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Return of Private Foundation

or Section 4947(a)(1) Nonexempt Charitable Trust

Treated as a Private Foundation

2009

Department of the Treasury
Internal Revenue Service

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

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

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

Use the IRS label. Otherwise, print or type. See Specific Instructions.	Name of foundation JACK AND KATHERINE PEARCE EDUCATIONAL FOUNDATION		A Employer identification number 74-6035546
	Number and street (or P.O. box number if mail is not delivered to street address) Room/suite C/O FROST NATIONAL BANK, 2201 MARKET ST 1010		B Telephone number (409) 770-5665
	City or town, state, and ZIP code GALVESTON, TX 77550		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 ☐
H Check type of organization ☒ Section 501(c)(3) exempt private foundation ☐ Section 4947(a)(1) nonexempt charitable trust ☐ Other taxable private foundation			E If private foundation status was terminated under section 507(b)(1)(A), check here ☐
I Fair market value of all assets at end of year (from Part II, col. (c), line 16) \$ 1,908,143. (Part I, column (d) must be on cash basis.)		J Accounting method ☒ Cash ☐ Accrual ☐ Other (specify) _____	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))		(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
Revenue	1 Contributions, gifts, grants, etc., received				
	2 Check ☒ if the foundation is not required to attach Sch. B				
	3 Interest on savings and temporary cash investments	2,789.	2,789.	2,789.	STATEMENT 1
	4 Dividends and interest from securities	18,170.	18,170.	18,170.	STATEMENT 2
	5a Gross rents				
	b Net rental income or (loss)				
	6a Net gain or (loss) from sale of assets not on line 10	10,487.			
	b Gross sales price for all assets on line 6a	10,487.			
	7 Capital gain net income (from Part IV, line 2)		10,487.		
	8 Net short-term capital gain			0.	
	9 Income modifications			136,865.	
	10a Gross sales less returns and allowances				
b Less Cost of goods sold					
c Gross profit or (loss)					
11 Other income	145.	145.	145.	STATEMENT 3	
12 Total. Add lines 1 through 11	31,591.	31,591.	157,969.		
Operating and Administrative Expenses	13 Compensation of officers, directors, trustees, etc.	17,639.	5,879.	5,879.	11,760.
	14 Other employee salaries and wages				
	15 Pension plans, employee benefits				
	16a Legal fees				
	b Accounting fees	2,750.	1,375.	1,375.	1,375.
	c Other professional fees				
	17 Interest				
	18 Taxes	854.	7.	7.	7.
	19 Depreciation and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings				
	22 Printing and publications				
	23 Other expenses	59.	59.	59.	59.
	24 Total operating and administrative expenses. Add lines 13 through 23	21,302.	7,320.	7,320.	13,201.
	25 Contributions, gifts, grants paid	132,500.			132,500.
26 Total expenses and disbursements. Add lines 24 and 25	153,802.	7,320.	7,320.	145,701.	
27 Subtract line 26 from line 12.	-122,211.				
a Excess of revenue over expenses and disbursements					
b Net investment income (if negative, enter -0-)		24,271.			
c Adjusted net income (if negative, enter -0-)			150,649.		

**JACK AND KATHERINE PEARCE
EDUCATIONAL FOUNDATION**

74-6035546

Part II Balance Sheets Attached schedules and amounts in the description column should be for end-of-year amounts only		Beginning of year	End of year	
		(a) Book Value	(b) Book Value	(c) Fair Market Value
Assets	1 Cash - non-interest-bearing			
	2 Savings and temporary cash investments	266,729.	283,598.	283,598.
	3 Accounts receivable ▶			
	Less allowance for doubtful accounts ▶	95.		
	4 Pledges receivable ▶			
	Less allowance for doubtful accounts ▶			
	5 Grants receivable			
	6 Receivables due from officers, directors, trustees, and other disqualified persons			
	7 Other notes and loans receivable ▶			
	Less allowance for doubtful accounts ▶			
	8 Inventories for sale or use			
	9 Prepaid expenses and deferred charges	3,880.	1,760.	1,760.
	10a Investments - U.S. and state government obligations			
	b Investments - corporate stock STMT 7	1,639,951.	1,639,951.	1,621,140.
	c Investments - corporate bonds			
Liabilities	11 Investments - land, buildings, and equipment basis ▶			
	Less accumulated depreciation ▶			
	12 Investments - mortgage loans			
	13 Investments - other			
	14 Land, buildings, and equipment basis ▶			
	Less accumulated depreciation ▶			
	15 Other assets (describe ▶ MINERAL INTERESTS)	2.	2.	1,645.
	16 Total assets (to be completed by all filers)	1,910,657.	1,925,311.	1,908,143.
	17 Accounts payable and accrued expenses			
	18 Grants payable			
Net Assets or Fund Balances	19 Deferred revenue			
	20 Loans from officers, directors, trustees, and other disqualified persons			
	21 Mortgages and other notes payable			
	22 Other liabilities (describe ▶)			
	23 Total liabilities (add lines 17 through 22)	0.	0.	
	Foundations that follow SFAS 117, check here 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 and complete lines 27 through 31. ▶ ☒			
	27 Capital stock, trust principal, or current funds	0.	0.	
	28 Paid-in or capital surplus, or land, bldg, and equipment fund	0.	0.	
	29 Retained earnings, accumulated income, endowment, or other funds	1,910,657.	1,925,311.	
	30 Total net assets or fund balances	1,910,657.	1,925,311.	
	31 Total liabilities and net assets/fund balances	1,910,657.	1,925,311.	

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	1,910,657.
2 Enter amount from Part I, line 27a	2	-122,211.
3 Other increases not included in line 2 (itemize) ▶ REPAYMENTS OF PRIOR DISTRIBUTIONS	3	136,865.
4 Add lines 1, 2, and 3	4	1,925,311.
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	1,925,311.

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 CAPITAL GAINS DIVIDENDS				
b				
c				
d				
e				
(e) Gross sales price	(f) Depreciation allowed (or allowable)	(g) Cost or other basis plus expense of sale	(h) Gain or (loss) (e) plus (f) minus (g)	
a 10,487.			10,487.	
b				
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))	
(j) FMV as of 12/31/69	(k) Adjusted basis as of 12/31/69	(l) Excess of col. (j) over col. (k), if any		
a			10,487.	
b				
c				
d				
e				
2 Capital gain net income or (net capital loss)		2		10,487.
3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6) If gain, also enter in Part I, line 8, column (c) If (loss), enter -0- in Part I, line 8		3		0.

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to the section 4940(a) tax on net investment income)

If section 4940(d)(2) applies, leave this part blank

Was the foundation liable for the section 4942 tax on the distributable amount of any year in the base period?

☐ Yes ☒ No

If "Yes," the foundation does not qualify under section 4940(e). Do not complete this part.

1 Enter the appropriate amount in each column for each year, see instructions before making any entries

(a) Base period years Calendar year (or tax year beginning in)	(b) Adjusted qualifying distributions	(c) Net value of noncharitable-use assets	(d) Distribution ratio (col. (b) divided by col. (c))
2008	158,885.	1,962,872.	.080945
2007	162,820.	2,231,116.	.072977
2006	156,737.	1,990,127.	.078757
2005	144,538.	1,875,506.	.077066
2004	157,881.	1,811,227.	.087168
2 Total of line 1, column (d)			2 .396913
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 .079383
4 Enter the net value of noncharitable-use assets for 2009 from Part X, line 5			4 1,730,051.
5 Multiply line 4 by line 3			5 137,337.
6 Enter 1% of net investment income (1% of Part I, line 27b)			6 243.
7 Add lines 5 and 6			7 137,580.
8 Enter qualifying distributions from Part XII, line 4			8 145,701.

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.

**JACK AND KATHERINE PEARCE
EDUCATIONAL FOUNDATION**
Part VI Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948 - see instructions)

1a Exempt operating foundations described in section 4940(d)(2), check here ☐ and enter "N/A" on line 1 Date of ruling or determination letter _____ (attach copy of letter if necessary-see instructions)			
b Domestic foundations that meet the section 4940(e) requirements in Part V, check here ☒ and enter 1% of Part I, line 27b		1	243.
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	243.
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	243.
6 Credits/Payments.			
a 2009 estimated tax payments and 2008 overpayment credited to 2009	6a	1,760.	
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	1,760.	
8 Enter any penalty for underpayment of estimated tax Check here ☐ if Form 2220 is attached	8		
9 Tax due. If the total of lines 5 and 8 is more than line 7, enter amount owed	9		
10 Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid	10	1,517.	
11 Enter the amount of line 10 to be Credited to 2010 estimated tax 280. Refunded	11	1,237.	

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

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Part VII-A Statements Regarding Activities (continued)

11	At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," attach schedule (see instructions)	11		X
12	Did the foundation acquire a direct or indirect interest in any applicable insurance contract before August 17, 2008?	12		X
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application?	13	X	

Website address ► N/A

14 The books are in care of ► **FROST NATIONAL BANK TRUST DEPT.** Telephone no ► **(409) 770-5665**
 Located at ► **2201 MARKET STREET, SUITE 1010, GALVESTON, TX** ZIP+4 ► **77550**

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 N/A

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

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

	Yes	No
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 ☒ No	
(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person?	☐ Yes ☒ No	
(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person?	☐ Yes ☒ No	
(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person?	☐ Yes ☒ No	
(5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)?	☐ Yes ☒ No	
(6) Agree to pay money or property to a government official? (Exception. Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.)	☐ Yes ☒ No	
b If any answer is "Yes" to 1a(1)-(6), did any of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance (see page 20 of the instructions)? Organizations relying on a current notice regarding disaster assistance check here	N/A	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 2009?		1c X
2 Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5))		
a At the end of tax year 2009, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2009?	☐ Yes ☒ No	
If "Yes," list the years ►		
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.)	N/A	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		
3a Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year?	☐ Yes ☒ No	
b If "Yes," did it have excess business holdings in 2009 as a result of (1) any purchase by the foundation or disqualified persons after May 26, 1969, (2) the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest, or (3) the lapse of the 10-, 15-, or 20-year first phase holding period? (Use Schedule C, Form 4720, to determine if the foundation had excess business holdings in 2009.)	N/A	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 2009?		4b X

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

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

(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))?

☐ Yes ☒ No

(2) Influence the outcome of any specific public election (see section 4955), or to carry on, directly or indirectly, any voter registration drive?

☐ Yes ☒ No

(3) Provide a grant to an individual for travel, study, or other similar purposes?

☐ Yes ☒ No

(4) Provide a grant to an organization other than a charitable, etc., organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)?

☐ 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)?

N/A

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?

N/A

☐ 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

6b

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

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

7a At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction?

☐ Yes ☒ No

b If yes, did the foundation receive any proceeds or have any net income attributable to the transaction?

N/A

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.

(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
FROST NATIONAL BANK	TRUSTEE			
2201 MARKET STREET, SUITE 1010				
GALVESTON, TX 77550	5.00	17,639.	0.	0.
EDWARD J. PATTERSON	DIRECTOR			
2201 MARKET STREET, SUITE 1010				
GALVESTON, TX 77550	1.00	0.	0.	0.
REV. RONALD POGUE	DIRECTOR			
2201 MARKET STREET, SUITE 1010				
GALVESTON, TX 77550	1.00	0.	0.	0.
ALBERT SHANNON	DIRECTOR			
2201 MARKET STREET, SUITE 1010				
GALVESTON, TX 77550	1.00	0.	0.	0.

2 Compensation of five highest-paid employees (other than those included on line 1). 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

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Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors *(continued)***3** Five highest-paid independent contractors for professional services. 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 PROVIDING INTEREST FREE LOANS TO QUALIFIED RESIDENTS OF GALVESTON, TEXAS, WHO ENROLL AS FULL-TIME STUDENTS AT AN INSTITUTION OF HIGHER LEARNING IN THE U.S.	147,076.
2	
3	
4	

Part IX-B Summary of Program-Related Investments

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2

	Amount
1 N/A	
2	
All other program-related investments See instructions	
3	
Total. Add lines 1 through 3	0.

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

1	Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes		
a	Average monthly fair market value of securities	1a	1,456,379.
b	Average of monthly cash balances	1b	295,506.
c	Fair market value of all other assets	1c	4,512.
d	Total (add lines 1a, b, and c)	1d	1,756,397.
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1e	0.
2	Acquisition indebtedness applicable to line 1 assets	2	0.
3	Subtract line 2 from line 1d	3	1,756,397.
4	Cash deemed held for charitable activities. Enter 1 1/2% of line 3 (for greater amount, see instructions)	4	26,346.
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	1,730,051.
6	Minimum investment return. Enter 5% of line 5	6	86,503.

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

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

Part XII Qualifying Distributions (see instructions)

1	Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes		
a	Expenses, contributions, gifts, etc. - total from Part I, column (d), line 26	1a	145,701.
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	
3	Amounts set aside for specific charitable projects that satisfy the		
a	Suitability test (prior IRS approval required)	3a	
b	Cash distribution test (attach the required schedule)	3b	
4	Qualifying distributions. Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	4	145,701.
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	5	243.
6	Adjusted qualifying distributions. Subtract line 5 from line 4	6	145,458.

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

Part XIII Undistributed Income (see instructions)

	(a) Corpus	(b) Years prior to 2008	(c) 2008	(d) 2009
1 Distributable amount for 2009 from Part XI, line 7				0.
2 Undistributed income, if any, as of the end of 2009				
a Enter amount for 2008 only			0.	
b Total for prior years		0.		
3 Excess distributions carryover, if any, to 2009:				
a From 2004				
b From 2005				
c From 2006				
d From 2007				
e From 2008				
f Total of lines 3a through e	0.			
4 Qualifying distributions for 2009 from Part XII, line 4 ▶ \$ N/A				
a Applied to 2008, but not more than line 2a			0.	
b Applied to undistributed income of prior years (Election required - see instructions)		0.		
c Treated as distributions out of corpus (Election required - see instructions)	0.			
d Applied to 2009 distributable amount				0.
e Remaining amount distributed out of corpus	0.			
5 Excess distributions carryover applied to 2009 (If an amount appears in column (d), the same amount must be shown in column (a).)	0.			0.
6 Enter the net total of each column as indicated below:	0.			
a Corpus Add lines 3f, 4c, and 4e Subtract line 5	0.			
b Prior years' undistributed income Subtract line 4b from line 2b		0.		
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed		0.		
d Subtract line 6c from line 6b Taxable amount - see instructions		0.		
e Undistributed income for 2008 Subtract line 4a from line 2a Taxable amount - see instr			0.	
f Undistributed income for 2009 Subtract lines 4d and 5 from line 1 This amount must be distributed in 2010				0.
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3)	0.			
8 Excess distributions carryover from 2004 not applied on line 5 or line 7	0.			
9 Excess distributions carryover to 2010. Subtract lines 7 and 8 from line 6a	0.			
10 Analysis of line 9				
a Excess from 2005				
b Excess from 2006				
c Excess from 2007				
d Excess from 2008				
e Excess from 2009				

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

1 a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2009, enter the date of the ruling ▶

b Check box to indicate whether the foundation is a private operating foundation described in section

☒ 4942(j)(3) or ☐ 4942(j)(5)

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

Tax year (a) 2009	Prior 3 years			(e) Total
	(b) 2008	(c) 2007	(d) 2006	
86,503.	98,144.	111,556.	99,506.	395,709.
73,528.	83,422.	94,823.	84,580.	336,353.
145,701.	158,885.	162,820.	156,737.	624,143.
0.	0.	0.	0.	0.
145,701.	158,885.	162,820.	156,737.	624,143.
				0.
				0.
57,669.	65,429.	74,371.	66,337.	263,806.
				0.
				0.
				0.
				0.

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 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 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

PEARCE EDUCATIONAL FOUNDATION, % FROST NATIONAL BANK, JANET BERTOLINO, ADMINISTRATOR, 2201 MARKET STREET, SUITE 1010, GALVESTON, TX 77550

b The form in which applications should be submitted and information and materials they should include

SEE ATTACHED INFORMATION SHEET & APPLICATION FORM.

c Any submission deadlines

APPLICATIONS ACCEPTED JANUARY THROUGH MARCH EACH YEAR.

d Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors

AWARDS HAVE BEEN LIMITED TO WORTHY YOUNG PEOPLE OF GALVESTON TO OBTAIN COLLEGE &/OR PROFESSIONAL EDUCATION.

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

Form 990-PF (2009)

FORM 990-PF INTEREST ON SAVINGS AND TEMPORARY CASH INVESTMENTS STATEMENT 1

SOURCE	AMOUNT
AIM SHORT TERM TREASURY PORTFOLIO	418.
FROST KEMPNER TREAS & INC FD INSTL	2,358.
INTERNAL REVENUE SERVICE	13.
TOTAL TO FORM 990-PF, PART I, LINE 3, COLUMN A	2,789.

FORM 990-PF DIVIDENDS AND INTEREST FROM SECURITIES STATEMENT 2

SOURCE	GROSS AMOUNT	CAPITAL GAINS DIVIDENDS	COLUMN (A) AMOUNT
FROST CORE GROWTH EQUITY FD	931.	0.	931.
FROST KEMPNER MULTICAP DEEP VALLEY EQ FD	16,560.	0.	16,560.
FROST KEMPNER TREAS & INC FD INSTL	11,109.	10,487.	622.
T ROWE PRICE MID-CAP GROWTH FD	57.	0.	57.
TOTAL TO FM 990-PF, PART I, LN 4	28,657.	10,487.	18,170.

FORM 990-PF OTHER INCOME STATEMENT 3

DESCRIPTION	(A) REVENUE PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME
ROYALTY INCOME	145.	145.	145.
TOTAL TO FORM 990-PF, PART I, LINE 11	145.	145.	145.

FORM 990-PF	ACCOUNTING FEES			STATEMENT	4
DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES	
HEAD, MAXWELL & MCKENNA, P.C. 2008 FORM 990-PF PREP FEE	2,750.	1,375.	1,375.	1,375.	
TO FORM 990-PF, PG 1, LN 16B	2,750.	1,375.	1,375.	1,375.	

FORM 990-PF	TAXES			STATEMENT	5
DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES	
PRODUCTION TAXES ON ROYALTY INCOME	7.	7.	7.	7.	
F. I. T.	847.	0.	0.	0.	
TO FORM 990-PF, PG 1, LN 18	854.	7.	7.	7.	

FORM 990-PF	OTHER EXPENSES			STATEMENT	6
DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES	
MISC. ROYALTY EXPENSES	59.	59.	59.	59.	
TO FORM 990-PF, PG 1, LN 23	59.	59.	59.	59.	

FORM 990-PF

CORPORATE STOCK

STATEMENT 7

DESCRIPTION	BOOK VALUE	FAIR MARKET VALUE
100,609.895 SH FROST KEMPNER MULTI-CAP DEEP VALLEY EQ FD	827,720.	791,800.
44,474.263 SH FROST KEMPNER TREASURY AND INCOME FD	403,847.	455,861.
31,982.594 SH FROST CORE GROWTH FD	318,916.	269,613.
2187.118 SH T ROWE PRICE MID-CAP GWTH FD	89,468.	103,866.
TOTAL TO FORM 990-PF, PART II, LINE 10B	1,639,951.	1,621,140.

JACK AND KATHERINE PEARCE FOUNDATION

c/o Frost National Bank
P O Box 8210, Galveston, TX 77553-8210
(409) 770-5665

**INTEREST FREE
STUDENT LOAN APPLICATION**

Applicant Data

Full Name (Last, First, Middle): _____ Birth Date: _____
Billing Address: _____ Citizenship: _____
City: _____ State: _____ Zip Code: _____
Social Security No.: _____ Telephone No.: _____
Permanent Address: _____ Years There: _____
City: _____ State: _____ Zip Code: _____
Marital Status: _____ Spouses Name: _____

Educational Data

Name of Galveston, Texas high school attended: _____
Location of high school: _____ Date of high school graduation: _____
College you plan to attend: _____
College classification for the upcoming fall/spring school term (Fr, Soph, Jr, Sr): _____
Major: _____ Anticipated Graduation Date (Month/Year): _____
Degree to be attained: _____ Career Plans: _____

List any previous colleges or universities attended and any degrees you have received:

Loan Data

The maximum loan amount is \$5,000.00 per year with required minimum repayments of \$50.00 per month.

Fall 2010 \$ _____ Spring 2011 \$ _____ **Total Amount requested \$** _____

Monthly Repayment Amount \$ _____ Estimated expenses for the fall/spring school term \$ _____

Have you ever defaulted on a student loan, or any other loan? _____

Co-signer Information

We require two co-signers to guarantee each loan. There are no exceptions to this policy. Please refer to the rules and guidelines for complete co-signer requirements.

FATHER	(1)	MOTHER
Full Name: _____		_____
Home Address: _____		_____
City, State, Zip: _____		_____
Occupation: _____		_____
Employer: _____		_____
Social Security No.: _____		_____
Date of Birth: _____		_____

Will your parent or guardian co-sign on this loan? _____

Required Additional Co-Signer: _____ (2)

Full Name: _____
Home Address: _____
City: _____ State: _____ Zip Code: _____
Occupation: _____ Employer: _____
Social Security No.: _____ Date of Birth: _____

References

Include a letter from both references with your application.

Personal Reference - Name: _____
Address, City, State, Zip: _____
Faculty Reference - Name: _____
Address, City, State, Zip: _____

Financial Data**Projected Annual Expenses**

Tuition and Fees \$ _____
Books and Supplies \$ _____
Housing \$ _____

Living Costs (child care,
food, clothing) \$ _____
Travel \$ _____

Personal and Recreational \$ _____
(incl. credit card debts)
Car costs \$ _____
(payment, insurance, maintenance)
Other Misc. Debts. \$ _____

Projected Annual Income

Savings \$ _____
Employment \$ _____
Aid from relatives \$ _____

Scholarships
(detail below) \$ _____
Loans \$ _____
(detail below)
Veteran's Benefits \$ _____

Other \$ _____

Summary

Total Annual Expenses \$ _____
Total Annual Income \$ _____
Balance Needed \$ _____

Scholarship/Loan Detail

List all organizations to which you have applied or intend to apply for scholarships, grants, and loans for this academic year and indicate the disposition of each application.

<u>Name of Organization</u>	<u>Amount</u>	<u>Awarded</u>	<u>Denied</u>	<u>Pending</u>
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Briefly explain the conditions that make it necessary for you to borrow funds to attend college: _____

Essay Attach a one-page essay outlining accomplishments and extra curricular activities.

Loan Conditions

I have received a copy of the foundation guidelines for my records and after reading these guidelines, I agree to abide by the policies set out in the guidelines

I understand that loan approval is not automatic and will be based on academic requirements, financial data and available funding. Loan approval is made for one year at a time and any subsequent application and note renewal or extension may be subject to any loan policy change or modification as instituted by the Foundation. Students must apply and qualify each year based on overall grade point earned through the fall semester. This includes freshman applicants who may only have one semester as their overall grade point average.

Minimum payment of \$50.00 per month is required with documentation of full-time enrollment. Current policy outlines a six-month grace period after graduation or discontinuance of full-time enrollment with payment increasing to a seventy-two month payment plan or minimum of \$50.00 per month, whichever is greater. Students are required to notify our office if they are no longer enrolled full-time.

Loans are reported to the credit bureau for borrower and co-signers. Co-signers will receive past due notices if the borrower fails to maintain the account in a current status. Borrowers are required to keep our records updated with current addresses and information for borrower and co-signers.

I certify that I am not an officer, director or employee of Frost National Bank or member of their immediate families and that all information given for the purpose of obtaining this loan is true, complete, valid, genuine, and correct to the best of my knowledge. I understand that you will retain this application, whether or not it is approved. You are authorized to check my credit history and to answer questions about your credit experience with me.

(Date)

(Signature of Applicant)

FORM 990-PF, PART XV**LINE 3 (a), Loans Made During the Year****GRANTS AND CONTRIBUTIONS PAID DURING THE YEAR ENDING DECEMBER 31, 2009**

<u>NAME</u>	<u>ADDRESS CITY, STATE & ZIP</u>	<u>AMOUNT</u>
Aoughsten, Rachel	2120 73rd St. Galveston, Tx 77551	\$ 5,000.00
Bohn, Frank Hawkins	2212 Sydnor Ln Galveston, Tx 77554	5,000.00
Campos, Melissa B.	6424 Heard's Ln. Galveston, Tx 77551	2,500.00
Clark, Jessica Kate	3019 Beluche Dr. Galveston, Tx 77551	2,500.00
Empey, Molly Loren	11221 Bernice Dr. Galveston, Tx 77554	5,000.00
Finegan, Samantha E.	9 Lakeview Dr. Galveston, Tx 77551	5,000.00
Ford, Elizabeth Maria	7217 Youpon Galveston, Tx 77551	5,000.00
Freeman, Warnessa D.	1410 Avenue K Galveston, Tx 77550	2,500.00
Furlong, Jayne Allyn	17 Cedar Lawn N Galveston, Tx 77551	5,000.00
Kessler, Jenny Ann	513 22nd St. Apt. 2 Galveston, Tx 77550	5,000.00
Kislingbury, Joseph	1408 Market St. Galveston, Tx 77550	5,000.00
Lee, Elizabeth Lenora	P.O. Box 3753 Galveston, Tx 77552	5,000.00
Lenihan, Patricia Christine	8 Cedar Lawn Dr. Galveston, Tx 77551	5,000.00
Macicek, Victoria	302 Willowood Dr. League City, Tx 77573	5,000.00
Mencacci, Lee Anthony	1512 Driftwood Lane Galveston, Tx 77551	5,000.00

FORM 990-PF, PART XV**LINE 3 (a), Loans Made During the Year****GRANTS AND CONTRIBUTIONS PAID DURING THE YEAR ENDING DECEMBER 31, 2009**

<u>NAME</u>	<u>ADDRESS CITY, STATE & ZIP</u>	<u>AMOUNT</u>
Mullins, Collin Russell	1018 Cozy Cove Galveston, Tx 77554	5,000.00
Murphy, Mary Elizabeth	307 Tuna Street Galveston, Tx 77550	5,000.00
Panico, Emma Caroline	46 Cedar Lawn Cr Galveston, Tx 77551	5,000.00
Panico, Stephen Daniel	46 Cedar Lawn Cr Galveston, Tx 77551	5,000.00
Polzin, Hailey	2850 Dominique Dr. Galveston, Tx 77551	5,000.00
Rogers, Cassie	1628 Biovu Galveston, Tx 77551	5,000.00
Sales, Jeffrey William	6 Gulf Lane Galveston, Tx 77550	5,000.00
Sanchez, Brandyn R.	3411 Dominique Galveston, Tx 77551	5,000.00
Sckittone, Amy Leigh	7002 Youpon Galveston, Tx 77551	5,000.00
Seale, Samantha Shay	9 Lakeview Dr. Galveston, Tx 77551	5,000.00
Stanton, Kelly	12 Adler Circle Galveston, Tx 77551	5,000.00
Webber, Sally Faith	7757 Beaudelaire Cr Galveston, Tx 77551	5,000.00
Zajack, Ryan Scott	7165 Spanish Grant Galveston, Tx 77554	5,000.00
		<u>132,500.00</u>