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Form **990-PF**

Department of the Treasury  
Internal Revenue Service

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

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

OMB No 1545-0052

**2011**

For calendar year 2011 or tax year beginning , 2011, and ending , 20

Name of foundation  
**THE KANALY FOUNDATION**

Number and street (or P O box number if mail is not delivered to street address) Room/suite  
**KANALY TRUST LTA 5555 SAN FELIPE SUITE 200**

City or town, state, and ZIP code  
**HOUSTON, TX 77056**

**A Employer identification number**  
76-0381632

**B Telephone number (see instructions)**  
(713) 626-9483

**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

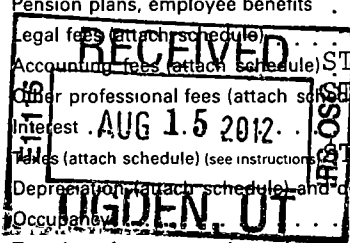
**F** If the foundation is in a 60-month termination under section 507(b)(1)(B), check here

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

**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) ▶ \$ 967,956.  
**J** Accounting method:  Cash  Accrual  
 Other (specify) \_\_\_\_\_  
 (Part I, column (d) must be on cash basis.)

<b>Part I Analysis of Revenue and Expenses</b> (The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see instructions).)		(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
<b>Revenue</b>	1 Contributions, gifts, grants, etc., received (attach schedule)				
	2 Check <input type="checkbox"/> if the foundation is not required to attach Sch. B				
	3 Interest on savings and temporary cash investments				
	4 Dividends and interest from securities	24,810.	24,810.		STMT 1
	5a Gross rents				
	b Net rental income or (loss)				
	6a Net gain or (loss) from sale of assets not on line 10	36,523.			
	b Gross sales price for all assets on line 6a	392,891.			
	7 Capital gain net income (from Part IV, line 2)		36,523.		
	8 Net short-term capital gain				
	9 Income modifications				
	10 a Gross sales less returns and allowances				
b Less Cost of goods sold					
c Gross profit or (loss) (attach schedule)					
11 Other income (attach schedule)	-1,452.	-1,452.		STMT 3	
12 <b>Total</b> Add lines 1 through 11	59,881.	59,881.			
<b>Operating and Administrative Expenses</b>	13 Compensation of officers, directors, trustees, etc.				
	14 Other employee salaries and wages				
	15 Pension plans, employee benefits				
	16a Legal fees (attach schedule)				
	b Accounting fees (attach schedule) STMT 4	775.	775.	NONE	NONE
	c Other professional fees (attach schedule) STMT 5	4,471.	4,471.		
	17 Interest				
	18 Fees (attach schedule) (see instructions) STMT 6	177.	177.		
	19 Depreciation (attach schedule) and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings				
	22 Printing and publications				
	23 Other expenses (attach schedule)				
	24 <b>Total operating and administrative expenses.</b> Add lines 13 through 23	5,423.	5,423.	NONE	NONE
	25 Contributions, gifts, grants paid	81,000.			81,000.
26 <b>Total expenses and disbursements</b> Add lines 24 and 25	86,423.	5,423.	NONE	81,000.	
27 Subtract line 26 from line 12					
a Excess of revenue over expenses and disbursements	-26,542.				
b <b>Net investment income</b> (if negative, enter -0-)		54,458.			
c <b>Adjusted net income</b> (if negative, enter -0-)					



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For Paperwork Reduction Act Notice, see instructions.

JSA

Form 990-PF (2011)

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<b>Part II Balance Sheets</b>		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
<b>Assets</b>	1 Cash - non-interest-bearing . . . . .	3,669.	940.	940.
	2 Savings and temporary cash investments . . . . .	83,167.	61,993.	61,993.
	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 instructions) . . . . .			
	7 Other notes and loans receivable (attach schedule) ▶ Less: allowance for doubtful accounts ▶			
	8 Inventories for sale or use . . . . .			
	9 Prepaid expenses and deferred charges . . . . .			
	10 a Investments - U.S. and state government obligations (attach schedule) . . . . .			
	b Investments - corporate stock (attach schedule) . STMT 7 . . . . .	318,119.	322,151.	338,503.
	c Investments - corporate bonds (attach schedule) . STMT 8 . . . . .	274,663.	278,555.	275,676.
	11 Investments - land, buildings, and equipment basis Less accumulated depreciation (attach schedule) ▶			
	12 Investments - mortgage loans . . . . .			
	13 Investments - other (attach schedule) . . . . . STMT 9 . . . . .	272,572.	261,568.	290,844.
	14 Land, buildings, and equipment basis Less accumulated depreciation (attach schedule) ▶			
15 Other assets (describe ▶ . . . . .)				
16 <b>Total assets</b> (to be completed by all filers - see the instructions. Also, see page 1, item I) . . . . .	952,190.	925,207.	967,956.	
<b>Liabilities</b>	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 <b>Total liabilities</b> (add lines 17 through 22) . . . . .			
<b>Net Assets or Fund Balances</b>	<b>Foundations that follow SFAS 117, check here ▶ <input type="checkbox"/></b> <b>and complete lines 24 through 26 and lines 30 and 31.</b>			
	24 Unrestricted . . . . .			
	25 Temporarily restricted . . . . .			
	26 Permanently restricted . . . . .			
	<b>Foundations that do not follow SFAS 117, check here and complete lines 27 through 31. ▶ <input checked="" type="checkbox"/></b>			
	27 Capital stock, trust principal, or current funds . . . . .	952,190.	925,207.	
	28 Paid-in or capital surplus, or land, bldg, and equipment fund . . . . .			
29 Retained earnings, accumulated income, endowment, or other funds . . . . .				
30 <b>Total net assets or fund balances</b> (see instructions) . . . . .	952,190.	925,207.		
31 <b>Total liabilities and net assets/fund balances</b> (see instructions) . . . . .	952,190.	925,207.		

<b>Part III Analysis of Changes in Net Assets or Fund Balances</b>		
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	952,190.
2 Enter amount from Part I, line 27a . . . . .	2	-26,542.
3 Other increases not included in line 2 (itemize) ▶ SEE STATEMENT 10 . . . . .	3	594.
4 Add lines 1, 2, and 3 . . . . .	4	926,242.
5 Decreases not included in line 2 (itemize) ▶ SEE STATEMENT 11 . . . . .	5	1,035.
6 Total net assets or fund balances at end of year (line 4 minus line 5) - Part II, column (b), line 30 . . . . .	6	925,207.

**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.)
<b>1a PUBLICLY TRADED SECURITIES</b>				
<b>b</b>				
<b>c</b>				
<b>d</b>				
<b>e</b>				
(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)	
<b>a</b> 377,559.		356,368.	21,191.	
<b>b</b>				
<b>c</b>				
<b>d</b>				
<b>e</b>				
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) 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		
<b>a</b>			21,191.	
<b>b</b>				
<b>c</b>				
<b>d</b>				
<b>e</b>				
<b>2</b> 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 }		<b>2</b>	36,523.
<b>3</b> 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 instructions). If (loss), enter -0- in Part I, line 8	{ If gain, also enter in Part I, line 8, column (c) (see instructions). If (loss), enter -0- in Part I, line 8 }		<b>3</b>	

**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 (col. (b) divided by col. (c))
2010	82,557.	998,279.	0.082699
2009	40,000.	969,814.	0.041245
2008	NONE	1,118,730.	NONE
2007	61,250.	1,266,878.	0.048347
2006	138,421.	1,233,253.	0.112241
<b>2</b> Total of line 1, column (d)			<b>2</b> 0.284532
<b>3</b> 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			<b>3</b> 0.056906
<b>4</b> Enter the net value of noncharitable-use assets for 2011 from Part X, line 5			<b>4</b> 987,256.
<b>5</b> Multiply line 4 by line 3			<b>5</b> 56,181.
<b>6</b> Enter 1% of net investment income (1% of Part I, line 27b)			<b>6</b> 545.
<b>7</b> Add lines 5 and 6			<b>7</b> 56,726.
<b>8</b> 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.			<b>8</b> 81,000.

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

<b>1a</b> 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>b</b> Domestic foundations that meet the section 4940(e) requirements in Part V, check here <input checked="" type="checkbox"/> and enter 1% of Part I, line 27b . . . . .	<b>1</b>	545.
<b>c</b> All other domestic foundations enter 2% of line 27b. Exempt foreign organizations enter 4% of Part I, line 12, col. (b).		
<b>2</b> Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-) . . . . .	<b>2</b>	
<b>3</b> Add lines 1 and 2 . . . . .	<b>3</b>	545.
<b>4</b> Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-) . . . . .	<b>4</b>	NONE
<b>5</b> Tax based on investment income. Subtract line 4 from line 3. If zero or less, enter -0- . . . . .	<b>5</b>	545.
<b>6</b> Credits/Payments		
<b>a</b> 2011 estimated tax payments and 2010 overpayment credited to 2011 . . . . .	<b>6a</b>	145.
<b>b</b> Exempt foreign organizations - tax withheld at source . . . . .	<b>6b</b>	NONE
<b>c</b> Tax paid with application for extension of time to file (Form 8868) . . . . .	<b>6c</b>	543.
<b>d</b> Backup withholding erroneously withheld . . . . .	<b>6d</b>	
<b>7</b> Total credits and payments. Add lines 6a through 6d . . . . .	<b>7</b>	688.
<b>8</b> Enter any penalty for underpayment of estimated tax. Check here <input type="checkbox"/> if Form 2220 is attached . . . . .	<b>8</b>	6.
<b>9</b> Tax due. If the total of lines 5 and 8 is more than line 7, enter amount owed . . . . .	<b>9</b>	
<b>10</b> Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid . . . . .	<b>10</b>	137.
<b>11</b> Enter the amount of line 10 to be: Credited to 2012 estimated tax <input type="checkbox"/> 137. Refunded <input type="checkbox"/>	<b>11</b>	

**Part VII-A Statements Regarding Activities**

	Yes	No
<b>1a</b> 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>1b</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>		X
<b>1c</b> Did the foundation file Form 1120-POL for this year? . . . . .	X	
<b>d</b> Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year (1) On the foundation. ▶ \$ _____ (2) On foundation managers. ▶ \$ _____		
<b>e</b> Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers. ▶ \$ _____		
<b>2</b> 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
<b>3</b> 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
<b>4a</b> Did the foundation have unrelated business gross income of \$1,000 or more during the year? . . . . .		X
<b>4b</b> If "Yes," has it filed a tax return on Form 990-T for this year? . . . . .		
<b>5</b> 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
<b>6</b> 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	
<b>7</b> Did the foundation have at least \$5,000 in assets at any time during the year? <i>If "Yes," complete Part II, col (c), and Part XV</i>	X	
<b>8a</b> Enter the states to which the foundation reports or with which it is registered (see instructions) ▶ TX		
<b>b</b> If the answer is "Yes" to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by General Instruction G? <i>If "No," attach explanation</i> . . . . .	X	
<b>9</b> 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 2011 or the taxable year beginning in 2011 (see instructions for Part XIV)? <i>If "Yes," complete Part XIV</i> . . . . .		X
<b>10</b> 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)
12 Did the foundation make a distribution to a donor advised fund over which the foundation or a disqualified person had advisory privileges? If "Yes," attach statement (see instructions)
13 Did the foundation comply with the public inspection requirements for its annual returns and exemption application?
Website address N/A
14 The books are in care of KANALY TRUST, LTA Telephone no. (713) 626-9483
Located at 5555 SAN FELIPE -STE 200, HOUSTON, TX ZIP + 4 77056
15 Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of Form 1041 - Check here
and enter the amount of tax-exempt interest received or accrued during the year 15
16 At any time during calendar year 2011, 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? 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.

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? Yes X No
(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? Yes X No
(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person? Yes X No
(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person? Yes X No
(5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)? Yes X No
(6) Agree to pay money or property to a government official? (Exception. Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.) Yes X 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 instructions)? 1b
Organizations relying on a current notice regarding disaster assistance check here
c Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2011? 1c X
2 Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5))
a At the end of tax year 2011, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2011? Yes X No
If "Yes," list the years
b Are there any years listed in 2a for which the foundation is not applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to all years listed, answer "No" and attach statement - see instructions.) 2b X
c If the provisions of section 4942(a)(2) are being applied to any of the years listed in 2a, list the years here
3a Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year? Yes X No
b If "Yes," did it have excess business holdings in 2011 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 2011) 3b
4a Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes? 4a X
b Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2011? 4b X

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

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

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

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

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

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

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

b If any answer is "Yes" to 5a(1)-(5), did any of the transactions fail to qualify under the exceptions described in Regulations section 53.4945 or in a current notice regarding disaster assistance (see instructions)?  Yes  No

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?  Yes  No

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 instructions).**

(a) Name and address	(b) Title, and average hours per week devoted to position	(c) Compensation (if not paid, enter -0-)	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
SEE STATEMENT 12		-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		NONE	NONE	NONE

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

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

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

(a) Name and address of each person paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		NONE
-----		
-----		
-----		
-----		
<b>Total number of others receiving over \$50,000 for professional services . . . . .</b>		<b>NONE</b>

**Part IX-A Summary of Direct Charitable Activities**

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

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

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2	Amount
1 NONE	
2	
All other program-related investments See instructions	
<b>3 NONE</b>	
<b>Total. Add lines 1 through 3 . . . . .</b>	

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

<b>1</b>	Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes:		
<b>a</b>	Average monthly fair market value of securities	<b>1a</b>	364,131.
<b>b</b>	Average of monthly cash balances	<b>1b</b>	87,481.
<b>c</b>	Fair market value of all other assets (see instructions)	<b>1c</b>	550,678.
<b>d</b>	<b>Total</b> (add lines 1a, b, and c)	<b>1d</b>	1,002,290.
<b>e</b>	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	<b>1e</b>	
<b>2</b>	Acquisition indebtedness applicable to line 1 assets	<b>2</b>	NONE
<b>3</b>	Subtract line 2 from line 1d	<b>3</b>	1,002,290.
<b>4</b>	Cash deemed held for charitable activities. Enter 1 1/2% of line 3 (for greater amount, see instructions)	<b>4</b>	15,034.
<b>5</b>	<b>Net value of noncharitable-use assets.</b> Subtract line 4 from line 3. Enter here and on Part V, line 4	<b>5</b>	987,256.
<b>6</b>	<b>Minimum investment return.</b> Enter 5% of line 5	<b>6</b>	49,363.

**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.)

<b>1</b>	Minimum investment return from Part X, line 6	<b>1</b>	49,363.
<b>2a</b>	Tax on investment income for 2011 from Part VI, line 5	<b>2a</b>	545.
<b>b</b>	Income tax for 2011. (This does not include the tax from Part VI.)	<b>2b</b>	
<b>c</b>	Add lines 2a and 2b	<b>2c</b>	545.
<b>3</b>	Distributable amount before adjustments Subtract line 2c from line 1	<b>3</b>	48,818.
<b>4</b>	Recoveries of amounts treated as qualifying distributions	<b>4</b>	NONE
<b>5</b>	Add lines 3 and 4	<b>5</b>	48,818.
<b>6</b>	Deduction from distributable amount (see instructions)	<b>6</b>	NONE
<b>7</b>	<b>Distributable amount</b> as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1	<b>7</b>	48,818.

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

<b>1</b>	Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes:		
<b>a</b>	Expenses, contributions, gifts, etc. - total from Part I, column (d), line 26	<b>1a</b>	81,000.
<b>b</b>	Program-related investments - total from Part IX-B	<b>1b</b>	
<b>2</b>	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	<b>2</b>	NONE
<b>3</b>	Amounts set aside for specific charitable projects that satisfy the:		
<b>a</b>	Suitability test (prior IRS approval required)	<b>3a</b>	NONE
<b>b</b>	Cash distribution test (attach the required schedule)	<b>3b</b>	NONE
<b>4</b>	<b>Qualifying distributions.</b> Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	<b>4</b>	81,000.
<b>5</b>	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)	<b>5</b>	545.
<b>6</b>	<b>Adjusted qualifying distributions.</b> Subtract line 5 from line 4	<b>6</b>	80,455.

**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 2010	(c) 2010	(d) 2011
<b>1</b> Distributable amount for 2011 from Part XI, line 7 . . . . .				48,818.
<b>2</b> Undistributed income, if any, as of the end of 2011				
<b>a</b> Enter amount for 2010 only . . . . .			NONE	
<b>b</b> Total for prior years 20 <u>09</u> , 20 <u>  </u> , 20 <u>  </u>		NONE		
<b>3</b> Excess distributions carryover, if any, to 2011				
<b>a</b> From 2006 . . . . .	16,221.			
<b>b</b> From 2007 . . . . .	NONE			
<b>c</b> From 2008 . . . . .	NONE			
<b>d</b> From 2009 . . . . .	NONE			
<b>e</b> From 2010 . . . . .	33,529.			
<b>f</b> Total of lines 3a through e . . . . .	49,750.			
<b>4</b> Qualifying distributions for 2011 from Part XII, line 4 ▶ \$ <u>81,000.</u>				
<b>a</b> Applied to 2010, but not more than line 2a . . . . .			NONE	
<b>b</b> Applied to undistributed income of prior years (Election required - see instructions) . . . . .		NONE		
<b>c</b> Treated as distributions out of corpus (Election required - see instructions) . . . . .	NONE			
<b>d</b> Applied to 2011 distributable amount . . . . .				48,818.
<b>e</b> Remaining amount distributed out of corpus . . . . .	32,182.			
<b>5</b> Excess distributions carryover applied to 2011 . . . . . (If an amount appears in column (d), the same amount must be shown in column (a) )	NONE			NONE
<b>6</b> Enter the net total of each column as indicated below:				
<b>a</b> Corpus. Add lines 3f, 4c, and 4e Subtract line 5	81,932.			
<b>b</b> Prior years' undistributed income. Subtract line 4b from line 2b . . . . .		NONE		
<b>c</b> Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed . . . . .		NONE		
<b>d</b> Subtract line 6c from line 6b Taxable amount - see instructions . . . . .		NONE		
<b>e</b> Undistributed income for 2010. Subtract line 4a from line 2a. Taxable amount - see instructions . . . . .			NONE	
<b>f</b> Undistributed income for 2011. Subtract lines 4d and 5 from line 1 This amount must be distributed in 2012 . . . . .				NONE
<b>7</b> Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see instructions) . . . . .	NONE			
<b>8</b> Excess distributions carryover from 2006 not applied on line 5 or line 7 (see instructions) . . . . .	16,221.			
<b>9</b> Excess distributions carryover to 2012. Subtract lines 7 and 8 from line 6a . . . . .	65,711.			
<b>10</b> Analysis of line 9				
<b>a</b> Excess from 2007 . . . . .	NONE			
<b>b</b> Excess from 2008 . . . . .	NONE			
<b>c</b> Excess from 2009 . . . . .	NONE			
<b>d</b> Excess from 2010 . . . . .	33,529.			
<b>e</b> Excess from 2011 . . . . .	32,182.			

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

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 2011, enter the date of the ruling . . . . .    
 b Check box to indicate whether the foundation is a private operating foundation described in section  4942(j)(3) or  4942(j)(5)

	Tax year	Prior 3 years			(e) Total
	(a) 2011	(b) 2010	(c) 2009	(d) 2008	
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 . . . . .					
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 instructions.)

**1 Information Regarding Foundation Managers:**

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

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

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

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

a The name, address, and telephone number of the person to whom applications should be addressed:  
SEE STATEMENT 13

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

c Any submission deadlines:  
N/A

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

**Part XV Supplementary Information (continued)**

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

Recipient Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
<p><b>a Paid during the year</b></p> <p>SEE STATEMENT 15</p>				
<b>Total</b> . . . . . ▶ <b>3a</b>				81,000.
<b>b Approved for future payment</b>				
<b>Total</b> . . . . . ▶ <b>3b</b>				





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

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME
ASTON RIVER ROAD DIVIDEND ALL CAP VALUE	51.	51.
AIM CHARTEDELLR FUND CL Y	345.	345.
INVESCO GLOBAL REAL ESTATE FD CL A	264.	264.
CAMBIAR OPPORTUNITY FUND INV CL	150.	150.
CALAMOS CONVERTIBLE FUND CL A	602.	602.
DODGE & COX INCOME FD	1,706.	1,706.
DOUBLELINE TOTAL RETURN BD FD CL I	5,171.	5,171.
DRIEHAUS ACTIVE INCM FD	611.	611.
JOHCM INTL SLCT FD CL I	124.	124.
EATON VANCE STRUCTURED EMRG MKTS CL I	153.	153.
ENTERPRISE PRODUCTS PARTNERS	4.	4.
FPA NEW INCOME CL A	636.	636.
FED NATL MTG 4.375%12 NOTES DUE	1,094.	1,094.
FEDERATED STRATEGIC VALUE DIVIDEND INSTL	813.	813.
FEDERATED STRATEGIC VALUE DIVIDEND	142.	142.
ABSOLUTE STRATEGIES FUND INSTL SHR	92.	92.
NATIXIS GATEWAY Y	549.	549.
HARDING LOEVNER EMERGING MARKETS	128.	128.
ISHARES TR BARCLAYS TIPS BOND FUND	24.	24.
ISHARES TR RUSSELL 1000 RUSSELL 1000 GRO	473.	473.
NATIXIS VAUGHAN NELSON SMALL CAP VALUE F	124.	124.
NUVEEN TRADEWINDS INTL VALUE I	704.	704.
PIMCO LOW DURATION II FUND	148.	148.
PIMCO ALL ASSET INSTL CL	2,079.	2,079.
PIMCO COMMODITY REAL RETURN STRAT CL INS	2,166.	2,166.
PIMCO INVESTMENT GRADE CORP BOND INSTITU	2,354.	2,354.
PLAINS ALL AMERN PIPELINE L P	7.	7.
ROYCE MICRO CAP FUND INVESTMENT CL	174.	174.
SCHWAB GOVT MONEY FUND	4.	4.
SCH ADV CASH RESRV PREM	5.	5.
US TREAS NOT 4.375%08/12 UST NOTE DUE 08	1,099.	1,099.
US TREAS NOTE 4.875%4/11 U S T NOTE DUE	609.	609.

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

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME
VERIZON NEW ENGLAND INC 6.5% 9/15/11	2,205.	2,205.
TOTAL	24,810.	24,810.

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

DESCRIPTION -----	REVENUE AND EXPENSES PER BOOKS -----	NET INVESTMENT INCOME -----
OTHER INCOME	129.	129.
OTHER INCOME FROM ENTERPRISE	-1,623.	-1,623.
OTHER INCOME FROM PLAINS	42.	42.
TOTALS	-1,452.	-1,452.
	=====	=====

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

DESCRIPTION -----	REVENUE AND EXPENSES PER BOOKS -----	NET INVESTMENT INCOME -----	ADJUSTED NET INCOME -----	CHARITABLE PURPOSES -----
TAX PREPARATION FEE (ALLOCABLE)	775.	775.		
TOTALS	775.	775.	NONE	NONE
	=====	=====	=====	=====

FORM 990PF, PART I - OTHER PROFESSIONAL FEES

=====

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME
TRUSTEE/EXECUTOR FEES-PRINCIPA	4,471.	4,471.
TOTALS	4,471.	4,471.

FORM 990PF, PART I - TAXES

=====

DESCRIPTION -----	REVENUE AND EXPENSES PER BOOKS -----	NET INVESTMENT INCOME -----
FOREIGN TAXES ON QUALIFIED FOR	177.	177.
TOTALS	177.	177.
	=====	=====

THE KANALY FOUNDATION

76-0381632

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

DESCRIPTION	ENDING BOOK VALUE	ENDING FMV
EATON VANCE STRUCTD EMERG MKT	8,513.	10,072.
FORWARD INTL SMALL COMP		
HARDING LOEVNER EMERG MKTS	10,618.	12,928.
AIM CHARTER FUND CL Y		
ASTON TAMRO SMALL CAP FD	15,520.	19,214.
CAMBIAR OPPORTUNITY FUND	27,331.	28,875.
ISHARES TR RUSSELL 1000	27,160.	33,981.
NATIXIS VAUGHAN NELSON	18,156.	17,220.
NUVEEN TRADEWINDS INTL	28,873.	26,461.
ROYCE MICRO CAP FUND		
CAMBIAR SMALL CAP FD INV	12,028.	11,760.
GENEVA ADVS ALL CAP	22,152.	20,228.
JOHCM SLCT FD CL I	16,553.	14,056.
STEPHENS SMALL CAP GROWTH	13,153.	14,021.
AQR MULTI STRATEGY ALT	17,934.	17,897.
ASTON RIVER ROAD	20,395.	20,155.
FEDERATED STRATEGIC	50,191.	51,767.
INVESCO CHARTER FUND CL Y	33,574.	39,868.
	-----	-----
TOTALS	322,151.	338,503.
	=====	=====

THE KANALY FOUNDATION

76-0381632

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

DESCRIPTION -----	ENDING BOOK VALUE -----	ENDING FMV ---
VERIZON NEW ENGLAND INC 6.5% 9	25,001.	25,732.
FED NATL MTG 4.375% 12	61,140.	58,450.
PIMCO INVESTMENT GRADE	49,222.	48,950.
DODGE & COX INCOME FUND	85,372.	84,619.
DOUBLELINE TOTAL RETURN ISHARES TR BARCLAYS TIPS		
PIMCO LOW DURATION II	24,990.	25,660.
US TREAS NOT 4.375% 08/12		
US TREAS NOT 4.875% 04/11	32,830.	32,265.
FPA NEW INCOME CL A		
TOTALS	278,555.	275,676.
	=====	=====

THE KANALY FOUNDATION

76-0381632

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

DESCRIPTION	COST/ FMV C OR F	ENDING BOOK VALUE	ENDING FMV
-----	-----	-----	---
ABSOLUTE STRATEGIES FUND	C	42,554.	46,819.
ENTERPRISE PRD PRTRRS LP	C	6,491.	20,639.
NATIXIS GATEWAY Y	C	26,923.	29,379.
PIMCO ALL ASSET INSTL CL	C	29,423.	29,827.
PIMCO COMMODITY REAL	C		
PLAINS ALL AMERN PPLN LP	C	12,502.	23,063.
SPDR GOLD TRUST	C	8,945.	14,895.
ABSOLUTE OPPTY FD INST	C	33,849.	33,425.
CALAMOS CONVERTIBLE FUND	C	52,777.	47,827.
DRIEHAUS ACTIVIE INCM FD	C	15,725.	14,285.
INVESCO GLOBAL REAL	C	15,702.	14,932.
TURNER SPECTRUM FD INST	C	16,677.	15,753.
		-----	-----
TOTALS		261,568.	290,844.
		=====	=====

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

=====

DESCRIPTION -----	AMOUNT -----
INCOME POSTED IN 2011 TAXED IN 2010	38.
FEES POSTED IN 2012; TAXED IN 2011	556.
	-----
TOTAL	594.
	=====

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

DESCRIPTION	AMOUNT
AMORTIZATION - OTHER INTEREST	1,033.
AMORTIZATION - USGI	1.
ROUNDING	1.
TOTAL	1,035.

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

OFFICER NAME:

VIRGINIA L KANALY

ADDRESS:

5555 SAN FELIPE - SUITE 200  
HOUSTON, TX 77057

TITLE:

TRUSTEE

OFFICER NAME:

STEVEN P KANALY

ADDRESS:

5555 SAN FELIPE - SUITE 200  
HOUSTON, TX 77057

TITLE:

TRUSTEE

OFFICER NAME:

JEFFREY C KANALY

ADDRESS:

5555 SAN FELIPE - SUITE 200  
HOUSTON, TX 77056

TITLE:

TRUSTEE

OFFICER NAME:

ANDREW D KANALY

ADDRESS:

5555 SAN FELIPE - SUITE 200  
HOUSTON, TX 77056

TITLE:

TRUSTEE

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

76-0381632

RECIPIENT NAME:

JEFFREY KANALY

ADDRESS:

5555 SAN FELIPE, SUITE 200

HOUSTON, TX 77056

RECIPIENT'S PHONE NUMBER: 713-626-9483

FORM, INFORMATION AND MATERIALS:

NO SPECIFIC GUIDELINES

NONE

RESTRICTIONS OR LIMITATIONS ON AWARDS:

NONE

STATEMENT 13

RECIPIENT NAME:  
OPEN DOOR MISSION  
ADDRESS:  
P O BOX 849  
HOUSTON, TX 77001-0849  
RELATIONSHIP:  
NONE  
PURPOSE OF GRANT:  
GENERAL FUNDING FOR PROGRAMS  
FOUNDATION STATUS OF RECIPIENT:  
501(C) (3)  
AMOUNT OF GRANT PAID ..... 50,000.

RECIPIENT NAME:  
U OF T HEALTH AND SCIENCE CTR  
OFFICE OF INST ADVANCEMENT  
ADDRESS:  
7000 FANNIN, STE 1200  
HOUSTON, TX 77030  
RELATIONSHIP:  
NONE  
PURPOSE OF GRANT:  
GENERAL FUNDING FOR PROGRAMS  
FOUNDATION STATUS OF RECIPIENT:  
501(C) (3)  
AMOUNT OF GRANT PAID ..... 25,000.

RECIPIENT NAME:  
BAYLOR UNIVERSITY  
RELATIONSHIP:  
NONE  
PURPOSE OF GRANT:  
SCHOLARSHIP PROGRAMS  
FOUNDATION STATUS OF RECIPIENT:  
501(C) (3)  
AMOUNT OF GRANT PAID ..... 5,000.

RECIPIENT NAME:

CYSTIC FIBROSIS FOUNDATION  
FT WORTH TARRANT CO CHAPTER

ADDRESS:

1008 WINSCOTT ROAD, SUITE B  
BENBROOK, TX 76126

RELATIONSHIP:

NONE

PURPOSE OF GRANT:

SCHOLARSHIP PROGRAMS

FOUNDATION STATUS OF RECIPIENT:

501(C)(3)

AMOUNT OF GRANT PAID ..... 1,000.

TOTAL GRANTS PAID: ..... 81,000.

=====

**SCHEDULE D  
(Form 1041)**

Department of the Treasury  
Internal Revenue Service

**Capital Gains and Losses**

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

OMB No 1545-0092

**2011**

Name of estate or trust

THE KANALY FOUNDATION

Employer identification number

76-0381632

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

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

(a) Description of property (Example 100 shares 7% preferred of "Z" Co)	(b) Date acquired (mo, day, yr)	(c) Date sold (mo, day, yr)	(d) Sales price	(e) Cost or other basis (see instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)
<b>1a</b> SHORT-TERM CAPITAL GAIN DIVIDENDS					1,684.
<b>b</b> Enter the short-term gain or (loss), if any, from Schedule D-1, line 1b . . . . .					<b>1b</b> -3,465.
<b>2</b> Short-term capital gain or (loss) from Forms 4684, 6252, 6781, and 8824 . . . . .					<b>2</b>
<b>3</b> Net short-term gain or (loss) from partnerships, S corporations, and other estates or trusts . . . . .					<b>3</b>
<b>4</b> Short-term capital loss carryover. Enter the amount, if any, from line 9 of the 2010 Capital Loss Carryover Worksheet . . . . .					<b>4</b> ( )
<b>5</b> <b>Net short-term gain or (loss).</b> Combine lines 1a through 4 in column (f). Enter here and on line 13, column (3) on the back . . . . . ▶					<b>5</b> -1,781.

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

(a) Description of property (Example 100 shares 7% preferred of "Z" Co)	(b) Date acquired (mo, day, yr)	(c) Date sold (mo, day, yr)	(d) Sales price	(e) Cost or other basis (see instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)
<b>6a</b> LONG-TERM CAPITAL GAIN DIVIDENDS					13,647.
<b>b</b> Enter the long-term gain or (loss), if any, from Schedule D-1, line 6b . . . . .					<b>6b</b> 24,656.
<b>7</b> Long-term capital gain or (loss) from Forms 2439, 4684, 6252, 6781, and 8824 . . . . .					<b>7</b>
<b>8</b> Net long-term gain or (loss) from partnerships, S corporations, and other estates or trusts . . . . .					<b>8</b>
<b>9</b> Capital gain distributions . . . . .					<b>9</b> 1.
<b>10</b> Gain from Form 4797, Part I . . . . .					<b>10</b>
<b>11</b> Long-term capital loss carryover. Enter the amount, if any, from line 14 of the 2010 Capital Loss Carryover Worksheet . . . . .					<b>11</b> ( )
<b>12</b> <b>Net long-term gain or (loss).</b> Combine lines 6a through 11 in column (f). Enter here and on line 14a, column (3) on the back . . . . . ▶					<b>12</b> 38,304.

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

Schedule D (Form 1041) 2011

<b>Part III Summary of Parts I and II</b>		(1) Beneficiaries' (see instr.)	(2) Estate's or trust's	(3) Total
<b>Caution: Read the instructions before completing this part.</b>				
<b>13</b>	<b>Net short-term gain or (loss)</b> . . . . .	<b>13</b>		-1,781.
<b>14</b>	<b>Net long-term gain or (loss):</b>			
a	Total for year . . . . .	<b>14a</b>		38,304.
b	Unrecaptured section 1250 gain (see line 18 of the wrksht.) . . . . .	<b>14b</b>		
c	28% rate gain . . . . .	<b>14c</b>		1,089.
<b>15</b>	<b>Total net gain or (loss).</b> Combine lines 13 and 14 . . . . . ▶	<b>15</b>		36,523.

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

**Part IV Capital Loss Limitation**

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

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

**Part V Tax Computation Using Maximum Capital Gains Rates**

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

**Caution:** Skip this part and complete the **Schedule D Tax Worksheet** in the instructions if

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

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

<b>17</b>	Enter taxable income from Form 1041, line 22 (or Form 990-T, line 34) . . . . .	<b>17</b>		
<b>18</b>	Enter the smaller of line 14a or 15 in column (2) but not less than zero . . . . .	<b>18</b>		
<b>19</b>	Enter the estate's or trust's qualified dividends from Form 1041, line 2b(2) (or enter the qualified dividends included in income in Part I of Form 990-T) . . . . .	<b>19</b>		
<b>20</b>	Add lines 18 and 19 . . . . .	<b>20</b>		
<b>21</b>	If the estate or trust is filing Form 4952, enter the amount from line 4g; otherwise, enter -0- . . . ▶	<b>21</b>		
<b>22</b>	Subtract line 21 from line 20. If zero or less, enter -0- . . . . .	<b>22</b>		
<b>23</b>	Subtract line 22 from line 17. If zero or less, enter -0- . . . . .	<b>23</b>		
<b>24</b>	Enter the smaller of the amount on line 17 or \$2,300 . . . . .	<b>24</b>		
<b>25</b>	Is the amount on line 23 equal to or more than the amount on line 24? <input type="checkbox"/> Yes. Skip lines 25 and 26, go to line 27 and check the "No" box. <input type="checkbox"/> No. Enter the amount from line 23 . . . . .	<b>25</b>		
<b>26</b>	Subtract line 25 from line 24 . . . . .	<b>26</b>		
<b>27</b>	Are the amounts on lines 22 and 26 the same? <input type="checkbox"/> Yes. Skip lines 27 thru 30, go to line 31 <input type="checkbox"/> No. Enter the smaller of line 17 or line 22 . . . . .	<b>27</b>		
<b>28</b>	Enter the amount from line 26 (If line 26 is blank, enter -0-) . . . . .	<b>28</b>		
<b>29</b>	Subtract line 28 from line 27 . . . . .	<b>29</b>		
<b>30</b>	Multiply line 29 by 15% (.15) . . . . .			<b>30</b>
<b>31</b>	Figure the tax on the amount on line 23. Use the 2011 Tax Rate Schedule for Estates and Trusts (see the Schedule G instructions in the instructions for Form 1041) . . . . .			<b>31</b>
<b>32</b>	Add lines 30 and 31 . . . . .			<b>32</b>
<b>33</b>	Figure the tax on the amount on line 17. Use the 2011 Tax Rate Schedule for Estates and Trusts (see the Schedule G instructions in the instructions for Form 1041) . . . . .			<b>33</b>
<b>34</b>	<b>Tax on all taxable income.</b> Enter the smaller of line 32 or line 33 here and on Form 1041, Schedule G, line 1a (or Form 990-T, line 36) . . . . .			<b>34</b>

**SCHEDULE D-1  
(Form 1041)**

**Continuation Sheet for Schedule D  
(Form 1041)**

OMB No 1545-0092

**2011**

Department of the Treasury  
Internal Revenue Service

▶ See instructions for Schedule D (Form 1041).  
▶ Attach to Schedule D to list additional transactions for lines 1a and 6a.

Name of estate or trust <b>THE KANALY FOUNDATION</b>	Employer identification number <b>76-0381632</b>
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**Part I Short-Term Capital Gains and Losses - Assets Held One Year or Less**

(a) Description of property (Example 100 sh 7% preferred of "Z" Co)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Sales price	(e) Cost or other basis (see instructions)	(f) Gain or (loss) Subtract (e) from (d)
1a 145. ISHARES TR BARCLAYS T BOND FUND	04/16/2010	02/15/2011	15,280.00	15,179.00	101.00
252.143 CAMBIAR OPPORTUNIT CL	04/16/2010	02/25/2011	5,000.00	4,211.00	789.00
103.072 HARDING LOEVNER EM MARKETS	04/16/2010	02/25/2011	5,000.00	4,663.00	337.00
204.982 NATIXIS VAUGHAN NE CAP VALUE FUND CLASS Y	12/28/2010	02/25/2011	5,000.00	4,721.00	279.00
417.879 PIMCO COMMODITY RE STRAT CL INSTL	04/16/2010	02/25/2011	4,000.00	3,380.00	620.00
304.183 STEPHENS SMALL CAP FUND A	12/30/2010	02/25/2011	4,000.00	3,274.00	726.00
333.149 ROYCE MICRO CAP FU INVESTMENT CL	04/16/2010	02/25/2011	6,000.00	5,029.00	971.00
976.012 DODGE & COX INCOME	04/16/2010	03/03/2011	13,000.00	12,833.00	167.00
262.34 DOUBLELINE TOTAL RE CL I	09/24/2010	03/03/2011	2,850.00	2,904.00	-54.00
57.16 HARDING LOEVNER EMER	05/17/2010	03/03/2011	2,850.00	2,570.00	280.00
130. ISHARES TR RUSSELL 10 1000 GROWTH	05/14/2010	03/03/2011	7,909.00	6,550.00	1,359.00
428.285 PIMCO LOW DURATION	04/16/2010	03/03/2011	4,250.00	4,323.00	-73.00
270.727 PIMCO COMMODITY RE STRAT CL INSTL	04/16/2010	03/03/2011	2,625.00	2,190.00	435.00
851.639 PIMCO INVESTMENT G BOND INSTITUTIONAL	04/16/2010	03/03/2011	8,950.00	9,635.00	-685.00
208.117 CAMBIAR SMALL CAP	12/15/2010	05/13/2011	4,000.00	3,571.00	429.00
267.901 CALAMOS CONVERTIBL	01/27/2011	05/13/2011	5,500.00	5,393.00	107.00
99.206 HARDING LOEVNER EME MARKETS	05/17/2010	05/13/2011	5,000.00	4,179.00	821.00
1958.1 PIMCO LOW DURATION	05/13/2011	06/21/2011	19,529.00	19,601.00	-72.00
526. PROSHS ULTRASHORT 20+ TREASURY	02/10/2011	08/05/2011	14,401.00	21,533.00	-7,132.00
24.061 ASTON TAMRO SMALL C	12/29/2010	08/30/2011	478.00	513.00	-35.00
91.76 NATIXIS VAUGHAN NELS VALUE FUND CLASS Y	04/12/2011	08/30/2011	1,916.00	2,139.00	-223.00
201.422 CAMBIAR SMALL CAP	12/15/2010	10/05/2011	2,975.00	3,456.00	-481.00
668.244 JOHCM INTL SLCT FD	05/13/2011	10/05/2011	7,324.00	9,459.00	-2,135.00
41.699 ROYCE MICRO CAP FUN CL	12/08/2011	12/21/2011	607.00	603.00	4.00

**1b Total.** Combine the amounts in column (f). Enter here and on Schedule D, line 1b . . . . . -3,465.00

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

Schedule D-1 (Form 1041) 2011



# Application for Extension of Time To File an Exempt Organization Return

▶ **File a separate application for each return.**

- If you are filing for an **Automatic 3-Month Extension**, complete **only Part I** and check this box
- If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete **only Part II** (on page 2 of this form).

**Do not complete Part II unless** you have already been granted an automatic 3-month extension on a previously filed Form 8868.

**Electronic filing (e-file).** You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time. You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit [www.irs.gov/efile](http://www.irs.gov/efile) and click on *e-file for Charities & Nonprofits*.

**Part I Automatic 3-Month Extension of Time.** Only submit original (no copies needed).

A corporation required to file Form 990-T and requesting an automatic 6-month extension - check this box and complete Part I only

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns

<b>Type or print</b>  <small>File by the due date for filing your return. See instructions</small>	Name of exempt organization or other filer, see instructions.	Employer identification number (EIN) or
	THE KANALY FOUNDATION	<input checked="" type="checkbox"/> 76-0381632
	Number, street, and room or suite no. If a P.O. box, see instructions.	Social security number (SSN)
	KANALY TRUST LTA 5555 SAN FELIPE SUITE 200	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions.	
	HOUSTON, TX 77056	

Enter the Return code for the return that this application is for (file a separate application for each return) 0 4

Application Is For	Return Code	Application Is For	Return Code
Form 990	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	01	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

- The books are in the care of ▶ KANALY TRUST, LTA

Telephone No. ▶ (713) 626-9483 FAX No. ▶ \_\_\_\_\_

- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) \_\_\_\_\_ . If this is for the whole group, check this box  . If it is for part of the group, check this box  and attach a list with the names and EINs of all members the extension is for.

**1** I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until 08/15, 20 12, to file the exempt organization return for the organization named above. The extension is for the organization's return for:  
 ▶  calendar year 2011 or  
 ▶  tax year beginning \_\_\_\_\_, 20\_\_\_\_, and ending \_\_\_\_\_, 20\_\_\_\_.

**2** If the tax year entered in line 1 is for less than 12 months, check reason:  Initial return  Final return  Change in accounting period

<b>3a</b> If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	<b>3a</b>	\$ 688.
<b>b</b> If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	<b>3b</b>	\$ 145.
<b>c Balance due.</b> Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	<b>3c</b>	\$ 543.

**Caution.** If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.