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

2010

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 2010, or tax year beginning _____, **2010, and ending** _____,

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

KWS FOUNDATION
3780 ROBINWOOD
HOUSTON, TX 77005

A Employer identification number
76-0521970

B Telephone number (see the instructions)
713-824-0427

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: 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)
 ▶ \$ 21,120.

J Accounting method. Cash 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))		(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 <input checked="" type="checkbox"/> if the foundn is not req to att Sch B				
	3 Interest on savings and temporary cash investments				
	4 Dividends and interest from securities	591.	591.	591.	
	5a Gross rents				
	b Net rental income or (loss)				
	6a Net gain/(loss) from sale of assets not on line 10	866.			
	b Gross sales price for all assets on line 6a 11,094.				
	7 Capital gain net income (from Part IV, line 2)		866.		
	8 Net short-term capital gain			0.	
	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	1,457.	1,457.	591.		
13 Compensation of officers, directors, trustees, etc.	0.				
14 Other employee salaries and wages					
15 Pension plans, employee benefits					
16a Legal fees (attach schedule)					
b Accounting fees (attach sch)					
c Other prof fees (attach sch) SEE ST 1	1,250.	1,250.	1,250.		
17 Interest					
18 Taxes (attach schedule) (see inst)					
19 Depreciation (attach sch) 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	1,250.	1,250.	1,250.		
25 Contributions, gifts, grants paid					
26 Total expenses and disbursements. Add lines 24 and 25	1,250.	1,250.	1,250.	0.	
27 Subtract line 26 from line 12:					
a Excess of revenue over expenses and disbursements	207.				
b Net investment income (if negative, enter -0-)		207.			
c Adjusted net income (if negative, enter -0-)			0.		

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ADMINISTRATIVE EXPENSES

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Part II Balance Sheets		Attached schedules and amounts in the description column should be for end-of-year amounts only (See instructions)			Beginning of year	End of year	
		(a) Book Value	(b) Book Value	(c) Fair Market Value			
ASSETS	1	Cash – non-interest-bearing					
	2	Savings and temporary cash investments	1,165.	1,289.	1,289.		
	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 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					
	10a	Investments – U.S. and state government obligations (attach schedule)					
		b Investments – corporate stock (attach schedule)	17,688.	17,775.	19,822.		
		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 SEE STATEMENT 2)	25.	9.	9.			
16	Total assets (to be completed by all filers – see instructions. Also, see page 1, item I)	18,878.	19,073.	21,120.			
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 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 checked="" type="checkbox"/>						
	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	18,878.	19,073.			
	30	Total net assets or fund balances (see the instructions)	18,878.	19,073.			
31	Total liabilities and net assets/fund balances (see the instructions)	18,878.	19,073.				

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	18,878.
2	Enter amount from Part I, line 27a	2	207.
3	Other increases not included in line 2 (itemize)	3	
4	Add lines 1, 2, and 3	4	19,085.
5	Decreases not included in line 2 (itemize) SEE STATEMENT 3	5	12.
6	Total net assets or fund balances at end of year (line 4 minus line 5) – Part II, column (b), line 30	6	19,073.

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)
1 a SALES THROUGH BROKER	P	VARIOUS	VARIOUS
b SALES THROUGH BROKER	P	VARIOUS	VARIOUS
c SALES THROUGH BROKER	P	VARIOUS	VARIOUS
d SALES THROUGH BROKER	P	VARIOUS	VARIOUS
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 1,095.		893.	202.
b 1,296.		1,609.	-313.
c 6,919.		5,691.	1,228.
d 1,784.		2,035.	-251.
e			

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(l) Gains (Column (h) gain minus column (k), but not less than -0-) or Losses (from column (h))
(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	
a			202.
b			-313.
c			1,228.
d			-251.
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	866.
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	-111.

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))
2009	61,000.	22,961.	2.656679
2008	32,413.	75,992.	0.426532
2007	24,000.	57,060.	0.420610
2006	36,043.	33,776.	1.067119
2005	59,979.	72,126.	0.831586
2 Total of line 1, column (d)			5.402526
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			1.080505
4 Enter the net value of noncharitable-use assets for 2010 from Part X, line 5			20,061.
5 Multiply line 4 by line 3			21,676.
6 Enter 1% of net investment income (1% of Part I, line 27b)			2.
7 Add lines 5 and 6			21,678.
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.

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 <input type="checkbox"/> and enter 'N/A' on line 1. Date of ruling or determination letter: _____ (attach copy of letter if necessary – see instr.)		1	4.
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			
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	4.
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	4.
6 Credits/Payments.			
a 2010 estimated tax pmts and 2009 overpayment credited to 2010	6a		
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	0.	
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	4.	
10 Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid	10		
11 Enter the amount of line 10 to be: Credited to 2011 estimated tax <input type="checkbox"/> Refunded <input type="checkbox"/>	11		

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?		X
b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see 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
c 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"/> \$ 0. (2) On foundation managers <input type="checkbox"/> \$ 0.		
e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers <input type="checkbox"/> \$ 0.		
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
4 a Did the foundation have unrelated business gross income of \$1,000 or more during the year?		X
b If 'Yes,' has it filed a tax return on Form 990-T for this year?		N/A
5 Was there a liquidation, termination, dissolution, or substantial contraction during the year? <i>If 'Yes,' attach the statement required by General Instruction T.</i>		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, column (c), and Part XV.</i>	X	
8 a Enter the states to which the foundation reports or with which it is registered (see the instructions) <input type="checkbox"/> 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 <i>General Instruction G</i> ? <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 2010 or the taxable year beginning in 2010 (see instructions for Part XIV)? <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 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? Website address <u>N/A</u>	13	X	
14	The books are in care of <u>DONALD R. SINCLAIR</u> Telephone no. <u>(713) 268-8067</u> Located at <u>3756 KNOLLWOOD HOUSTON TX</u> ZIP + 4 <u>77019-1110</u>			
15	Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of Form 1041 - Check here <u>N/A</u> and enter the amount of tax-exempt interest received or accrued during the year <u>15</u>			N/A
16	At any time during calendar year 2010, did the foundation have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? See the instructions for exceptions and filing requirements for Form TD F 90-22.1 If 'Yes,' enter the name of the foreign country <u></u>	16	Yes	No
				X

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? <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 the instructions)? Organizations relying on a current notice regarding disaster assistance check here <input type="checkbox"/>	1 b	N/A
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 2010?	1 c	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 2010, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2010? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If 'Yes,' list the years <u>20__ , 20__ , 20__ , 20__</u>		
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.)	2 b	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. <u>20__ , 20__ , 20__ , 20__</u>		
3 a 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 2010 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 2010.)	3 b	N/A
4 a Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?	4 a	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 2010?	4 b	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)?

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?

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

5b	N/A	
6b		X
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 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
DONALD R. SINCLAIR 3756 KNOLLWOOD HOUSTON, TX 77019	PRESIDENT 5.00	0.	0.	0.
SUSAN LACY SINCLAIR 3756 KNOLLWOOD HOUSTON, TX 77019	SECY/TREASUR 5.00	0.	0.	0.
JAMES T. HACKETT 3372 DEL MONTE HOUSTON, TX 77019	VICE-PRESIDE 5.00	0.	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 N/A	

2	

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.

BAA

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	19,238.
b Average of monthly cash balances	1b	1,128.
c Fair market value of all other assets (see instructions)	1c	
d Total (add lines 1a, b, and c)	1d	20,366.
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	20,366.
4 Cash deemed held for charitable activities. Enter 1-1/2% of line 3 (for greater amount, see instructions)	4	305.
5 Net value of noncharitable-use assets. Subtract line 4 from line 3 Enter here and on Part V, line 4	5	20,061.
6 Minimum investment return. Enter 5% of line 5	6	1,003.

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	1,003.
2a Tax on investment income for 2010 from Part VI, line 5	2a	4.
b Income tax for 2010. (This does not include the tax from Part VI.)	2b	
c Add lines 2a and 2b	2c	4.
3 Distributable amount before adjustments Subtract line 2c from line 1	3	999.
4 Recoveries of amounts treated as qualifying distributions	4	
5 Add lines 3 and 4	5	999.
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	999.

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	
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	0.
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	
6 Adjusted qualifying distributions. Subtract line 5 from line 4	6	0.

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 2009	(c) 2009	(d) 2010
1 Distributable amount for 2010 from Part XI, line 7				999.
2 Undistributed income, if any, as of the end of 2010				
a Enter amount for 2009 only			0.	
b Total for prior years: 20____, 20____, 20____		0.		
3 Excess distributions carryover, if any, to 2010:				
a From 2005	56,415.			
b From 2006	34,468.			
c From 2007	21,204.			
d From 2008	28,613.			
e From 2009	59,852.			
f Total of lines 3a through e	200,552.			
4 Qualifying distributions for 2010 from Part XII, line 4. ▶ \$ _____				
a Applied to 2009, 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 2010 distributable amount				0.
e Remaining amount distributed out of corpus	0.			
5 Excess distributions carryover applied to 2010 (If an amount appears in column (d), the same amount must be shown in column (a).)	999.			999.
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	199,553.			
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 2009. Subtract line 4a from line 2a. Taxable amount — see instructions			0.	
f Undistributed income for 2010. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2011				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 2005 not applied on line 5 or line 7 (see instructions)	55,416.			
9 Excess distributions carryover to 2011. Subtract lines 7 and 8 from line 6a	144,137.			
10 Analysis of line 9.				
a Excess from 2006	34,468.			
b Excess from 2007	21,204.			
c Excess from 2008	28,613.			
d Excess from 2009	59,852.			
e Excess from 2010				

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 2010, 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)

2 a 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) 2010	(b) 2009	(c) 2008	
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))

DONALD R. SINCLAIR

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 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

N/A

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
<i>a Paid during the year</i>				
Total				▶ 3a
<i>b Approved for future payment</i>				
Total				▶ 3b

KWS FOUNDATION

76-0521970

STATEMENT 1
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 ADVISOR FEES	\$ 1,250.	\$ 1,250.	\$ 1,250.	
TOTAL	<u>\$ 1,250.</u>	<u>\$ 1,250.</u>	<u>\$ 1,250.</u>	<u>\$ 0.</u>

STATEMENT 2
FORM 990-PF, PART II, LINE 15
OTHER ASSETS

	BOOK VALUE	FAIR MARKET VALUE
ACCRUED INTEREST RECEIVABLE	\$ 9.	
INTEREST RECEIVABLE		\$ 9.
TOTAL	<u>\$ 9.</u>	<u>\$ 9.</u>

STATEMENT 3
FORM 990-PF, PART III, LINE 5
OTHER DECREASES

DIVIDENDS RECORDED BUT NOT YET RECEIVED		\$ 12.
TOTAL		<u>\$ 12.</u>

Tax Worksheet

(Tax Yr: 2010 Version: Client)

Tax ID: 760521970

Acct#: 792408

Account Name: KWS FOUNDATION AGENCY

Administrator: RAY PETRVALSKY **Accountant:**

State of Domicile: Texas

Closed Date:

Short Term Gain	202.22
Short Term Losses	-312.88
Net Short Term Gain/Loss	-110.66
Long Term Gain	1,156.07
Long Term Gain Distribution	72.00
Long Term Losses	-251.38
Net Long Term Gain/Loss	976.69
Uncategorized Gain	0.00
Uncategorized Losses	0.00

Loss Carry Forward	Short Term	Long Term	Last Update
	0.00	0.00	1/1/1900

Tax Worksheet

(Tax Yr: 2010 Version: Client)

Tax ID: 760521970

Acct#: 792408

Account Name: KWS FOUNDATION AGENCY

Administrator: RAY PETRVALSKY

Accountant:

State of Domicile: Texas

Closed Date:

Schedule D

Account Number	Asset Sold	Cusip	Shares/PV	Date Acquired	How Acquired	Trade Date	Tax Yr	Time Held	Net Sales Proceeds	Cost	Real G/L	Opt Type	Cvr Opt
Short Gain													
792408	ISHARES LEHMAN US TREAS INFLATION PROTECTED	464287176	1.0000	2/23/2009	PURCHASE	1/14/2010	2010	Short	104.74	99.64	5.10		
792408	ISHARES S&P PREF STK INDX	464288687	3.0000	3/4/2009	PURCHASE	1/14/2010	2010	Short	113.94	52.96	60.98		
792408	SPDR GOLD TRUST	78463V107	1.0000	8/24/2009	PURCHASE	1/14/2010	2010	Short	111.88	93.26	18.62		
792408	AQR DIVERSIFIED ARB FUND - I	00203H602	10.0000	4/15/2009		2/26/2010	2010	Short	108.00	102.20	5.80		
792408	SPDR DJ INTERNATIONAL REAL E	78463X863	1.0000	8/24/2009	PURCHASE	4/20/2010	2010	Short	35.78	33.86	1.92		
792408	VANGUARD REIT ETF	922908553	5.0000	8/24/2009	PURCHASE	5/14/2010	2010	Short	252.73	196.22	56.51		
792408	VANGUARD REIT ETF	922908553	2.0000	8/24/2009	PURCHASE	8/10/2010	2010	Short	102.68	78.49	24.19		
792408	VANGUARD REIT ETF	922908553	3.0000	2/26/2010	PURCHASE	8/10/2010	2010	Short	154.02	135.39	18.63		
792408	AQR DIVERSIFIED ARB FUND - I	00203H602	0.7030	12/21/2009	REINVEST	8/10/2010	2010	Short	7.70	7.52	0.18		
792408	AQR DIVERSIFIED ARB FUND - I	00203H602	0.2030	12/21/2009	REINVEST	8/10/2010	2010	Short	2.22	2.17	0.05		
792408	AQR DIVERSIFIED ARB FUND - I	00203H602	0.0670	12/21/2009	REINVEST	8/11/2010	2010	Short	0.74	0.72	0.02		

Tax Worksheet

(Tax Yr: 2010 Version: Client)

Tax ID: 760521970

Acct#: 792408

Administrator: RAY PETRVALSKY

State of Domicile: Texas

Closed Date:

Account Name: KWS FOUNDATION AGENCY

Accountant:

Account Number	Asset Sold	Cusip	Shares/PV	Date Acquired	How Acquired	Trade Date	Tax Yr	Time Held	Net Sales Proceeds	Cost	Real G/L	Opt Type	Cvr Opt
ARB FUND - I													
792408	VANGUARD DIVIDEND GROWTH - IV	921908604	2.9930	7/8/2010		10/11/2010	2010	Short	40.86	37.71	3.15		
792408	FIDELITY FLOATING RATE HIGH INCOME	315916783	0.3260	12/7/2009	REINVEST	10/26/2010	2010	Short	3.18	3.02	0.16		
792408	VANGUARD DIVIDEND GROWTH - IV	921908604	3.9720	7/8/2010		12/13/2010	2010	Short	56.96	50.05	6.91		
									1,095.43	893.21	202.22		
Short Loss													
792408	DIREXION HY BEAR FUND - INVESTOR	254939754	32.2840	8/5/2009		1/12/2010	2010	Short	502.98	572.07	-69.09		
792408	IPATH S&P 500 VIX 5/YT FUT ETN	06740C527	8.0000	10/29/2009	PURCHASE	4/6/2010	2010	Short	162.19	353.26	-191.07		
792408	SPDR DJ INTERNATIONAL REAL E	78463X863	5.0000	8/24/2009	PURCHASE	5/14/2010	2010	Short	163.34	169.30	-5.96		
792408	SPDR DJ INTERNATIONAL REAL E	78463X863	2.0000	8/24/2009	PURCHASE	5/27/2010	2010	Short	63.54	67.72	-4.18		
792408	SPDR DJ INTERNATIONAL REAL E	78463X863	3.0000	1/14/2010	PURCHASE	5/27/2010	2010	Short	95.30	107.60	-12.30		
792408	SPDR DJ WILSHIRE	78464A805	4.0000	1/14/2010	PURCHASE	6/30/2010	2010	Short	308.67	338.95	-30.28		
									1,296.02	1,608.90	-312.88		
TOTAL MARKET													

Tax Worksheet

Tax ID: 760521970 (Tax Yr: 2010 Version: Client)
 Acct#: 792408 Account Name: KWS FOUNDATION AGENCY
 Administrator: RAY PETRVALSKY Accountant:
 State of Domicile: Texas
 Closed Date:

Account Number	Asset Sold	Cusip	Shares/PV	Date Acquired	How Acquired	Trade Date	Tax Yr	Time Held	Net Sales Proceeds	Cost	Real G/L	Opt Type	Cvr Opt
	<u>Long Gain</u>												
792408	ISHARES JAPAN	464286848	25.0000	12/17/2008	PURCHASE	1/14/2010	2010	Long	261.25	237.09	24.16		
792408	ISHARES IBOX\$ INVEST GRADE CORP BOND FUND	464287242	5.0000	12/23/2008	PURCHASE	1/14/2010	2010	Long	526.58	501.17	25.41		
792408	PIMCO FOREIGN BOND FUND - IN	722005220	5.9760	12/17/2008		2/26/2010	2010	Long	60.96	51.57	9.39		
792408	ISHARES MSCI EMERGING MKT INDEX	464287234	5.0000	12/17/2008	PURCHASE	4/20/2010	2010	Long	213.94	130.05	83.89		
792408	VANGUARD CONVERTIBLE SECURITIES - INVESTOR	922023106	5.9820	12/17/2008		4/20/2010	2010	Long	80.28	54.91	25.37		
792408	ISHARES S&P PREF STK INDX	464288687	1.0000	3/4/2009	PURCHASE	4/20/2010	2010	Long	38.60	17.65	20.95		
792408	ISHARES S&P GLBL ENERGY SECT	464287341	12.0000	12/17/2008	PURCHASE	5/14/2010	2010	Long	396.25	374.81	21.44		
792408	MARKET VECTORS GOLD MINERS	57060U100	5.0000	2/23/2009	PURCHASE	5/14/2010	2010	Long	264.00	182.73	81.27		
792408	VANGUARD CONVERTIBLE SECURITIES - INVESTOR	922023106	25.3860	12/17/2008		5/14/2010	2010	Long	328.75	233.04	95.71		
792408	PIMCO FOREIGN BOND FUND - IN	722005220	58.9840	12/17/2008		5/19/2010	2010	Long	582.76	509.04	73.72		

Tax Worksheet

(Tax Yr: 2010 Version: Client)

Tax ID: 760521970

Acct#: 792408

Account Name: KWS FOUNDATION AGENCY

Administrator: RAY PETRVALSKY

Accountant:

State of Domicile: Texas

Closed Date:

Account Number	Asset Sold	Cusip	Shares/PV	Date Acquired	How Acquired	Trade Date	Tax Yr	Time Held	Net Sales Proceeds	Cost	Real G/L	Opt Type	Cvr Opt
792408	ISHARES MSCI EMERGING MKT INDEX	464287234	15.0000	12/17/2008	PURCHASE	6/14/2010	2010	Long	589.05	390.16	198.89		
792408	ISHARES LEHMAN US TREAS INFLATION PROTECTED	464287176	5.0000	2/23/2009	PURCHASE	6/30/2010	2010	Long	533.93	498.21	35.72		
792408	SPDR DJ WILSHIRE TOTAL MARKET	78464A805	7.0000	12/17/2008	PURCHASE	6/30/2010	2010	Long	540.16	462.54	77.63		
792408	SPDR DJ WILSHIRE TOTAL MARKET	78464A805	3.0000	2/24/2009	PURCHASE	6/30/2010	2010	Long	231.50	165.59	65.91		
792408	JP MORGAN ALERIAN MLP INDEX	46625H365	10.0000	6/11/2009	PURCHASE	8/10/2010	2010	Long	329.10	227.20	101.90		
792408	ISHARES S&P EUROPE 350	464287861	5.0000	12/17/2008	PURCHASE	8/10/2010	2010	Long	182.26	158.63	23.63		
792408	AQR DIVERSIFIED ARB FUND - 1	00203H602	72.6290	4/15/2009		8/10/2010	2010	Long	796.02	742.27	53.74		
792408	ISHARES JAPAN	464286848	5.0000	12/17/2008	PURCHASE	10/11/2010	2010	Long	50.85	47.42	3.43		
792408	ISHARES S&P PREF STK INDX	464288687	5.0000	3/4/2009	PURCHASE	10/11/2010	2010	Long	198.00	88.27	109.73		
792408	FIDELITY FLOATING RATE HIGH INCOME	315916783	60.5170	5/19/2008		10/26/2010	2010	Long	589.43	571.28	18.15		
792408	ISHARES JAPAN	464286848	5.0000	12/17/2008	PURCHASE	12/13/2010	2010	Long	53.45	47.42	6.03		
										6,847.12	5,691.05	1,156.07	

Long Gain Distribution

Tax Worksheet

(Tax Yr: 2010 Version: Client)

Tax ID: 760521970

Acct#: 792408

Account Name: KWS FOUNDATION AGENCY

Administrator: RAY PETRVALSKY

Accountant:

State of Domicile: Texas

Closed Date:

Account Number	Asset Sold	Cusip	Shares/PV	Date Acquired	How Acquired	Trade Date	Tax Yr	Time Held	Net Sales Proceeds	Cost	Real G/L	Opt Type	Cvr Opt
792408	TFS MARKET NEUTRAL FUND - SELECT	872407101	53.0690		LTGAINRE	1/5/2011	2010	LongD			14.67		
792408	THE ARBITRAGE FUND - I	03875R205	60.4970		LTGAINRE	1/5/2011	2010	LongD			0.01		
792408	WASATCH HOISINGTON US TREASURY	936772300	39.5700		LTGAINRE	1/5/2011	2010	LongD			42.18		
792408	VANGUARD CONVERTIBLE SECURITIES - INVESTOR	922023106	20.5910		LTGAINRE	1/5/2011	2010	LongD			8.07		
792408	ARTIO GLOBAL HIGH INCOME - I	04315J860	63.0070		LTGAINRE	1/5/2011	2010	LongD			7.07		
	Long Loss										72.00		
792408	ARTIO GLOBAL EQUITY FUND - I	04315J704	6.4870	5/11/2007		1/14/2010	2010	Long	235.17	285.98	-50.81		
792408	HUSSMAN STRATEGIC GROWTH FUND	448108100	13.3130	5/11/2007		1/14/2010	2010	Long	167.34	207.82	-40.48		
792408	THE ARBITRAGE FUND - I	03875R205	7.0000	5/19/2008		2/26/2010	2010	Long	91.14	91.15	-0.01		
792408	ISHARES BARCLAYS 20+ YR TREAS	464287432	3.0000	2/23/2009	PURCHASE	4/20/2010	2010	Long	269.27	314.34	-45.07		
792408	HUSSMAN STRATEGIC GROWTH FUND	448108100	0.9930	5/11/2007		6/30/2010	2010	Long	13.35	15.50	-2.15		

Tax Worksheet

(Tax Yr: 2010 Version: Client)

Tax ID: 760521970

Account Name: KWS FOUNDATION AGENCY

Acct#: 792408

Administrator: RAY PETRVALSKY Accountant:

State of Domicile: Texas

Closed Date:

Account Number	Asset Sold	Cusip	Shares/PV	Date Acquired	How Acquired	Trade Date	Tax Yr	Time Held	Net Sales Proceeds	Cost	Real G/L	Opt Type	Cvr Opt
792408	ARTIO GLOBAL EQUITY FUND - I	04315J704	3.0240	5/11/2007		8/10/2010	2010	Long	102.66	133.31	-30.65		
792408	HIGHBRIDGE STAT MARKET NEUTRAL FUND - SELECT	4812A2439	49.3460	2/24/2009	PURCHASE	8/10/2010	2010	Long	756.47	811.84	-55.37		
792408	ARTIO GLOBAL EQUITY FUND - I	04315J704	2.9840	5/11/2007		10/11/2010	2010	Long	109.47	131.55	-22.08		
792408	ARTIO GLOBAL EQUITY FUND - I	04315J704	0.9860	5/11/2007		12/13/2010	2010	Long	38.71	43.47	-4.76		
									1,783.58	2,034.96	-251.38		
Uncategorized													
792408	TFS MARKET NEUTRAL FUND - SELECT	872407101	0.9990		REINVEST	12/10/2010	2010		-14.67	14.67	0.00		
792408	THE ARBITRAGE FUND - I	03875R205	0.0010		REINVEST	12/17/2010	2010		-0.01	0.01	0.00		
792408	WASATCH HOISINGTON US TREASURY	936772300	3.1380		REINVEST	12/28/2010	2010		-42.18	42.18	0.00		
792408	ARTIO GLOBAL HIGH INCOME - I	04315J860	0.6940		REINVEST	12/30/2010	2010		-7.07	7.07	0.00		
									-63.93	63.93	0.00		
									10,958.22	10,292.05	866.03		