and equipment fund			
	29 Retained earnings, accumulated income, endowment, or other funds			
	30 **Total net assets or fund balances** (see the instructions)	6,521,069.	6,116,731.	
	31 **Total liabilities and net assets/fund balances** (see the instructions)	6,521,069.	6,116,731.	

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	6,521,069.
2	Enter amount from Part I, line 27a	2	-1,705,299.
3	Other increases not included in line 2 (itemize) ► See Statement 10	3	1,300,961.
4	Add lines 1, 2, and 3	4	6,116,731.
5	Decreases not included in line 2 (itemize) ►	5	
6	Total net assets or fund balances at end of year (line 4 minus line 5) — Part II, column (b), line 30	6	6,116,731.

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 shares MLC Company)	(b) How acquired P — Purchase D — Donation	(c) Date acquired (month, day, year)	(d) Date sold (month, day, year)
1a	Marketable Securitites	P	Various	Various
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	7,086,896.		7,455,125.	-368,229.
b				
c				
d				
e				

	Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			
	(i) Fair Market Value as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of column (i) over column (j), if any	(l) Gains (Column (h) gain minus column (k), but not less than -0-) or Losses (from column (h))
a				-368,229.
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	-368,229.
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 the instructions). If (loss), enter -0- in Part I, line 8	3	0.

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 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 (column (b) divided by column (c))
2008	1,395,799.	7,546,352.	0.184963
2007	842,384.	9,496,307.	0.088706
2006	630,386.	9,258,929.	0.068084
2005	545,366.	8,986,893.	0.060685
2004	514,330.	9,414,354.	0.054633

2	**Total** of line 1, column (d)	2	0.457071
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	0.091414
4	Enter the net value of noncharitable-use assets for 2009 from Part X, line 5	4	5,262,313.
5	Multiply line 4 by line 3	5	481,049.
6	Enter 1% of net investment income (1% of Part I, line 27b)	6	77.
7	Add lines 5 and 6	7	481,126.
8	Enter qualifying distributions from Part XII, line 4	8	1,366,690.

If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate See the Part VI instructions

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

1 a Exempt operating foundations described in section 4940(d)(2), check here ► [ ] and enter 'N/A' on line 1. Date of ruling or determination letter. ________ (attach copy of letter if necessary - see instr.)			
b Domestic foundations that meet the section 4940(e) requirements in Part V, check here ► [X] and enter 1% of Part I, line 27b		1	77.
c All other domestic foundations enter 2% of line 27b. Exempt foreign organizations enter 4% of Part I, line 12, column (b)			
2 Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-)		2	0.
3 Add lines 1 and 2		3	77.
4 Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-)		4	0.
5 **Tax based on investment income.** Subtract line 4 from line 3 If zero or less, enter -0-		5	77.
6 Credits/Payments			
a 2009 estimated tax pmts and 2008 overpayment credited to 2009	6a 2,000.		
b Exempt foreign organizations – tax withheld at source	6b		
c Tax paid with application for extension of time to file (Form 8868)	6c		
d Backup withholding erroneously withheld	6d		
7 Total credits and payments. Add lines 6a through 6d		7	2,000.
8 Enter any **penalty** for underpayment of estimated tax Check here [ ] if Form 2220 is attached		8	
9 **Tax due.** If the total of lines 5 and 8 is more than line 7, enter **amount owed** ►		9	0.
10 **Overpayment.** If line 7 is more than the total of lines 5 and 8, enter the **amount overpaid** ►		10	1,923.
11 Enter the amount of line 10 to be: **Credited to 2010 estimated tax** ►	500. **Refunded** ►	11	1,423.

Part VII-A Statements Regarding Activities

		Yes	No
1 a During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?	1a		X
b Did it spend more than $100 during the year (either directly or indirectly) for political purposes (see the instructions for definition)?	1b		X
*If the answer is 'Yes' to **1a** or **1b**, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities.*			
c Did the foundation file **Form 1120-POL** for this year?	1c		X
d Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year: **(1)** On the foundation ► $ 0. **(2)** On foundation managers ► $ 0.			
e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers ► $ 0.			
2 Has the foundation engaged in any activities that have not previously been reported to the IRS? *If 'Yes,' attach a detailed description of the activities.*	2		X
3 Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? *If 'Yes,' attach a conformed copy of the changes.*	3		X
4a Did the foundation have unrelated business gross income of $1,000 or more during the year?	4a		X
b If 'Yes,' has it filed a tax return on **Form 990-T** for this year?	4b	N/A	
5 Was there a liquidation, termination, dissolution, or substantial contraction during the year? *If 'Yes,' attach the statement required by General Instruction T.*	5		X
6 Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either: • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	6	X	
7 Did the foundation have at least $5,000 in assets at any time during the year? *If 'Yes,' complete Part II, column (c), and Part XV*	7	X	
8a Enter the states to which the foundation reports or with which it is registered (see the instructions) ► TX			
b If the answer is 'Yes' to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by *General Instruction G? If 'No,' attach explanation*	8b	X	
9 Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2009 or the taxable year beginning in 2009 (see instructions for Part XIV)? *If 'Yes,' complete Part XIV*	9		X
10 Did any persons become substantial contributors during the tax year? *If 'Yes,' attach a schedule listing their names and addresses*	10		X

Part VII-A | Statements Regarding Activities *Continued*

			Yes	No
11	At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If 'Yes', attach schedule (see instructions)	11		X
12	Did the foundation 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 ► Melissa Lyons-Gardner Telephone no ► 409-935-0324

Located at ► PO Box 2968 Texas City TX ZIP + 4 ► 77592

15 Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of **Form 1041** – Check here N/A ► ☐

and enter the amount of tax-exempt interest received or accrued during the year ► 15 N/A

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
1 a	During the year did the foundation (either directly or indirectly):				
	(1) Engage in the sale or exchange, or leasing of property with a disqualified person?	☐ Yes ☒ No			
	(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person?	☐ Yes ☒ No			
	(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person?	☐ Yes ☒ No			
	(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person?	☒ Yes ☐ No			
	(5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)?	☐ Yes ☒ No			
	(6) Agree to pay money or property to a government official? (**Exception.** Check 'No' if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.)	☐ Yes ☒ No			
b	If any answer is 'Yes' to 1a(1)-(6), did **any** of the acts fail to qualify under the exceptions described in Regulations section 53 4941(d)-3 or in a current notice regarding disaster assistance (see the instructions)?		1b		X
	Organizations relying on a current notice regarding disaster assistance check here	► ☐			
c	Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 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?	☐ Yes ☒ 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 the instructions.)		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?	☐ Yes ☒ 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	N/A	
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 instructions)	☒ Yes ☐ No			
(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals?	☐ Yes ☒ No			
b If any answer is 'Yes' to 5a(1)-(5), did **any** of the transactions fail to qualify under the exceptions described in Regulations section 53.4945 or in a current notice regarding disaster assistance (see instructions)?		5b		X
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) See Statement 11				
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	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 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 12		109,000.	0.	0.

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

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

Total number of other employees paid over $50,000 ► 0

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

3 Five highest-paid independent contractors for professional services — (see instructions). If none, enter 'NONE.'

(a) Name and address of each person paid more than $50,000	(b) Type of service	(c) Compensation
None		
Total number of others receiving over $50,000 for professional services ►		0

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 See Statement 13	466,652.
2 Autism software development	7,500.
3	
4	

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

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2.	Amount
1 N/A	
2	
All other program-related investments. See instructions 3	
Total. Add lines 1 through 3 ►	0.

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

3 Five highest-paid independent contractors for professional services – (see instructions). If none, enter 'NONE.'

(a) Name and address of each person paid more than $50,000	(b) Type of service	(c) Compensation
None		

Total number of others receiving over $50,000 for professional services . . . . ► 0

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 See Statement 13	256,789.
2 The Foundation supported the development of software to assist children with Autism.	7,500.
3	
4	

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

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2.	Amount
1 N/A	
2	
All other program-related investments See instructions. 3	
Total. Add lines 1 through 3 . . . . ►	0.

Part X **Minimum Investment Return** (All domestic foundations must complete this part. Foreign foundations, see instructions.)

1	Fair market value of assets not used (or held for use) directly in carrying out charitable, etc, purposes:		
a	Average monthly fair market value of securities	1a	5,260,745.
b	Average of monthly cash balances	1b	81,705.
c	Fair market value of all other assets (see instructions)	1c	
d	**Total** (add lines 1a, b, and c)	1d	5,342,450.
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation) 1e 0.		
2	Acquisition indebtedness applicable to line 1 assets	2	0.
3	Subtract line 2 from line 1d	3	5,342,450.
4	Cash deemed held for charitable activities. Enter 1-1/2% of line 3 (for greater amount, see instructions)	4	80,137.
5	**Net value of noncharitable-use assets.** Subtract line 4 from line 3. Enter here and on Part V, line 4	5	5,262,313.
6	**Minimum investment return.** Enter 5% of line 5	6	263,116.

Part XI **Distributable Amount** (see instructions) (Section 4942(j)(3) and (j)(5) private operating foundations and certain foreign organizations check here ► ☐ and do not complete this part.)

1	Minimum investment return from Part X, line 6			1	263,116.
2a	Tax on investment income for 2009 from Part VI, line 5	2a	77.		
b	Income tax for 2009 (This does not include the tax from Part VI.)	2b			
c	Add lines 2a and 2b			2c	77.
3	Distributable amount before adjustments Subtract line 2c from line 1			3	263,039.
4	Recoveries of amounts treated as qualifying distributions			4	
5	Add lines 3 and 4			5	263,039.
6	Deduction from distributable amount (see instructions)			6	
7	**Distributable amount** as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1			7	263,039.

Part XII **Qualifying Distributions** (see instructions)

1	Amounts paid (including administrative expenses) to accomplish charitable, etc, purposes:		
a	Expenses, contributions, gifts, etc — total from Part I, column (d), line 26	1a	1,304,832.
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	61,858.
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	1,366,690.
5	Foundations that qualify under section 4940(e) for the reduced rate of tax on net investment income Enter 1% of Part I, line 27b (see instructions)	5	77.
6	**Adjusted qualifying distributions.** Subtract line 5 from line 4	6	1,366,613.

Note: The amount on line 6 will be used in Part V, column (b), in subsequent years when calculating whether the foundation qualifies for the section 4940(e) reduction of tax in those years.

Part XIII Undistributed Income (see instructions)

	(a) Corpus	(b) Years prior to 2008	(c) 2008	(d) 2009
1 Distributable amount for 2009 from Part XI, line 7				263,039.
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 325,012.				
e From 2008 1,020,749.				
f **Total** of lines 3a through e	1,345,761.			
4 Qualifying distributions for 2009 from Part XII, line 4 ► $ 1,366,690.				
a Applied to 2008, but not more than line 2a			0.	
b Applied to undistributed income of prior years (Election required – see instructions)		0.		
c Treated as distributions out of corpus (Election required – see instructions)	0.			
d Applied to 2009 distributable amount				263,039.
e Remaining amount distributed out of corpus	1,103,651.			
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	2,449,412.			
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 instructions		0.		
e Undistributed income for 2008 Subtract line 4a from line 2a. Taxable amount – see 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 instructions)	0.			
8 Excess distributions carryover from 2004 not applied on line 5 or line 7 (see instructions)	0.			
9 **Excess distributions carryover to 2010.** Subtract lines 7 and 8 from line 6a	2,449,412.			
10 Analysis of line 9.				
a Excess from 2005				
b Excess from 2006				
c Excess from 2007 325,012.				
d Excess from 2008 1,020,749.				
e Excess from 2009 1,103,651.				

Part XIV Private Operating Foundations (see instructions and Part VII-A, question 9) N/A

1 a 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			
	(a) 2009	(b) 2008	(c) 2007	(d) 2006	(e) Total
2a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed					
b 85% of line 2a					
c Qualifying distributions from Part XII, line 4 for each year listed					
d Amounts included in line 2c not used directly for active conduct of exempt activities					
e Qualifying distributions made directly for active conduct of exempt activities. Subtract line 2d from line 2c					
3 Complete 3a, b, or c for the alternative test relied upon: a 'Assets' alternative test – enter: (1) Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b 'Endowment' alternative test – enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed					
c 'Support' alternative test – enter: (1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii)					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income					

Part XV Supplementary Information (Complete this part only if the organization had $5,000 or more in assets at any time during the year – see instructions.)

1 **Information Regarding Foundation Managers:**

a List any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than $5,000) (See section 507(d)(2).)

None

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

a The name, address, and telephone number 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*				
See attached statement	None	Public		889,131.
Total . . . . . ► **3a**				889,131.
b *Approved for future payment*				
Total . . . . . . ► **3b**				

Part XVI-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated	Unrelated business income		Excluded by section 512, 513, or 514		
	(a) Business code	(b) Amount	(c) Exclusion code	(d) Amount	(e) Related or exempt function income (see the instructions)
1 Program service revenue:					
a					
b					
c					
d					
e					
f					
g Fees and contracts from government agencies					
2 Membership dues and assessments					
3 Interest on savings and temporary cash investments					
4 Dividends and interest from securities			14	83,386.	
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	-368,229.	
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)				-284,843.	

13 **Total.** Add line 12, columns (b), (d), and (e) 13 -284,843.

(See worksheet in the instructions for line 13 to verify calculations.)

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

Line No. ▼	Explain below how each activity for which income is reported in column (e) of Part XVI-A contributed importantly to the accomplishment of the foundation's exempt purposes (other than by providing funds for such purposes). (See the instructions.)
N/A	

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

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

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

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
N/A		

SIGN HERE

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete Declaration of preparer (other than taxpayer or fiduciary) is based on all information of which preparer has any knowledge

► M L Lyons 10/25/10 ► President

Signature of officer or trustee | Date | Title

Paid Preparer's Use Only

Preparer's signature ► CPA	Date 10.20.10	Check if self-employed ► ☒	Preparer's Identifying number (See **Signature** in the instrs) N/A
Firm's name (or yours if self-employed), address, and ZIP code ► Blazek & Vetterling 2900 Weslayan, Suite 200 Houston, TX 77027-5132		EIN ► N/A Phone no ► (713) 439-5739	

Statement 1
Form 990-PF, Part I, Line 16a
Legal Fees

	(a) Expenses Per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
Legal fees	$ 2,711.	$ 2,711.		
Scholarship administration	2,711.			$ 2,711.
Total	$ 5,422.	$ 2,711.		$ 2,711.

Statement 2
Form 990-PF, Part I, Line 16b
Accounting Fees

	(a) Expenses per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
Tax compliance services	$ 12,883.	$ 6,442.		$ 6,441.
Total	$ 12,883.	$ 6,442.		$ 6,441.

Statement 3
Form 990-PF, Part I, Line 16c
Other Professional Fees

	(a) Expenses per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
Investment manger fees	$ 34,548.	$ 34,548.		
Total	$ 34,548.	$ 34,548.		$ 0.

Statement 4
Form 990-PF, Part I, Line 18
Taxes

	(a) Expenses per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
Excise tax . . .	$ 275.			
Total	$ 275.	$ 0.		$ 0.

Statement 5
Form 990-PF, Part I, Line 23
Other Expenses

	(a) Expenses per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
ASF membership	$ 495.			$ 495.
Bank charges & fees	567.	$ 567.		
Boart maintenance & fuel	101,464.			101,464.
Fdn admin & scholarship evaluation	1,445.			1,445.
Office / computer	6,831.	1,024.		5,807.
Other expenses	3,103.	1,552.		1,551.
Program support	7,975.			7,975.
Scholarship committee fees	12,000.			12,000.
Total	$ 133,880.	$ 3,143.		$ 130,737.

Statement 6
Form 990-PF, Part II, Line 10a
Investments - U.S. and State Government Obligations

U.S. Government Obligations	Valuation Method	Book Value	Fair Market Value
Deutsche Bank - US Treasury Sec	Mkt Val	$ 116,006.	$ 116,006.
		$ 116,006.	$ 116,006.
	Total	$ 116,006.	$ 116,006.

Statement 7
Form 990-PF, Part II, Line 10b
Investments - Corporate Stocks

Corporate Stocks	Valuation Method	Book Value	Fair Market Value
Deutsche Bank - Money Market	Mkt Val	$ 3,878,249.	$ 3,878,249.
	Total	$ 3,878,249.	$ 3,878,249.

Statement 8
Form 990-PF, Part II, Line 10c
Investments - Corporate Bonds

Corporate Bonds	Valuation Method	Book Value	Fair Market Value
Deutsche Bank - Corporate Bonds	Mkt Val	$ 977,750.	$ 977,750.
	Total	$ 977,750.	$ 977,750.

Statement 9
Form 990-PF, Part II, Line 14
Land, Buildings, and Equipment

Category	Basis	Accum. Deprec.	Book Value	Fair Market Value
Machinery and Equipment	$ 1,182,061.	$ 71,944.	$ 1,110,117.	$ 1,200,000.
Total	$ 1,182,061.	$ 71,944.	$ 1,110,117.	$ 1,200,000.

Statement 10
Form 990-PF, Part III, Line 3
Other Increases

Unrealized appreciation in value of derivative. . .	$ 1,300,961.
Total	$ 1,300,961.

Statement 11
Form 990-PF, Part VII-B, Line 5c
Expenditure Responsibility

Grantee Name:	Keown Charitable Foundation
Address:	PO Box 41629
Address:	Austin, TX 78704
Grant Date:	9/28/2009
Grant Amount:	$ 16655
Grant Purpose:	Support Grimes County Food Pantry
Amt. Expended by Grantee:	$ 16655
Any Diversion by Grantee:	No
Dates of Reports by Grantee:	12/15/2009
Date of Verification:	12/15/2009
Results of Verification:	The funds were spent on the purchase of livestock projects at the Grimes County Fair. The projects are resold or processed and distributed to the Iola and Bedias Food Pantries to serve an estimated 145 families.

Statement 12
Form 990-PF, Part VIII, Line 1
List of Officers, Directors, Trustees, and Key Employees

Name and Address	Title and Average Hours Per Week Devoted	Compen-sation	Contri-bution to EBP & DC	Expense Account/ Other
Mark A. Lyons 2831 Palmer Highway, 2nd Floor Texas City, TX 77590	President 25.00	$ 37,000.	$ 0.	$ 0.

Statement 12 (continued)
Form 990-PF, Part VIII, Line 1
List of Officers, Directors, Trustees, and Key Employees

Name and Address	Title and Average Hours Per Week Devoted	Compensation	Contribution to EBP & DC	Expense Account/ Other
Michelle Lyons-Spier 2831 Palmer Highway, 2nd Floor Texas City, TX 77590	Vice President 20.00	$ 12,000.	$ 0.	$ 0.
Melissa Lyons-Gardner 2831 Palmer Highway, 2nd Floor Texas City, TX 77590	Secretary 20.00	12,000.	0.	0.
Stewart Campbell 2831 Palmer Highway, 2nd Floor Texas City, TX 77590	Director 1.00	12,000.	0.	0.
William H. Frazier 2831 Palmer Highway, 2nd Floor Texas City, TX 77590	Director 1.00	12,000.	0.	0.
Randall Harris 2831 Palmer Highway, 2nd Floor Texas City, TX 77590	Director 4.00	12,000.	0.	0.
Robert Harris 2831 Palmer Highway, 2nd Floor Texas City, TX 77590	Director 1.00	12,000.	0.	0.
	Total	$ 109,000.	$ 0.	$ 0.

Statement 13
Form 990-PF, Part IX-A, Line 1
Summary of Direct Charitable Activities

Direct Charitable Activities	Expenses
During 2009 the McDaniel Charitable Foundation's (MCF) Pelagic Fisheries Program (PFP) participated in research projects with Texas A&M University at Galveston (TAMUG). Research supported by MCF's Pelagic Fisheries Research Program focused on the ecology and stock structure of billfishes in the Gulf of Mexico. 2009 was the third year of a three-year commitment to research conducted by Dr. Jay Rooker at TAMUG. Research activities included satellite tagging and tracking of adult billfishes and research cruises to determine the distribution and abundance of larval billfishes in the northern Gulf of Mexico. The Foundation employees actively participated in the conduct of research. The Foundation also supported the program with monetary grants to TAMUG. The Small Research Grant Program was funded through monetary grants for three pilot studies in 2009. These pilot studies were awarded to faculty of the Marine Biology Department at TAMUG. Topics of funded pilot studies included 1) development of molecular techniques to determine gender in billfishes (Dr. J. Alvarado), 2) use of cellular techniques to investigate evidence of spawning activity of blue marlins in the Gulf of Mexico based on samples from local fishing tournaments (Dr. C. Marshall), and 3) interaction between primary productivity and abundance of larval	$ 256,789.

Statement 13 (continued)
Form 990-PF, Part IX-A, Line 1
Summary of Direct Charitable Activities

Direct Charitable Activities	Expenses
billfishes in the Gulf of Mexico (Dr. A. Quigg). The results of the research from the Pelagic Fisheries Program and the Small Research Grant Program were published in peer-reviewed publications and student and faculty presentations at national and international meetings. In 2009 the MCF was acknowledged for funding research that resulted in 5 recent papers in scientific journals and 8 presentations at national and international meetings. Twenty-two undergraduate and graduate students, two international students, two post-doctoral researchers and four TAMUG professors received training or support as a result of MCF-funded projects.	

Part XV - Grants and Contributions

Organization	Status	Purpose	Amount
Angelo State University ASU Station 11015 San Angelo, TX 76909-1015	School	Student Scholarships	$ 2,000
Baylor College of Medicine One Baylor Plaza Houston, TX 77030	School	Student Scholarships	6,000
Baylor University One Bear Place #97048 Waco, TX 76798-7048	School	Student Scholarships	16,000
Blinn Junior College 902 College Avenue Brenham, TX 77833	School	Student Scholarships	4,500
College of the Mainland 1200 Amburn Rd. Texas City, TX 77591	School	Student Scholarships	9,000
Concordia University 3400 North IH 35 Austin, TX 78705	School	Student Scholarships	2,000
Embry Riddle Aeronautical University 16441 Space Center Blvd., Suite D-200 Houston, TX 77058	School	Student Scholarships	2,000
Galveston College 4015 Avenue Q Galveston, TX 77550	School	Student Scholarships	14,000
Hill College P.O. Box 619 Hillsboro, TX 76645	School	Student Scholarships	1,500
Lamar University P.O. Box 10042 Beaumont, TX 77710	School	Student Scholarships	7,000

Part XV - Grants and Contributions

Organization	Status	Purpose	Amount
Prairie View A&M University P.O. Box 519 Prairie View, TX 77446-0519	School	Student Scholarships	8,000
Rice University MS12 P.O. Box 1892 Houston, TX 77251-1892	School	Student Scholarships	5,000
Sam Houston State Box 2027 Huntsville, TX 77341-2027	School	Student Scholarships	8,000
Schreiner University 2100 Memorial Blvd CMB 6200 Kerrville, TX 78028	School	Student Scholarships	2,000
St. Edward's University 3001 South Congress Ave. Rm 204 Austin TX 78704	School	Student Scholarships	6,500
Stephen F. Austin State University SFA Box 13052 Nacogdoches, TX 75962	School	Student Scholarships	2,000
Taleton State University Box T-0310 Stephenville, TX 76402	School	Student Scholarships	1,000
Texas A&M Corpus Christi 6300 Ocean Dr. Unit 772 Corpus Christi, TX 78412	School	Student Scholarships	2,000
Texas A&M Galveston P.O. Box 1675 Galveston, TX 77553	School	Student Scholarships	15,000

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Part XV - Grants and Contributions

Organization	Status	Purpose	Amount
Texas A&M University P.O. Box 30016 College Station, TX 77842-3016	School	Student Scholarships	69,500
Texas A&M University Health Science Center 1010 W. Avenue B/MSC 131 Kingsville, TX 78363	School	Student Scholarships	2,000
Texas Lutheran University 1000 West Court Seguin, TX 78155	School	Student Scholarships	4,000
Texas State University 601 University Dr. San Marcos, TX 78666	School	Student Scholarships	11,500
Texas Tech University P.O. Box 45011 Lubbock, TX 79409-5011	School	Student Scholarships	2,000
University of Houston 9E Cullen Bldg Houston, TX 77204-2010	School	Student Scholarships	15,000
Univeresity of Houston Clear Lake 2700 Bay Area Blvd./MC 05 Houston, TX 77058-1098	School	Student Scholarships	7,500
University of North Texas UNT Box 311370 Denton, TX 76203-1370 Denton, TX 76203-1370	School	Student Scholarships	5,000
University of North Texas Health Science Center (TCOM) EAD 247 3500 Camp Bowie Blvd. Fort Worth, TX 76101-2644	School	Student Scholarships	6,000
University of St. Thomas 3800 Montrose Houston, TX 77006	School	Student Scholarships	4,000

Attachment to Part XV

Part XV - Grants and Contributions

Organization	Status	Purpose	Amount
University of Texas P.O. Box 7758, UT Station Austin TX 78713-7758	School	Student Scholarships	46,000
University of Texas Medical Branch 301 University Blvd. Galveston, TX 77555-1305	School	Student Scholarships	7,000
University of Texas San Antonio One UTSA Circle San Antonio, TX 78249-1644	School	Student Scholarships	6,000
UT Health & Science Center Houston 7000 Fannin St. Suite 2220 Houston, TX 77030	School	Student Scholarships	750
First United Methodist Church 212 W. Benton Ave. Devine, TX 78016	509(a)(1)	General Support	12,000
Keown Charitable Foundation PO Box 913 Bryan, TX 77805	Private Foundation	Food Pantry	16,655
Texas A&M Foundation 401 George Bush Dr. College Station, TX 77840-2811	509(a)(1)	General Support	197,298
12th Man Foundation PO Drawer L-1 College Station, TX 77844	509(a)(1)	General Support	65,091
Texas A&M University P.O. Box 30016 College Station, TX 77842-3016	509(a)(1)	General Support	6,255

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Part XV - Grants and Contributions

Organization	Status	Purpose	Amount
The Daughters of the Republic of Texas PO Box 3268 Galveston, TX 77552	509(a)(2)	General Support	5,000
Texas A&M Galveston 200 Seawolf Parkway Galveston, TX 77554	Gov't	Program support	65,445
Turning Point P.O. Box 57543 Webster, TX 77598	509 (a)(1)	General Support	2,500
Texas A&M Galveston 200 Seawolf Parkway Galveston, TX 77554	Gov't	Fisheries Research Program	216,788
	Returned grants		(2,651)
Total Grants & Allocations			**$ 889,131**

Note:
The Foundation grants scholarships under an approved scholarship plan. Recipients of the scholarships are not related to any of the Foundation's Board of Directors.