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

2009

Department of the Treasury
 Internal Revenue Service

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

For calendar year 2009, or tax year beginning August 1, 2009, and ending July 31, 2010

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 <u>THE QUELUS FUND, INC.</u>	A Employer identification number <u>13-4156738</u>
	Number and street (or P.O. box number if mail is not delivered to street address) Room/suite <u>40 DUDLEY & SHAWLEY, LLC, 130 MAPLE AVE. 6</u>	B Telephone number (see page 10 of the instructions) <u>732-936-1030</u>
	City or town, state, and ZIP code <u>RED BANK, NJ 07701-1729</u>	
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		C If exemption application is pending, check here <input type="checkbox"/>
I Fair market value of all assets at end of year (from Part II, col. (c), line 16) <u>\$9,68,070.45</u>		D 1. Foreign organizations, check here <input type="checkbox"/> 2. Foreign organizations meeting the 85% test, check here and attach computation <input type="checkbox"/>
J Accounting method: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) _____		E If private foundation status was terminated under section 507(b)(1)(A), check here <input type="checkbox"/>
(Part I, column (d) must be on cash basis.)		F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here <input type="checkbox"/>

Part I	Analysis of Revenue and Expenses (The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see page 11 of the instructions).)	(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
Revenue	1 Contributions, gifts, grants, etc., received (attach schedule)				
	2 Check <input checked="" 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	87,608.90	87,608.90		
	5a Gross rents				
	b Net rental income or (loss)				
	6a Net gain or (loss) from sale of assets not on line 10	643,731.06			
	b Gross sales price for all assets on line 6a <u>2,421,920.41</u>				
	7 Capital gain net income (from Part IV, line 2)		643,731.06		
	8 Net short-term capital gain				
	9 Income modifications				
	Operating and Administrative Expenses	10a Gross sales less returns and allowances			
b Less: Cost of goods sold					
c Gross profit or (loss) (attach schedule)					
11 Other income (attach schedule)					
12 Total. Add lines 1 through 11	731,339.96	731,339.96	N/A		
13 Compensation of officers, directors, trustees, etc.					
14 Other employee salaries and wages					
15 Pension plans, employee benefits					
16a Legal fees (attach schedule)	1,155.00				
b Accounting fees (attach schedule)	17,500.50	17,500.50			
c Other professional fees (attach schedule)	46,515.66	46,515.66			
17 Interest					
18 Taxes (attach schedule) (see page 14 of the instructions)	16,290.97	2,90.97			
19 Depreciation (attach schedule) and depletion					
20 Occupancy					
21 Travel, conferences, and meetings					
22 Printing and publications					
23 Other expenses (attach schedule)	7,371.07	7,371.07			
24 Total operating and administrative expenses. Add lines 13 through 23	83,834.15	66,679.15			
25 Contributions, gifts, grants paid	500,000.00			500,000.00	
26 Total expenses and disbursements. Add lines 24 and 25	583,834.15	66,679.15	N/A	500,000.00	
27 Subtract line 26 from line 12:					
a Excess of revenue over expenses and disbursements	147,505.81				
b Net investment income (if negative, enter -0-)		664,770.81			
c Adjusted net income (if negative, enter -0-)			N/A		

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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	11,360.01	11,360.01	11,360.01
	2	Savings and temporary cash investments	678,301.03	731,728.95	731,728.95
	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			
	10a	Investments—U S and state government obligations (attach schedule)			
	b	Investments—corporate stock (attach schedule)	8,117,388.44	9,375,481.99	9,375,481.99
	c	Investments—corporate bonds (attach schedule)			
	11	Investments—land, buildings, and equipment: basis ▶ Less: accumulated depreciation (attach schedule) ▶			
	12	Investments—mortgage loans			
	13	Investments—other (attach schedule)			
	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)	8,807,046.53	9,618,070.95	9,618,070.95	
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 ▶ <i>DUE TO BROKERS FOR</i>)	205,437.70		
23	Total liabilities (add lines 17 through 22) <i>INVEST. PURCHASED</i>	205,437.70			
Net Assets or Fund Balances	Foundations that follow SFAS 117, check here and complete lines 24 through 26 and lines 30 and 31. <input type="checkbox"/>				
	24	Unrestricted			
	25	Temporarily restricted			
	26	Permanently restricted			
	Foundations that do not follow SFAS 117, check here and complete lines 27 through 31. <input type="checkbox"/>				
	27	Capital stock, trust principal, or current funds			
	28	Paid-in or capital surplus, or land, bldg., and equipment fund			
	29	Retained earnings, accumulated income, endowment, or other funds	8,601,608.83	9,618,070.95	
30	Total net assets or fund balances (see page 17 of the instructions)	8,601,608.83	9,618,070.95		
31	Total liabilities and net assets/fund balances (see page 17 of the instructions)	8,807,046.53	9,618,070.95		

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	8,601,608.83
2	Enter amount from Part I, line 27a	2	147,505.31
3	Other increases not included in line 2 (itemize) ▶ <i>INCREASE IN UNREALIZED GAIN/LOSS</i>	3	868,956.31
4	Add lines 1, 2, and 3	4	9,618,070.45
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	9,618,070.95

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				
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	SALES OF SECURITIES (SCHEDULE ATTACHED)		638,316.15	
b	CAPITAL GAINS DISTRIBUTIONS (SCHEDULE ATTACHED)		5,414.91	
c				
d				
e				
Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69				(i) Gains (Col. (h) gain minus col. (k), but not less than -0-) or Losses (from col. (h))
(f) 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) { If gain, also enter in Part I, line 7 If (loss), enter -0- in Part I, line 7 }	2	643,731.06	
3	Net short-term capital gain or (loss) as defined in sections 1222(5) and (6): If gain, also enter in Part I, line 8, column (c) (see pages 13 and 17 of the instructions). If (loss), enter -0- in Part I, line 8	3	108,337.37	

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	500,000	8,051,773	.062098
2007	500,000	9,846,044	.050782
2006	475,000	9,544,474	.049767
2005	500,000	9,349,888	.053477
2004	400,000	8,495,882	.047082
2	Total of line 1, column (d)	2	.263206
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	.052641
4	Enter the net value of noncharitable-use assets for 2009 from Part X, line 5	4	9,218,123.08
5	Multiply line 4 by line 3	5	463,906.15
6	Enter 1% of net investment income (1% of Part I, line 27b)	6	6,647.21
7	Add lines 5 and 6	7	470,553.36
8	Enter qualifying distributions from Part XII, line 4 If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate. See the Part VI instructions on page 18.	8	500,000.00

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 [] and enter "N/A" on line 1. Date of ruling or determination letter: (attach copy of letter if necessary—see instructions)
b Domestic foundations that meet the section 4940(e) requirements in Part V, check here [x] and enter 1% of Part I, line 27b
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-)
3 Add lines 1 and 2
4 Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)
5 Tax based on investment income. Subtract line 4 from line 3. If zero or less, enter -0-
6 Credits/Payments:
a 2009 estimated tax payments and 2008 overpayment credited to 2009
b Exempt foreign organizations—tax withheld at source
c Tax paid with application for extension of time to file (Form 8868)
d Backup withholding erroneously withheld
7 Total credits and payments. Add lines 6a through 6d
8 Enter any penalty for underpayment of estimated tax. Check here [] if Form 2220 is attached
9 Tax due. If the total of lines 5 and 8 is more than line 7, enter amount owed
10 Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid
11 Enter the amount of line 10 to be: Credited to 2010 estimated tax 9,449.00 Refunded

Part VII-A Statements Regarding Activities

1a During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?
b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see page 19 of the instructions for definition)?
c Did the foundation file Form 1120-POL for this year?
d Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year: (1) On the foundation. (2) On foundation managers.
e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers.
2 Has the foundation engaged in any activities that have not previously been reported to the IRS?
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?
4a Did the foundation have unrelated business gross income of \$1,000 or more during the year?
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?
6 Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either:
7 Did the foundation have at least \$5,000 in assets at any time during the year?
8a Enter the states to which the foundation reports or with which it is registered (see page 19 of the instructions)
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?
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?
10 Did any persons become substantial contributors during the tax year? If "Yes," attach a schedule listing their names and addresses

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)
12 Did the foundation acquire a direct or indirect interest in any applicable insurance contract before August 17, 2008?
13 Did the foundation comply with the public inspection requirements for its annual returns and exemption application?
14 The books are in care of DANLEY & SHANLEY, LLC Telephone no. 732-936-1030
Located at 150 MAPLE AVE, STE 6, RED BANK, NJ ZIP+4 07701-1729
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.

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?
(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person?
(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person?
(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person?
(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)?
(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.)
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)?
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?
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?
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?
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?
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?
4a Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?
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?

Table with columns Yes and No for items 1a through 4b. Includes handwritten 'SEE STATEMENT' next to item 3 and 'N/A' for items 2b and 3b.

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)? Organizations relying on a current notice regarding disaster assistance check here **5b** N/A
- 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 **7a** N/A
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 **6b** ✓
- b Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No **7b** N/A
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? Yes No

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
SCHEDULE ATTACHED				

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

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

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

Part 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	9,408,054.18
b	Average of monthly cash balances	1b	11,360.01
c	Fair market value of all other assets (see page 24 of the instructions)	1c	-
d	Total (add lines 1a, b, and c)	1d	9,419,414.19
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1e	
2	Acquisition indebtedness applicable to line 1 assets	2	-
3	Subtract line 2 from line 1d	3	9,419,414.19
4	Cash deemed held for charitable activities. Enter 1 1/2% of line 3 (for greater amount, see page 25 of the instructions)	4	141,291.21
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	9,278,123.03
6	Minimum investment return. Enter 5% of line 5	6	463,906.15

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	463,906.15
2a	Tax on investment income for 2009 from Part VI, line 5	2a	6,647.21
b	Income tax for 2009. (This does not include the tax from Part VI.)	2b	
c	Add lines 2a and 2b	2c	6,647.21
3	Distributable amount before adjustments. Subtract line 2c from line 1	3	457,258.94
4	Recoveries of amounts treated as qualifying distributions	4	
5	Add lines 3 and 4	5	457,258.94
6	Deduction from distributable amount (see page 25 of the instructions)	6	
7	Distributable amount as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1	7	457,258.94

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	500,000.00
b	Program-related investments—total from Part IX-B	1b	-
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	2	-
3	Amounts set aside for specific charitable projects that satisfy the:		
a	Suitability test (prior IRS approval required)	3a	-
b	Cash distribution test (attach the required schedule)	3b	-
4	Qualifying distributions. Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	4	500,000.00
5	Foundations that qualify under section 4940(e) for the reduced rate of tax on net investment income. Enter 1% of Part I, line 27b (see page 26 of the instructions)	5	6,647.21
6	Adjusted qualifying distributions. Subtract line 5 from line 4	6	493,352.79

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				457,259
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	41,065			
c From 2006	13,867			
d From 2007	26,846			
e From 2008	97,907			
f Total of lines 3a through e	179,685			
4 Qualifying distributions for 2009 from Part XII, line 4: ▶ \$ 500,000				
a Applied to 2008, but not more than line 2a			- 0 -	
b Applied to undistributed income of prior years (Election required—see page 26 of the instructions)		- 0 -		
c Treated as distributions out of corpus (Election required—see page 26 of the instructions)	- 0 -			
d Applied to 2009 distributable amount				457,259
e Remaining amount distributed out of corpus	47,741			
5 Excess distributions carryover applied to 2009 (If an amount appears in column (d), the same amount must be shown in column (a).)				- 0 -
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	277,426			
b Prior years' undistributed income. Subtract line 4b from line 2b		- 0 -		
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed		- 0 -		
d Subtract line 6c from line 6b. Taxable amount—see page 27 of the instructions		- 0 -		
e Undistributed income for 2008. Subtract line 4a from line 2a. Taxable amount—see page 27 of the instructions			- 0 -	
f Undistributed income for 2009. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2010				- 0 -
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see page 27 of the instructions)	- 0 -			
8 Excess distributions carryover from 2004 not applied on line 5 or line 7 (see page 27 of the instructions)	- 0 -			
9 Excess distributions carryover to 2010. Subtract lines 7 and 8 from line 6a	277,426			
10 Analysis of line 9:				
a Excess from 2005	41,065			
b Excess from 2006	13,867			
c Excess from 2007	26,846			
d Excess from 2008	97,907			
e Excess from 2009	47,741			

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

- 1a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2009, enter the date of the ruling
- b Check box to indicate whether the foundation is a private operating foundation described in section 4942(j)(3) or 4942(j)(5)

2a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed

Tax year	Prior 3 years			(e) Total
(a) 2009	(b) 2008	(c) 2007	(d) 2006	
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:	N/A - NOT AN OPERATING FOUNDATION			
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).)
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 if the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds. If the foundation makes gifts, grants, etc. (see page 28 of the instructions) to individuals or organizations under other conditions, complete items 2a, b, c, and d.

- a The name, address, and telephone number of the person to whom applications should be addressed:
- b The form in which applications should be submitted and information and materials they should include:
- c Any submission deadlines:
- d Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors:

Part XV Supplementary Information (continued)

3 Grants and Contributions Paid During the Year or Approved for Future Payment

Recipient Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
<p>a Paid during the year</p> <p>HIGHSTEAD FOUNDATION, INC. PO BOX 1097 REDDING, CT 06875</p>	<p>-1/A</p>	<p>501(c)(3) OPERATING</p>	<p>SCIENTIFIC RESEARCH, CONSERVATION, EDUCATION & OPERATION OF AN ARBORETUM</p>	<p>\$100,000.00</p>
<p>Total ▶ 3a</p>				<p>\$100,000.00</p>
<p>b Approved for future payment</p>				
<p>Total ▶ 3b</p>				<p>-0-</p>

Part XVII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

- 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... a Transfers from the reporting foundation to a noncharitable exempt organization of: (1) Cash (2) Other assets b Other transactions: (1) Sales of assets to a noncharitable exempt organization (2) Purchases of assets from a noncharitable exempt organization (3) Rental of facilities, equipment, or other assets (4) Reimbursement arrangements (5) Loans or loan guarantees (6) Performance of services or membership or fundraising solicitations c Sharing of facilities, equipment, mailing lists, other assets, or paid employees d If the answer to any of the above is "Yes," complete the following schedule.

Table with columns Yes and No for items 1a(1), 1a(2), 1b(1), 1b(2), 1b(3), 1b(4), 1b(5), 1b(6), and 1c.

Table with columns (a) Line no, (b) Amount involved, (c) Name of noncharitable exempt organization, and (d) Description of transfers, transactions, and sharing arrangements.

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.

Table with columns (a) Name of organization, (b) Type of organization, and (c) Description of relationship.

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

Signature of officer or trustee: Frank J. Stanley Date: 11/22/10 Title: ASS'T. TREASURER

Preparer's Use Only: Preparer's signature: Jan M. Gluing, CPA Date: 11/19/10 Check if self-employed: [checked] Preparer's identifying number: 071-36-1694

Firm's name (or yours if self-employed), address, and ZIP code: J. M. Gluing, JR. CPA, PO Box 245, Green Head, NY 11545-0245 EIN: 03-0381118 Phone no. 516-759-0773

The Quercus Fund, Inc.
Form 990-PF

13-4156738
Fiscal Year Ended July 31, 2010

Part I, Line 16c

Other professional fees

Investment management fees

46,515.66

Part I, Line 18

Taxes

Excise tax on investment income

16,000.00

Foreign income tax on dividends

316.80

16,316.80

Part I, Line 23

Other expenses

Bank custody fee

7,027.32

Miscellaneous

344.70

7,372.02

PART IV CAPITAL GAINS AND LOSSES

REALIZED GAINS AND LOSSES
The Quercus Fund, Inc.

13 - 4156738

From 08-01-09 Through 07-31-10

Open Date	Close Date	Quantity	Security	Cost		Gain Or Loss		
				Basis	Proceeds	Short Term	Long Term	
12-17-08	09-01-09	3,000	Anadarko Petroleum	122,475.60	158,793.11	36,317.51		
11-07-08	09-01-09	500	Waters Corporation	21,642.80	25,399.34	3,756.54		
06-19-06	09-01-09	1,500	Ecolab Inc.	57,902.40	63,723.45		5,821.05	
03-02-06	09-01-09	1,300	Henry Schein Inc.	61,454.25	68,015.42		6,561.17	
02-22-06	09-01-09	700	Henry Schein Inc.	32,752.16	36,623.68		3,871.52	
01-05-09	09-08-09	2,000	Adobe Systems, Inc.	45,726.40	64,734.53	19,008.13		
01-02-09	09-08-09	2,000	Adobe Systems, Inc.	45,581.20	64,734.53	19,153.33		
10-30-08	09-09-09	3,000	Robert Half Int'l	53,486.10	78,775.27	25,289.17		
11-14-97	09-10-09	500	Mettler-Toledo Int'l	7,217.40	44,101.31		36,883.91	
11-11-08	09-10-09	2,300	SM Energy Company	52,824.10	65,572.46	12,748.36		
01-02-09	09-11-09	2,000	Fiserv Inc.	76,101.60	96,060.12	19,958.52		
12-11-08	01-06-10	4,500	Gardner Denver, Inc.	111,972.46	184,506.50		72,534.04	
05-16-03	01-06-10	500	Gardner Denver, Inc.	4,865.32	20,500.72		15,635.39	
12-17-08	02-16-10	1,200	Anadarko Petroleum	48,990.24	80,943.77		31,953.53	
11-11-08	02-16-10	2,200	SM Energy Company	50,527.40	75,532.95		25,005.55	
06-19-06	02-16-10	1,700	Ecolab Inc.	65,622.72	71,318.85		5,696.13	
11-17-09	02-16-10	1,500	Fastenal Co.	56,493.15	64,049.18	7,556.03		
10-11-01	04-13-10	1,500	Fastenal Co.	21,099.75	79,630.20		58,530.45	
10-21-09	04-23-10	2,600	Paccar Inc.	103,550.98	123,591.76	20,040.78		
10-11-01	04-26-10	1,000	Fastenal Co.	14,066.50	56,060.75		41,994.25	
11-07-08	04-28-10	900	Waters Corporation	38,957.04	65,516.73		26,559.69	
11-14-97	04-28-10	400	Mettler-Toledo Int'l	5,773.92	46,872.48		41,098.56	
12-17-08	05-18-10	1,100	Anadarko Petroleum	44,907.72	64,376.63		19,468.91	
12-12-03	05-18-10	6,000	Anadarko Petroleum	144,849.90	351,145.26		206,295.36	
07-29-09	07-06-10	2,000	ProSh UltSht 20+ TYS	106,867.80	70,733.60	-36,134.20		
03-11-09	07-06-10	2,500	ProSh UltSht 20+ TYS	120,115.75	88,417.00		-31,698.75	
10-20-09	07-06-10	2,000	ProSh UltSht 20+ TYS	90,090.40	70,733.60	-19,356.80		

Part II. Capital Gains & Losses
REALIZED GAINS AND LOSSES
The Quercus Fund, Inc.

13-415678

From 08-01-09 Through 07-31-10

Open Date	Close Date	Quantity	Security	Cost Basis	Proceeds	Gain Or Loss	
						Short Term	Long Term
03-06-09	07-06-10	4,000	ProSh UltSht 20+ TYS	177,699.20	141,467.21		-36,231.99
TOTAL GAINS					163,828.37		597,909.51
TOTAL LOSSES					-55,491.00		-67,930.74
TOTAL REALIZED GAIN/LOSS			638,316.14 (LINE 1a)	1,783,614.26	2,421,930.41	108,337.37	529,978.77
CAPITAL GAIN DISTRIBUTIONS							
	09-09-09		Cardinal Health				5,414.91
TOTAL DISTRIBUTIONS			(LINE 1b)	5,414.91		0.00	5,414.91
TOTAL GAIN/LOSS			(LINE 2)	643,731.05		108,337.37	535,393.68

The Quercus Fund, Inc.

13-4156738

**Statement Regarding Section 491 Activities
Page 5, Part VII-B, Questions 1a(3) and 1a(4)**

The Quercus Fund, Inc. (the "Fund") accepts investment advisory services from a partnership owned by certain officers of the Fund. Compensation paid to this partnership is reasonable and necessary to carry out the exempt purposes of the Fund. The compensation is paid according to a fee schedule comparable to those used by other investment advisors. The partnership uses the same fee schedule for clients unrelated to it. Accordingly, the transactions are not considered self-dealing.

In addition, the Fund accepts accounting services from a sole proprietorship owned by an officer of the Fund. Compensation paid to this sole proprietorship is reasonable and necessary to carry out the exempt purposes of the Fund. The compensation is paid according to a fee schedule comparable to those used by other accounting firms. The sole proprietorship uses the same fee schedule for clients unrelated to it. Accordingly, the transactions are not considered self-dealing.

Part VIII, Line 1

**List of all officers, directors, trustees, foundation managers and their compensation
(All positions are part-time)**

<u>Name and Address</u>	<u>Title and Avg. Hours Per Week</u>	<u>Compensation</u>	<u>Contributions to Employee Plans</u>	<u>Expense Account & Other Allowances</u>
Directors				
Elisabeth C. Dudley c/o Dudley & Shanley, LLC 130 Maple Avenue, Suite 6 Red Bank, NY 07701-1729	President	None	None	None
Henry C. Dudley c/o Dudley & Shanley, LLC 130 Maple Avenue, Suite 6 Red Bank, NY 07701-1729	Treasurer & Vice-President	None	None	None
Sarah Dudley Plimpton c/o Dudley & Shanley, LLC 130 Maple Avenue, Suite 6 Red Bank, NY 07701-1729	Vice-President	None	None	None
Jane C. Dudley c/o Dudley & Shanley, LLC 130 Maple Avenue, Suite 6 Red Bank, NY 07701-1729	Vice-President	None	None	None
Frank E. Shanley c/o Dudley & Shanley, LLC 130 Maple Avenue, Suite 6 Red Bank, NY 07701-1729	Assistant Treasurer	None	None	None
Others				
Anthony J Carroll c/o Dudley & Shanley, LLC 130 Maple Avenue, Suite 6 Red Bank, NY 07701-1729	Secretary	None	None	None
John J. McGlinchey, Jr. c/o Dudley & Shanley, LLC 130 Maple Avenue, Suite 6 Red Bank, NY 07701-1729	Assistant Treasurer	None	None	None

The Quercus Fund, Inc.
FORM 990PF, FYE 7/31/2010
PAGE 8, PART X, LINE 1
FMV OF SECURITIES AND CASH BALANCES

Date	FMV of Investments Bank of NY	BONY Checking Account
1-Aug	8,599,520.53	11,360.01
31-Aug	8,799,148.10	11,360.01
30-Sep	9,319,197.99	11,360.01
31-Oct	9,027,839.44	11,360.01
30-Nov	9,241,192.42	11,360.01
31-Dec	9,778,326.05	11,360.01
31-Jan	9,175,499.37	11,360.01
28-Feb	9,482,366.95	11,360.01
31-Mar	9,972,148.08	11,360.01
30-Apr	10,421,545.89	11,360.01
31-May	9,663,582.53	11,360.01
30-Jun	9,217,636.35	11,360.01
31-Jul	9,606,701.95	11,360.01
	<u>122,304,705.65</u>	<u>147,680.13</u>

Averages:

	Sum of Individual Balances	Divided by 13
Investments.	<u>122,304,705.65</u>	<u>9,408,054.28</u>
Cash:		
BONY Checking	<u>147,680.13</u>	
	<u>147,680.13</u>	<u>11,360.01</u>