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

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

2010

For calendar year 2010, or tax year beginning August 1, 2010, and ending July 31, 20 11

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

Name of foundation: **The Quercus Fund, Inc.** **A Employer identification number** **13-4156738**

Number and street (or P O box number if mail is not delivered to street address): **c/o Dudley & Shanley, LLC, 130 Maple Ave.** Room/suite: **6** **B Telephone number (see page 10 of the instructions)** **732-936-1030**

City or town, state, and ZIP code: **Red Bank, NJ 07701-1729**

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

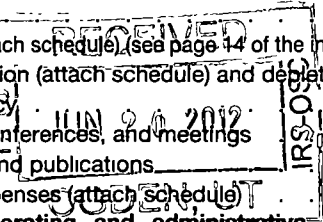
I Fair market value of all assets at end of year (from Part II, col. (c), line 16) ▶ \$ **11,971,643.57** **J** Accounting method: Cash Accrual
 Other (specify) _____ (Part I, column (d) must be on cash basis.)

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

Part I Analysis of Revenue and Expenses (The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see page 11 of the instructions).)

	(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
1 Contributions, gifts, grants, etc., received (attach schedule)	0			
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	118,774.62	118,774.62		
5a Gross rents				
b Net rental income or (loss)				
6a Net gain or (loss) from sale of assets not on line 10	1,346,369.92			
b Gross sales price for all assets on line 6a				
7 Capital gain net income (from Part IV, line 2)		1,346,369.92		
8 Net short-term capital gain				
9 Income modifications				
10a Gross sales less returns and allowances				
b Less: Cost of goods sold				
c Gross profit or (loss) (attach schedule)				
11 Other income (attach schedule)				
12 Total. Add lines 1 through 11	1,465,144.54	1,465,144.54	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)	330.00			
b Accounting fees (attach schedule)	11,704.50	11,704.50		
c Other professional fees (attach schedule)	56,353.54	56,353.54		
17 Interest				
18 Taxes (attach schedule) (see page 14 of the instructions)	228.84	228.84		
19 Depreciation (attach schedule) and depletion				
20 Occupancy				
21 Travel, conferences, and meetings				
22 Printing and publications				
23 Other expenses (attach schedule)	6,759.45	6,709.45		
24 Total operating and administrative expenses. Add lines 13 through 23	75,376.33	74,996.33		
25 Contributions, gifts, grants paid	537,500.00			537,500
26 Total expenses and disbursements. Add lines 24 and 25	612,876.33	74,996.33	N/A	537,500
27 Subtract line 26 from line 12:				
a Excess of revenue over expenses and disbursements	852,268.21			
b Net investment income (if negative, enter -0-)		1,390,148.21		
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	231,228.95	553,503.57	553,503.57
	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 15 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)	9,375,486.99	11,418,140.00	11,418,140.00
	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 l)	9,618,070.95	11,983,003.58	11,983,003.58	
Liabilities	17	Accounts payable and accrued expenses			
	18	Grants payable			
	19	Deferred revenue			
	20	Loans from officers, directors, trustees, and other disqualified persons			
	21	Mortgages and other notes payable (attach schedule)			
	22	Other liabilities (describe ▶)			
23	Total liabilities (add lines 17 through 22)	0	0		
Net Assets or Fund Balances	Foundations that follow SFAS 117, check here ▶ <input type="checkbox"/> and complete lines 24 through 26 and lines 30 and 31.				
	24	Unrestricted			
	25	Temporarily restricted			
	26	Permanently restricted			
	Foundations that do not follow SFAS 117, check here ▶ <input type="checkbox"/> and complete lines 27 through 31.				
	27	Capital stock, trust principal, or current funds			
	28	Paid-in or capital surplus, or land, bldg., and equipment fund			
	29	Retained earnings, accumulated income, endowment, or other funds	9,618,070.95	11,983,003.58	
30	Total net assets or fund balances (see page 17 of the instructions)	9,618,070.95	11,983,003.58		
31	Total liabilities and net assets/fund balances (see page 17 of the instructions)	9,618,070.95	11,983,003.58		

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	9,618,070.95
2	Enter amount from Part I, line 27a	2	852,268.21
3	Other increases not included in line 2 (itemize) ▶ Net increase in unrealized gain on investments	3	1,512,664.42
4	Add lines 1, 2, and 3	4	11,983,003.58
5	Decreases not included in line 2 (itemize) ▶	5	0
6	Total net assets or fund balances at end of year (line 4 minus line 5)—Part II, column (b), line 30	6	11,983,030.58

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 Sales of securities (schedule attached)				
b Capital gains distribution (schedule attached)				
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			1,345,140.09	
b			1,229.83	
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))
(i) FMV as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col (i) over col (j), if any		
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	1,346,369.92
3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6):			3	26,059.42

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))
2009	493,354	9,278,123	.053174
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

2 Total of line 1, column (d)	2	.269298
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	.053860
4 Enter the net value of noncharitable-use assets for 2010 from Part X, line 5	4	11,356,795
5 Multiply line 4 by line 3	5	611,677
6 Enter 1% of net investment income (1% of Part I, line 27b)	6	13,901
7 Add lines 5 and 6	7	625,578
8 Enter qualifying distributions from Part XII, line 4	8	537,500

If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate. See the Part VI instructions on page 18.

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

1a	Exempt operating foundations described in section 4940(d)(2), check here <input type="checkbox"/> and enter "N/A" on line 1. Date of ruling or determination letter: _____ (attach copy of letter if necessary—see instructions)			
b	Domestic foundations that meet the section 4940(e) requirements in Part V, check here <input type="checkbox"/> and enter 1% of Part I, line 27b	1	27,802	96
c	All other domestic foundations enter 2% of line 27b. Exempt foreign organizations enter 4% of Part I, line 12, col. (b).			
2	Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)	2	0	
3	Add lines 1 and 2	3	27,802	96
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	27,802	96
6	Credits/Payments:			
a	2010 estimated tax payments and 2009 overpayment credited to 2010	6a	9,449	02
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	9,449	02
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	18,353	94
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 Refunded	11		

Part VII-A Statements Regarding Activities

	Yes	No
1a During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?		✓
b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see page 19 of the instructions for definition)? <i>If the answer is "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities.</i>		✓
c Did the foundation file Form 1120-POL for this year?		✓
d Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year: (1) On the foundation. ▶ \$ <u>0</u> (2) On foundation managers. ▶ \$ <u>0</u>		
e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers. ▶ \$ <u>0</u>		
2 Has the foundation engaged in any activities that have not previously been reported to the IRS? <i>If "Yes," attach a detailed description of the activities.</i>		✓
3 Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? <i>If "Yes," attach a conformed copy of the changes.</i>		✓
4a Did the foundation have unrelated business gross income of \$1,000 or more during the year?		✓
b If "Yes," has it filed a tax return on Form 990-T for this year?		✓
5 Was there a liquidation, termination, dissolution, or substantial contraction during the year? <i>If "Yes," attach the statement required by General Instruction T.</i>		✓
6 Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either: • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	✓	
7 Did the foundation have at least \$5,000 in assets at any time during the year? <i>If "Yes," complete Part II, col. (c), and Part XV</i>	✓	
8a Enter the states to which the foundation reports or with which it is registered (see page 19 of the instructions) ▶ _____		
b If the answer is "Yes" to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by <i>General Instruction G</i> ? <i>If "No," attach explanation</i>	✓	
9 Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2010 or the taxable year beginning in 2010 (see instructions for Part XIV on page 27)? <i>If "Yes," complete Part XIV</i>		✓
10 Did any persons become substantial contributors during the tax year? <i>If "Yes," attach a schedule listing their names and addresses</i>		✓

Part VII-A Statements Regarding Activities (continued)

11	At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," attach schedule (see page 20 of the instructions)	11		✓
12	Did the foundation acquire a direct or indirect interest in any applicable insurance contract before August 17, 2008?	12		✓
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application? Website address ► None	13	✓	
14	The books are in care of ► Dudley & Shanley, LLC Telephone no. ► 732-936-1030 Located at ► 130 Maple Ave., Suite 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. ► <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the year ► 15			
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 page 20 of the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country ►	16	Yes	No ✓

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

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

		Yes	No
1a	During the year did the foundation (either directly or indirectly):		
(1)	Engage in the sale or exchange, or leasing of property with a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(2)	Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(3)	Furnish goods, services, or facilities to (or accept them from) a disqualified person? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
(4)	Pay compensation to, or pay or reimburse the expenses of, a disqualified person? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
(5)	Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(6)	Agree to pay money or property to a government official? (Exception. Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
b	If any answer is "Yes" to 1a(1)–(6), did any of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance (see page 22 of the instructions)? Organizations relying on a current notice regarding disaster assistance check here ► <input type="checkbox"/>	1b	✓
c	Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2010?	1c	✓
2	Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5)):		
a	At the end of tax year 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 ► 20____, 20____, 20____, 20____		
b	Are there any years listed in 2a for which the foundation is not applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to all years listed, answer "No" and attach statement—see page 22 of the instructions.)	2b	
c	If the provisions of section 4942(a)(2) are being applied to any of the years listed in 2a, list the years here. ► 20____, 20____, 20____, 20____		
3a	Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
b	If "Yes," did it have excess business holdings in 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.)	3b	
4a	Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?	4a	✓
b	Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2010?	4b	✓

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

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

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

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

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

(4) Provide a grant to an organization other than a charitable, etc., organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)? (see page 22 of the instructions) Yes No

(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals? Yes No

b If any answer is "Yes" to 5a(1)–(5), did **any** of the transactions fail to qualify under the exceptions described in Regulations section 53.4945 or in a current notice regarding disaster assistance (see page 22 of the instructions)? **5b**

Organizations relying on a current notice regarding disaster assistance check here

c If the answer is "Yes" to question 5a(4), does the foundation claim exemption from the tax because it maintained expenditure responsibility for the grant? Yes No

If "Yes," attach the statement required by Regulations section 53.4945–5(d).

6a Did the foundation, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No

b Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract? **6b**

If "Yes" to 6b, file Form 8870.

7a At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction? Yes No

b If "Yes," did the foundation receive any proceeds or have any net income attributable to the transaction? **7b**

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

(a) Name and address of each person paid more than \$50,000	(b) Type of service	(c) Compensation
None		
.....		
.....		
.....		
.....		
.....		
Total number of others receiving over \$50,000 for professional services ▶		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 - No direct charitable activities	
2	
3	
4	

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

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2	Amount	
1 N/A - No program-related investments		
2		
3 All other program-related investments See page 24 of the instructions		
Total. Add lines 1 through 3 ▶		0

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	11,518,381
b	Average of monthly cash balances	1b	11,360
c	Fair market value of all other assets (see page 25 of the instructions)	1c	0
d	Total (add lines 1a, b, and c)	1d	11,529,741
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	0
3	Subtract line 2 from line 1d	3	11,529,741
4	Cash deemed held for charitable activities. Enter 1 1/2 % of line 3 (for greater amount, see page 25 of the instructions)	4	172,946
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	11,356,795
6	Minimum investment return. Enter 5% of line 5	6	567,840

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	567,840
2a	Tax on investment income for 2010 from Part VI, line 5	2a	27,803
b	Income tax for 2010. (This does not include the tax from Part VI.)	2b	0
c	Add lines 2a and 2b	2c	27,803
3	Distributable amount before adjustments. Subtract line 2c from line 1	3	540,037
4	Recoveries of amounts treated as qualifying distributions	4	0
5	Add lines 3 and 4	5	540,037
6	Deduction from distributable amount (see page 25 of the instructions)	6	0
7	Distributable amount as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1	7	540,037

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	537,500
b	Program-related investments—total from Part IX-B	1b	0
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	2	0
3	Amounts set aside for specific charitable projects that satisfy the:		
a	Suitability test (prior IRS approval required)	3a	0
b	Cash distribution test (attach the required schedule)	3b	0
4	Qualifying distributions. Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	4	537,500
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	0
6	Adjusted qualifying distributions. Subtract line 5 from line 4	6	537,500

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 2009	(c) 2009	(d) 2010
1 Distributable amount for 2010 from Part XI, line 7				540,037
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	41,065			
b From 2006	13,867			
c From 2007	26,846			
d From 2008	97,907			
e From 2009	42,741			
f Total of lines 3a through e	222,426			
4 Qualifying distributions for 2010 from Part XII, line 4: ▶ \$ <u>537,500</u>				
a Applied to 2009, 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 2010 distributable amount				537,500
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).)	2,537			2,537
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	219,889			
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 2009. Subtract line 4a from line 2a. Taxable amount—see page 27 of the 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 page 27 of the instructions)	0			
8 Excess distributions carryover from 2005 not applied on line 5 or line 7 (see page 27 of the instructions)	38,528			
9 Excess distributions carryover to 2011. Subtract lines 7 and 8 from line 6a	181,361			
10 Analysis of line 9:				
a Excess from 2006	13,867			
b Excess from 2007	26,846			
c Excess from 2008	97,907			
d Excess from 2009	42,741			
e Excess from 2010	0			

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 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)

	Tax year				(e) Total
	(a) 2010	(b) 2009	(c) 2008	(d) 2007	
2a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed					
b 85% of line 2a					
c Qualifying distributions from Part XII, line 4 for each year listed					
d Amounts included in line 2c not used directly for active conduct of exempt activities					
e Qualifying distributions made directly for active conduct of exempt activities. Subtract line 2d from line 2c					
3 Complete 3a, b, or c for the alternative test relied upon					
a "Assets" alternative test—enter:					
(1) Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b "Endowment" alternative test—enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed					
c "Support" alternative test—enter:					
(1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii)					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income					

Part XV Supplementary Information (Complete this part only if the foundation had \$5,000 or more in assets at any time during the year—see page 28 of the instructions.)

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

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><i>a Paid during the year</i></p> <p>Highstead Foundation, Inc., PO Box 1097, Redding, CT 06875</p>	<p>N/A</p>	<p>501(c)3</p>	<p>Conservation research etc</p>	<p>537,500</p>
<p>Total ▶ 3a</p>				<p>537,500</p>
<p><i>b Approved for future payment</i></p>				
<p>Total ▶ 3b</p>				<p>0</p>

The Quercus Fund, Inc.
Form 990-PF

13-4156738
Fiscal Year Ended July 31, 2011

Part I, Line 16c

Other professional fees

Investment management fees

56,353 54

Part I, Line 18

Taxes

Excise tax on investment income

Foreign income tax on dividends

-

228 84

228 84

Part I, Line 23

Other expenses

Bank custody fee

Miscellaneous

6,709 45

50 00

6,759.45

Dudley & Shanley, LLC
REALIZED GAINS AND LOSSES
The Quercus Fund, Inc.

0715
Bank of N.Y. Account Number 295680
From 08-01-10 Through 07-31-11

Open Date	Close Date	Quantity	Security	Cost Basis	Proceeds	Gain Or Loss	
						Short Term	Long Term
02-18-2010	08-24-2010	1,700	Paychex, Inc.	51,469.37	42,553.00	-8,916.37	
10-17-2008	08-24-2010	2,700	Paychex, Inc.	73,078.20	67,584.17		-5,494.03
12-19-2008	08-24-2010	11,300	Paychex, Inc.	295,525.51	282,852.29		-12,673.22
10-30-2008	09-29-2010	1,500	Alberto-Culver Co.	35,681.55	56,446.89		20,765.34
10-22-2008	09-29-2010	2,000	Alberto-Culver Co.	47,037.00	75,262.53		28,225.53
10-21-2008	09-29-2010	1,800	Alberto-Culver Co.	42,136.20	67,736.27		25,600.07
10-16-2008	09-29-2010	3,200	Alberto-Culver Co.	73,887.36	120,420.04		46,532.68
10-16-2008	09-30-2010	5,300	Alberto-Culver Co.	122,375.94	199,366.72		76,990.78
10-27-2008	09-30-2010	1,500	Alberto-Culver Co.	33,576.90	56,424.54		22,847.64
10-24-2008	09-30-2010	1,700	Alberto-Culver Co.	36,952.90	63,947.82		26,994.92
11-14-1997	10-26-2010	600	Mettler-Toledo Int'l	8,660.88	78,880.66		70,219.78
11-14-1997	12-10-2010	500	Mettler-Toledo Int'l	7,217.40	77,765.58		70,548.18
11-11-2008	12-10-2010	1,700	SM Energy Company	39,043.90	91,353.22		52,309.32
03-19-2003	12-10-2010	1,700	Gardner Denver, Inc.	16,395.82	117,475.49		101,079.67
11-14-1997	12-13-2010	400	Mettler-Toledo Int'l	5,773.92	62,969.77		57,195.85
11-11-2008	12-13-2010	1,200	SM Energy Company	27,560.40	67,127.10		39,566.70
05-16-2003	12-13-2010	1,200	Gardner Denver, Inc.	11,676.78	84,198.73		72,521.95
10-13-2009	01-21-2011	2,100	Goldcorp Inc.	90,150.69	85,046.26		-5,104.43
09-27-2006	01-21-2011	9,200	Goldcorp Inc.	218,421.80	372,583.64		154,161.84
10-31-2008	02-07-2011	2,550	Rollins, Inc.	29,908.78	49,289.79		19,381.01
11-04-2008	02-07-2011	2,550	Rollins, Inc.	28,934.34	49,289.79		20,355.45
11-05-2008	02-07-2011	1,900	Rollins, Inc.	21,182.97	36,725.72		15,542.75
10-11-2001	02-16-2011	2,600	Fastenal Co.	36,572.90	163,940.10		127,367.20
02-17-2010	04-01-2011	1,600	Schlumberger Ltd.	104,866.24	149,686.88		44,820.64
11-11-2008	04-04-2011	2,500	SM Energy Company	57,417.50	190,531.08		133,113.58
08-24-2010	04-06-2011	2,100	Polypore Int'l Inc.	55,129.83	122,730.25	67,600.42	
05-20-2010	05-02-2011	900	Occidental Petroleum	70,365.06	104,473.59	34,108.53	
11-07-2008	05-10-2011	1,200	Waters Corporation	51,942.72	117,213.15		65,270.43

Dudley & Shanley, LLC
REALIZED GAINS AND LOSSES
The Quercus Fund, Inc.

0715
Bank of N.Y. Account Number 295680
From 08-01-10 Through 07-31-11

Open Date	Close Date	Quantity	Security	Cost Basis	Proceeds	Gain Or Loss	
						Short Term	Long Term
07-10-2001	05-10-2011	700	Waters Corporation	17,433.29	68,374.33		50,941.04
01-27-2011	07-13-2011	2,400	Federated Investors	66,115.20	55,939.80	-10,175.40	
01-26-2011	07-13-2011	3,300	Federated Investors	89,906.85	76,917.23	-12,989.62	
01-25-2011	07-13-2011	1,300	Federated Investors	34,842.08	30,300.73	-4,541.35	
01-25-2011	07-14-2011	1,700	Federated Investors	45,562.72	38,960.36	-6,602.36	
01-24-2011	07-14-2011	2,300	Federated Investors	61,184.37	52,711.07	-8,473.30	
01-24-2011	07-15-2011	2,200	Federated Investors	58,524.18	49,691.10	-8,833.08	
01-21-2011	07-15-2011	3,800	Federated Investors	100,948.14	85,830.09	-15,118.05	
TOTAL GAINS						101,708.95	1,342,352.35
TOTAL LOSSES						-75,649.53	-23,271.68
TOTAL REALIZED GAIN/LOSS			1,345,140.09	2,167,459.69	3,512,599.78	26,059.42	1,319,080.67
CAPITAL GAIN DISTRIBUTIONS							
TOTAL DISTRIBUTIONS			Cardinal Health			0.00	1,229.83
TOTAL GAIN/LOSS			1,346,369.92			26,059.42	1,320,310.50

Dudley & Shanley, LLC
PORTFOLIO APPRAISAL
The Quercus Fund, Inc.
0715

July 31, 2011

Pct. Assets	Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Unrealized Gain/Loss	Annual Income	Cur. Yield
CASH AND EQUIVALENTS									
4.6		BNY Mellon Cash Reserve Fund		553,503.57		553,503.57		276.75	0.0
4.6				553,503.57		553,503.57		276.75	0.0
COMMON STOCK									
4.6	20,000	Adobe Systems, Inc.	23.02	460,399.67	27.71	554,200.00	93,800.33	0.00	0.0
3.7	8,800	Ecolab Inc.	38.40	337,912.08	50.00	440,000.00	102,087.92	7,040.00	1.6
3.2	12,000	Energys	35.37	424,457.25	31.98	383,760.00	-40,697.25	0.00	0.0
3.3	11,800	Fastenal Co.	7.03	82,992.35	33.65	397,070.00	314,077.65	8,024.00	2.0
4.5	9,000	Fiserv Inc.	35.44	318,939.00	60.36	543,240.00	224,301.00	0.00	0.0
4.7	6,600	Gardner Denver, Inc.	9.67	63,852.27	85.29	562,914.00	499,061.72	1,320.00	0.2
4.6	8,300	Henry Schein Inc.	42.87	355,787.28	66.46	551,618.00	195,830.72	0.00	0.0
4.1	22,200	Intel Corp	21.84	484,865.85	22.33	495,726.00	10,860.15	18,648.00	3.8
4.9	12,500	Intuit, Inc.	36.69	458,664.15	46.70	583,750.00	125,085.85	7,500.00	1.3
4.3	17,500	Linear Technology	14.58	255,179.65	29.30	512,750.00	257,570.35	17,500.00	3.4
4.0	3,100	Mettler-Toledo Int'l	14.01	43,443.48	154.81	479,911.00	436,467.52	0.00	0.0
5.8	19,500	Nalco Holding Co.	17.78	346,764.25	35.35	689,325.00	342,560.75	2,730.00	0.4
4.7	5,700	Occidental Petroleum	77.77	443,297.02	98.18	559,626.00	116,328.98	12,312.00	2.2
3.6	10,200	Paccar Inc.	37.75	385,092.26	42.81	436,662.00	51,569.74	14,484.00	3.3
4.6	19,500	Paychex, Inc.	29.32	571,645.65	28.23	550,485.00	-21,160.65	24,960.00	4.5
7.3	12,900	Polypore Int'l Inc.	26.13	337,111.47	68.00	877,200.00	540,088.53	0.00	0.0
4.8	21,000	Robert Half Int'l	18.17	381,502.59	27.38	574,980.00	193,477.41	12,600.00	2.2
3.9	24,500	Rollins, Inc.	10.36	253,921.46	19.09	467,705.00	213,783.54	7,840.00	1.7
5.3	8,400	SM Energy Company	20.20	169,686.80	75.35	632,940.00	463,253.20	840.00	0.1
5.1	6,800	Schlumberger Ltd.	63.47	431,601.95	90.37	614,516.00	182,914.05	7,480.00	1.2
4.3	5,800	Waters Corporation	24.26	140,692.26	87.89	509,762.00	369,069.74	0.00	0.0
95.4				6,747,808.74		11,418,140.00	4,670,331.26	143,278.00	1.3

Dudley & Shanley, LLC
 PORTFOLIO APPRAISAL
The Quercus Fund, Inc.

0715

July 31, 2011

Pct. Assets	Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Unrealized Gain/Loss	Annual Income	Cur. Yield
100.0	TOTAL PORTFOLIO			7,301,312.31		11,971,643.57	4,670,331.26	143,554.75	1.2

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 7/31/2011
PAGE 8, PART X, LINE 1
FMV OF SECURITIES AND CASH BALANCES

Date	FMV of Investments Bank of NY	BONY Checking Account
1-Aug	9,606,701.95	11,360.01
31-Aug	9,220,812.90	11,360.01
30-Sep	10,135,480.43	11,360.01
31-Oct	10,529,421.80	11,360.01
30-Nov	10,987,485.90	11,360.01
31-Dec	11,956,669.20	11,360.01
31-Jan	11,985,657.41	11,360.01
28-Feb	12,512,295.14	11,360.01
31-Mar	12,611,033.81	11,360.01
30-Apr	12,963,268.33	11,360.01
31-May	12,673,039.95	11,360.01
30-Jun	12,585,442.49	11,360.01
31-Jul	11,971,643.57	11,360.01
	<u>149,738,952.88</u>	<u>147,680.13</u>

Averages:

	Sum of Individual Balances	Divided by 13
Investments:	<u>149,738,952.88</u>	<u>11,518,380.99</u>
Cash:		
BONY Checking	<u>147,680.13</u>	<u>11,360.01</u>