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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

2012

Open to Public Inspection

For calendar year 2012, or tax year beginning 01-01-2012 , and ending 12-31-2012

Name of foundation
SCHARBAUER FOUNDATION INC

A Employer identification number
26-2527362

Number and street (or P O box number if mail is not delivered to street address) Room/suite
300 N MARIENFELD 850

B Telephone number (see instructions)
(432) 683-2222

City or town, state, and ZIP code
MIDLAND, TX 797014387

C If exemption application is pending, check here ☐

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

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)* ▶$ 122,917,413

J Accounting method ☑ Cash ☐ Accrual ☐ Other (specify)
(Part I, column (d) must be on cash basis.)

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

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

			(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
Revenue	1	Contributions, gifts, grants, etc , received (attach schedule)	27,457,297			
	2	Check ▶ ☐ if the foundation is **not** required to attach Sch B				
	3	Interest on savings and temporary cash investments	347,809	347,809		
	4	Dividends and interest from securities	564,392	564,392		
	5a	Gross rents				
	b	Net rental income or (loss)				
	6a	Net gain or (loss) from sale of assets not on line 10	384,043			
	b	Gross sales price for all assets on line 6a 2,687,431				
	7	Capital gain net income (from Part IV, line 2)		384,043		
	8	Net short-term capital gain				
	9	Income modifications				
	10a	Gross sales less returns and allowances				
	b	Less Cost of goods sold				
	c	Gross profit or (loss) (attach schedule)				
	11	Other income (attach schedule)	9,191,641	9,205,086		
	12	**Total.** Add lines 1 through 11	37,945,182	10,501,330		
Operating and Administrative Expenses	13	Compensation of officers, directors, trustees, etc	231,000	173,250		57,750
	14	Other employee salaries and wages	88,707	66,530		22,177
	15	Pension plans, employee benefits	19,956	14,967		0
	16a	Legal fees (attach schedule)	2,888	2,888		0
	b	Accounting fees (attach schedule)	23,500	17,625		5,875
	c	Other professional fees (attach schedule)	2,500	2,500		0
	17	Interest				
	18	Taxes (attach schedule) (see instructions)	286,213	281,973		0
	19	Depreciation (attach schedule) and depletion	4,695	3,521		
	20	Occupancy	43,939	32,954		0
	21	Travel, conferences, and meetings	14,022	10,517		0
	22	Printing and publications	2,467	0		0
	23	Other expenses (attach schedule)	222,770	167,077		0
	24	**Total operating and administrative expenses.** Add lines 13 through 23	942,657	773,802		85,802
	25	Contributions, gifts, grants paid	2,204,000			2,204,000
	26	**Total expenses and disbursements.** Add lines 24 and 25	3,146,657	773,802		2,289,802
	27	Subtract line 26 from line 12				
	a	**Excess of revenue over expenses and disbursements**	34,798,525			
	b	**Net investment income** (if negative, enter -0-)		9,727,528		
	c	**Adjusted net income** (if negative, enter -0-)				

Part II Balance Sheets

Attached schedules and amounts in the description column should be for end-of-year amounts only (See instructions)

			Beginning of year	End of year	
			(a) Book Value	(b) Book Value	(c) Fair Market Value
Assets	1	Cash—non-interest-bearing	10,972,218	6,673,826	6,673,826
	2	Savings and temporary cash investments	817,647	240,844	240,844
	3	Accounts receivable ▶			
		Less allowance for doubtful accounts ▶			
	4	Pledges receivable ▶			
		Less allowance for doubtful accounts ▶			
	5	Grants receivable			
	6	Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see page 15 of the instructions)			
	7	Other notes and loans receivable (attach schedule) ▶			
		Less allowance for doubtful accounts ▶			
	8	Inventories for sale or use			
	9	Prepaid expenses and deferred charges			
	10a	Investments—U S and state government obligations (attach schedule)	2,513,166	2,494,395	2,789,903
	b	Investments—corporate stock (attach schedule)	12,416,366	32,754,120	36,634,467
	c	Investments—corporate bonds (attach schedule)	5,352,521	13,483,381	15,080,743
	11	Investments—land, buildings, and equipment basis ▶			
		Less accumulated depreciation (attach schedule) ▶			
	12	Investments—mortgage loans			
	13	Investments—other (attach schedule)	534,253	3,661,013	4,094,729
	14	Land, buildings, and equipment basis ▶ 77,168			
		Less accumulated depreciation (attach schedule) ▶ 70,084	4,849	7,084	57,876
	15	Other assets (describe ▶)	7,712,445	15,594,021	57,345,025
	16	**Total assets** (to be completed by all filers—see the instructions Also, see page 1, item I)	40,323,465	74,908,684	122,917,413
Liabilities	17	Accounts payable and accrued expenses			
	18	Grants payable			
	19	Deferred revenue			
	20	Loans from officers, directors, trustees, and other disqualified persons			
	21	Mortgages and other notes payable (attach schedule)			
	22	Other liabilities (describe ▶)			
	23	**Total liabilities** (add lines 17 through 22)	0	0	
Net Assets or Fund Balances		**Foundations that follow SFAS 117, check here** ▶ ☐ **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	20,691,435	48,225,859	
	28	Paid-in or capital surplus, or land, bldg , and equipment fund	0	0	
	29	Retained earnings, accumulated income, endowment, or other funds	19,632,030	26,682,825	
	30	**Total net assets or fund balances** (see page 17 of the instructions)	40,323,465	74,908,684	
	31	**Total liabilities and net assets/fund balances** (see page 17 of the instructions)	40,323,465	74,908,684	

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	40,323,465
2	Enter amount from Part I, line 27a	2	34,798,525
3	Other increases not included in line 2 (itemize) ▶	3	0
4	Add lines 1, 2, and 3	4	75,121,990
5	Decreases not included in line 2 (itemize) ▶	5	213,306
6	Total net assets or fund balances at end of year (line 4 minus line 5)—Part II, column (b), line 30	6	74,908,684

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	See Additional Data Table			
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	See Additional Data Table			
b				
c				
d				
e				

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69				(l) 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	
a	See Additional Data Table			
b				
c				
d				
e				

2	Capital gain net income or (net capital loss) { If gain, also enter in Part I, line 7 / If (loss), enter -0- in Part I, line 7 }	2	384,043
3	Net short-term capital gain or (loss) as defined in sections 1222(5) and (6) If gain, also enter in Part I, line 8, column (c) (see instructions) If (loss), enter -0- in Part I, line 8	3	

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

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

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

Was the foundation liable for the section 4942 tax on the distributable amount of any year in the base period? ☐ Yes ☑ No
If "Yes," the foundation does not qualify under section 4940(e) Do not complete this part

1 Enter the appropriate amount in each column for each year, see page 18 of the instructions before making any entries

(a) Base period years Calendar year (or tax year beginning in)	(b) Adjusted qualifying distributions	(c) Net value of noncharitable-use assets	(d) Distribution ratio (col (b) divided by col (c))
2011	1,317,086	43,717,842	0 030127
2010	0	588,056	0 000000
2009			
2008			
2007			

2	**Total** of line 1, column (d).	2	0 030127
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	0 015064
4	Enter the net value of noncharitable-use assets for 2012 from Part X, line 5.	4	107,990,573
5	Multiply line 4 by line 3.	5	1,626,770
6	Enter 1% of net investment income (1% of Part I, line 27b).	6	97,275
7	Add lines 5 and 6.	7	1,724,045
8	Enter qualifying distributions from Part XII, line 4.	8	2,289,802

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

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

1a	Exempt operating foundations described in section 4940(d)(2), check here ▶ ☐ and enter "N/A" on line 1 Date of ruling or determination letter ____________ **(attach copy of letter if necessary–see instructions)**				
b	Domestic foundations that meet the section 4940(e) requirements in Part V, check here ▶ ☑ and enter 1% of Part I, line 27b			1	97,275
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	97,275
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	97,275
6	Credits/Payments				
a	2012 estimated tax payments and 2011 overpayment credited to 2012	6a	271,921		
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	271,921
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	174,646
11	Enter the amount of line 10 to be **Credited to 2013 estimated tax** ▶	97,280	**Refunded** ▶	11	77,366

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?	1a		No
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)?	1b		No
	*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.*			
c	Did the foundation file **Form 1120-POL** for this year?	1c		No
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.*	2		No
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*	3	Yes	
4a	Did the foundation have unrelated business gross income of $1,000 or more during the year?	4a		No
b	If "Yes," has it filed a tax return on **Form 990-T** for this year?	4b		
5	Was there a liquidation, termination, dissolution, or substantial contraction during the year? *If "Yes," attach the statement required by General Instruction T.*	5		No
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?	6		No
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*	7	Yes	
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*	8b	Yes	
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 2012 or the taxable year beginning in 2012 (see instructions for Part XIV)? *If "Yes," complete Part XIV*	9		No
10	Did any persons become substantial contributors during the tax year? *If "Yes," attach a schedule listing their names and addresses*	10	Yes	

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	Yes	
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)	12		No
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application?	13	Yes	

Website address ▶WWW SCHARBAUERFOUNDATION ORG

14 The books are in care of ▶CYNTHIA Y BENSON CPA Telephone no ▶(432) 683-2222

Located at ▶300 N MARIENFELD SUITE 850 MIDLAND TX ZIP+4 ▶797014387

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 2012, 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?	16		No

See instructions for exceptions and filing requirements for Form TD F 90-22 1 If "Yes", enter the name of the foreign country ▶

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)?	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 2012?	1c		No
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 2012, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2012? ☐ **Yes** ☑ **No**			
	If "Yes," list the years ▶ 20____ , 20____ , 20____ , 20____			
b	Are there any years listed in 2a for which the foundation is **not** applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to **all** years listed, answer "No" and attach statement—see instructions)	2b		
c	If the provisions of section 4942(a)(2) are being applied to **any** of the years listed in 2a, list the years here ▶ 20____ , 20____ , 20____ , 20____			
3a	Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year? ☐ **Yes** ☑ **No**			
b	If "Yes," did it have excess business holdings in 2012 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 2012.)*	3b		
4a	Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?	4a		No
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 2012?	4b		No

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)? **5b**

Organizations relying on a current notice regarding disaster assistance check here ▶ ☐

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

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

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

b Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract? **6b** **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? **7b**

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors

1 List all officers, directors, trustees, foundation managers and their compensation (see instructions).

(a) Name and address	**(b)** Title, and average hours per week devoted to position	**(c)** Compensation **(If not paid, enter -0-)**	**(d)** Contributions to employee benefit plans and deferred compensation	**(e)** Expense account, other allowances
See Additional Data Table				

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
CYNTHIA Y BENSON 300 N MARIENFELD STE 850 MIDLAND,TX 79701	CONTROLLER 40 00	88,707	0	0

Total number of other employees paid over $50,000 ▶ 0

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

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

(a) Name and address of each person paid more than $50,000	**(b)** Type of service	**(c)** Compensation
NONE		
Total number of others receiving over $50,000 for professional services. . . . . ▶		0

Part IX-A Summary of Direct Charitable Activities

List the foundation's four largest direct charitable activities during the tax year Include relevant statistical information such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc	Expenses
1	
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	
2	
All other program-related investments See page 24 of the instructions 3	
Total. Add lines 1 through 3. . . . . ▶	0

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	46,508,405
b	Average of monthly cash balances	1b	6,891,452
c	Fair market value of all other assets (see instructions)	1c	56,235,242
d	**Total** (add lines 1a, b, and c)	1d	109,635,099
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	109,635,099
4	Cash deemed held for charitable activities Enter 1 1/2% of line 3 (for greater amount, see instructions)	4	1,644,526
5	**Net value of noncharitable-use assets.** Subtract line 4 from line 3 Enter here and on Part V, line 4	5	107,990,573
6	**Minimum investment return.** Enter 5% of line 5	6	5,399,529

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	5,399,529
2a	Tax on investment income for 2012 from Part VI, line 5 — 2a: 97,275		
b	Income tax for 2012 (This does not include the tax from Part VI) — 2b:		
c	Add lines 2a and 2b	2c	97,275
3	Distributable amount before adjustments Subtract line 2c from line 1	3	5,302,254
4	Recoveries of amounts treated as qualifying distributions	4	0
5	Add lines 3 and 4	5	5,302,254
6	Deduction from distributable amount (see instructions)	6	0
7	**Distributable amount** as adjusted Subtract line 6 from line 5 Enter here and on Part XIII, line 1	7	5,302,254

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	2,289,802
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	2,289,802
5	Foundations that qualify under section 4940(e) for the reduced rate of tax on net investment income Enter 1% of Part I, line 27b (see instructions)	5	97,275
6	**Adjusted qualifying distributions.** Subtract line 5 from line 4	6	2,192,527

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 2011	(c) 2011	(d) 2012
1 Distributable amount for 2012 from Part XI, line 7				5,302,254
2 Undistributed income, if any, as of the end of 2012				
a Enter amount for 2011 only.			2,099,113	
b Total for prior years 20___, 20___, 20___		0		
3 Excess distributions carryover, if any, to 2012				
a From 2007.				
b From 2008.				
c From 2009.				
d From 2010.				
e From 2011.				
f Total of lines 3a through e.	0			
4 Qualifying distributions for 2012 from Part XII, line 4 ▶ $ 2,289,802				
a Applied to 2011, but not more than line 2a			2,099,113	
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 2012 distributable amount.				190,689
e Remaining amount distributed out of corpus	0			
5 Excess distributions carryover applied to 2012 *(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:				
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 2011 Subtract line 4a from line 2a Taxable amount—see instructions			0	
f Undistributed income for 2012 Subtract lines 4d and 5 from line 1 This amount must be distributed in 2013				5,111,565
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see instructions)	0			
8 Excess distributions carryover from 2007 not applied on line 5 or line 7 (see instructions) . . .	0			
9 Excess distributions carryover to 2013. Subtract lines 7 and 8 from line 6a	0			
10 Analysis of line 9				
a Excess from 2008. . . .				
b Excess from 2009. . . .				
c Excess from 2010. . . .				
d Excess from 2011. . . .				
e Excess from 2012. . . .				

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

1a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2012, enter the date of the ruling. . . . . . . ▶

b Check box to indicate whether the organization is a private operating foundation described in section ☐ 4942(j)(3) or ☐ 4942(j)(5)

	Tax year	Prior 3 years			(e) Total
	(a) 2012	**(b)** 2011	**(c)** 2010	**(d)** 2009	
2a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed					
b 85% of line 2a					
c Qualifying distributions from Part XII, line 4 for each year listed					
d Amounts included in line 2c not used directly for active conduct of exempt activities					
e Qualifying distributions made directly for active conduct of exempt activities Subtract line 2d from line 2c					
3 Complete 3a, b, or c for the alternative test relied upon **a** "Assets" alternative test—enter **(1)** Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b "Endowment" alternative test— enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed					
c "Support" alternative test—enter **(1)** Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii)					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income					

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

1 Information Regarding Foundation Managers:

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

CLARENCE SCHARBAUER JR

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

CLARENCE SCHARBAUER JR

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 or e-mail of the person to whom applications should be addressed

SCHARBAUER FOUNDATION INC
300 N MARIENFELD ST STE 850
MIDLAND, TX 797014387
(432) 683-2222

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

APPLICATIONS AND INSTRUCTIONS ARE ON THE WEBSITE - WWW SCHARBAUERFOUNDATION ORG A PRE-APPLICATION FORM IS AVAILABLE FOR SUBMISSION TO THE FOUNDATION BY THE DEADLINES LISTED IF THE ORGANIZATION IS INTERESTED IT WILL REQUEST A GRANT APPLICATION TO BE SUBMITTED THIS GRANT APPLICATION IS ALSO ON THE WEBSITE

c Any submission deadlines

FEBRUARY 28TH AND SEPTEMBER 4TH OF EACH YEAR

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

GENERALLY LIMITED TO TEXAS

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
a *Paid during the year* See Additional Data Table				
Total . . . . ▶ **3a**				2,204,000
b *Approved for future payment*				
Total . . . . ▶ **3b**				0

Part XVI-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated	Unrelated business income		Excluded by section 512, 513, or 514		(e) Related or exempt function income (See instructions)
	(a) Business code	(b) Amount	(c) Exclusion code	(d) Amount	
1 Program service revenue					
a					
b					
c					
d					
e					
f					
g Fees and contracts from government agencies					
2 Membership dues and assessments. . . .					
3 Interest on savings and temporary cash investments			14	347,809	
4 Dividends and interest from securities. . . .			14	564,392	
5 Net rental income or (loss) from real estate					
a Debt-financed property.					
b Not debt-financed property.					
6 Net rental income or (loss) from personal property					
7 Other investment income.			15	9,191,641	
8 Gain or (loss) from sales of assets other than inventory			18	384,043	
9 Net income or (loss) from special events					
10 Gross profit or (loss) from sales of inventory. .					
11 Other revenue a					
b					
c					
d					
e					
12 Subtotal Add columns (b), (d), and (e). .		0		10,487,885	0

13 Total. Add line 12, columns (b), (d), and (e). **13** 10,487,885

(See worksheet in line 13 instructions to verify calculations)

Part XVI-B Relationship of Activities to the Accomplishment of Exempt Purposes

Line No. ▼	Explain below how each activity for which income is reported in column (e) of Part XVI-A contributed importantly to the accomplishment of the foundation's exempt purposes (other than by providing funds for such purposes) (See instructions)

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

		Yes	No
1 Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?			
a Transfers from the reporting foundation to a noncharitable exempt organization of			
(1) Cash	1a(1)		No
(2) Other assets	1a(2)		No
b Other transactions			
(1) Sales of assets to a noncharitable exempt organization	1b(1)		No
(2) Purchases of assets from a noncharitable exempt organization	1b(2)		No
(3) Rental of facilities, equipment, or other assets	1b(3)		No
(4) Reimbursement arrangements	1b(4)		No
(5) Loans or loan guarantees	1b(5)		No
(6) Performance of services or membership or fundraising solicitations	1b(6)		No
c Sharing of facilities, equipment, mailing lists, other assets, or paid employees	1c		No

d If the answer to any of the above is "Yes," complete the following schedule Column **(b)** should always show the fair market value of the goods, other assets, or services given by the reporting foundation If the foundation received less than fair market value in any transaction or sharing arrangement, show in column **(d)** the value of the goods, other assets, or services received

(a) Line No	(b) Amount involved	(c) Name of noncharitable exempt organization	(d) Description of transfers, transactions, and sharing arrangements

2a Is the foundation directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? ☐ Yes ☑ No

b If "Yes," complete the following schedule

(a) Name of organization	(b) Type of organization	(c) Description of relationship

Sign Here

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

****** | 2013-11-13 | ******

Signature of officer or trustee | Date | Title

May the IRS discuss this return with the preparer shown below (see instr)? ☑ Yes ☐ No

Paid Preparer Use Only

Print/Type preparer's name	Preparer's Signature	Date	Check if self-employed ☐	PTIN
WAYNE L MURRELL CPA	WAYNE L MURRELL CPA			P00276881

Firm's name ▶ WEAVER AND TIDWELL LLP | Firm's EIN ▶ 75-0786316

Firm's address ▶ 400 W ILLINOIS SUITE 1550 MIDLAND, TX 79701 | Phone no (432) 683-5226

Form 990PF Part IV - Capital Gains and Losses for Tax on Investment Income - Columns a - d

(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)
UBS #03850	P		
UBS #3861	P		
UBS #3862	P		
UBS #3863	P		
UBS #3864	P		
UBS #3865	P		
UBS #3866	P		
UBS #3867	P		
UBS #3869	P		
UBS #4196	P		
UBS SALES EXP	P		
GOLDMAN SACHS #6285	P		
GOLDMAN SACHS #6401	P		
GOLDMAN SACHS #6401	P		
GOLDMAN SACHS #7821	P		
GOLDMAN SACHS #7821	P		
GOLDMAN SACHS #6286	P		
GOLDMAN SACHS #6286	P		
GOLDMAN SACHS #6282	P		
GOLDMAN SACHS #6282	P		
GOLDMAN SACHS #6287	P		
GOLDMAN SACHS #6287	P		
GOLDMAN SACHS #6283	P		
GOLDMAN SACHS #6283	P		
GOLDMAN SACHS #6284	P		
GOLDMAN SACHS #6284	P		
LTCG - MLP'S	P		
STCG - SOUTH CURTIS RANCH LP K-1	P		
LTCG - SOUTH CURTIS RANCH LP K-1	P		
MAGELLAN MIDSTREAM PARTNERS LP (78 UNITS)	P		

Form 990PF Part IV - Capital Gains and Losses for Tax on Investment Income - Columns a - d

(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)
SUNOCO LOGISTICS PARTNERS, LP	P		
TARGA RESOURCES PARTNERS, LP	P		
CAPITAL GAINS DIVIDENDS	P		

Form 990PF Part IV - Capital Gains and Losses for Tax on Investment Income - Columns e - h

(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)
19,050		16,620	2,430
496,857		498,019	-1,162
98,406		95,609	2,797
90,631		90,199	432
266,436		256,725	9,711
46,632		50,432	-3,800
299,918		287,839	12,079
55,495		53,457	2,038
198,945		181,496	17,449
634,072		663,926	-29,854
		1,608	-1,608
16,836			16,836
2,864			2,864
50,648			50,648
		1,121	-1,121
6,304			6,304
6,238			6,238
35,169			35,169
23			23
		827	-827
		513	-513
		56,290	-56,290
62,623			62,623
48,310			48,310
		562	-562
73,102			73,102
175			175
23,009			23,009
83,128			83,128
3,536		4,743	-1,207

Form 990PF Part IV - Capital Gains and Losses for Tax on Investment Income - Columns e - h

(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)
12,028		21,498	-9,470
20,695		21,904	-1,209
36,301			36,301

Form 990PF Part IV - Capital Gains and Losses for Tax on Investment Income - Columns i - l

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			**(l)** 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	
			2,430
			-1,162
			2,797
			432
			9,711
			-3,800
			12,079
			2,038
			17,449
			-29,854
			-1,608
			16,836
			2,864
			50,648
			-1,121
			6,304
			6,238
			35,169
			23
			-827
			-513
			-56,290
			62,623
			48,310
			-562
			73,102
			175
			23,009
			83,128
			-1,207

Form 990PF Part IV - Capital Gains and Losses for Tax on Investment Income - Columns i - l

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			**(l)** 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	
			-9,470
			-1,209
			36,301

Form 990PF Part VIII Line 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
CLARENCE SCHARBAUER JR PO BOX 1471 MIDLAND,TX 797021471	PRESIDENT 0 00	0	0	0
CLARENCE SCHARBAUER III 1811 HERITAGE BLVD 100 MIDLAND,TX 79707	VICE PRESIDENT 0 00	0	0	0
JAMES M ALSUP 300 N MARIENFELD 700 MIDLAND,TX 79701	VICE PRESIDENT 0 00	0	0	0
ALLEN MCGUIRE PO BOX 2111 MIDLAND,TX 797022111	TREA/ASST SEC 0 00	0	0	0
GRANT BILLINGSLEY 901 PINE CT MIDLAND,TX 79705	EXEC VP/SEC 40 00	231,000	19,950	0

Form 990PF Part XV Line 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
a *Paid during the year*				
MIDLAND HABITAT FOR HUMANITY 904 W FLORIDA AVE MIDLAND, TX 79701	NONE	PUBLIC	HOMES FOR DISADVANTAGE	150,000
SPRINGBOARD CENTER 112 S LORAINE ST MIDLAND, TX 79701	NONE	PUBLIC	COUNSELING FOR ADDICTION	300,000
UNITED WAY OF MIDLAND 1209 W WALL ST MIDLAND, TX 79701	NONE	PUBLIC	COMMUNITY EDUCATION	50,000
BOYS AND GIRLS CLUB 1321 S GOODE ST MIDLAND, TX 79701	NONE	PUBLIC	CHILD ADVOCACY	100,000
CASA OF WEST TEXAS 1611 W TEXAS AVENUE MIDLAND, TX 79701	NONE	PUBLIC	CHILD ADVOCACY	25,000
COM AQUATICS 3003 NORTH A STREET MIDLAND, TX 79705	NONE	PUBLIC	NEW 50 METER POOL	100,000
CONFERNECE OF SOUTHWEST FOUNDATIONS INC 624 N GOOD LATIMER EXPY STE 100 DALLAS, TX 75204	NONE	PUBLIC	MEMBERSHIP DUES TREATED AS A GRANT	1,500
MIDLAND CHILDREN'S REHABILITATION CENTER 802 VENTURA MIDLAND, TX 79705	NONE	PUBLIC	REHABILITATION SERVICES	100,000
SHARE PO BOX 10991 MIDLAND, TX 79702	NONE	PUBLIC	CARING FOR FAMILIES THAT HAVE CHILDREN WITH SPECIAL NEEDS	7,500
BUCKNER CHILDREN AND FAMILY SERVICES 425 W PECAN MIDLAND, TX 79705	NONE	PUBLIC	FAMILY ADVOCACY	125,000
CASA DE AMIGOS 1101 E GARDEN LANE MIDLAND, TX 79701	NONE	PUBLIC	ELECTRONIC SIGN FOR THE FACILITY	25,000
MIDLAND COLLEGE - EARLY COLLEGE HIGH SCHOOL 3600 N GARFIELD ST MIDLAND, TX 79705	NONE	PUBLIC	EDUCATION	50,000
MIDLAND COLLEGE - LEGACY SCHOLARSHIP 3600 N GARFIELD ST MIDLAND, TX 79705	NONE	PUBLIC	EDUCATION	80,000
MIDLAND SHARED SPACES INITIATIVE PO BOX 430 MIDLAND, TX 79702	NONE	PUBLIC	PURCHASE & RENOVATIONS OF FACILITY TO HOUSE NONPROFIT ORGANIZATIONS	1,000,000
MISSION CENTER ADULT DAYCARE 4500 W ILLINOIS AVE STE 112 MIDLAND, TX 79703	NONE	PUBLIC	ADULT DAY CARE SERVICES	80,000

Form 990PF Part XV Line 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
a *Paid during the year*				
SAMARITAN COUNSELING CENTER 10008 PILOT AVENUE MIDLAND, TX 79706	NONE	PUBLIC	COUNSELING SERVICES	10,000
Total . . . . ▶ **3a**				2,204,000

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Schedule B
(Form 990, 990-EZ, or 990-PF)
Department of the Treasury
Internal Revenue Service

Schedule of Contributors

▶ **Attach to Form 990, 990-EZ, or 990-PF.**

OMB No 1545-0047

2012

Name of the organization	**Employer identification number**
SCHARBAUER FOUNDATION INC	26-2527362

Organization type (check one)

Filers of:	**Section:**
Form 990 or 990-EZ	☐ 501(c)( ) (enter number) organization
	☐ 4947(a)(1) nonexempt charitable trust **not** treated as a private foundation
	☐ 527 political organization
Form 990-PF	☑ 501(c)(3) exempt private foundation
	☐ 4947(a)(1) nonexempt charitable trust treated as a private foundation
	☐ 501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule.**
Note. Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule See instructions

General Rule

☑ For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, $5,000 or more (in money or property) from any one contributor Complete Parts I and II

Special Rules

☐ For a section 501(c)(3) organization filing Form 990 or 990-EZ that met the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi) and received from any one contributor, during the year, a contribution of the greater of **(1)** $5,000 or **(2)** 2% of the amount on (i) Form 990, Part VIII, line 1h, or (ii) Form 990-EZ, line 1 Complete Parts I and II

☐ For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than $1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals Complete Parts I, II, and III

☐ For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions for use *exclusively* for religious, charitable, etc , purposes, but these contributions did not total to more than $1,000 If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc , purpose Do not complete any of the parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc , contributions of $5,000 or more during the year . . . . ▶ $ ____________

Caution. An organization that is not covered by the General Rule and/or the Special Rules does not file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2 of its Form 990, or check the box on line H of its Form 990-EZ or on Part I, line 2 of its Form 990-PF, to certify that it does not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF)

Name of organization
SCHARBAUER FOUNDATION INC

Employer identification number
26-2527362

Part I Contributors (see instructions) Use duplicate copies of Part I if additional space is needed

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1	CLARENCE SCHARBAUER JR PO BOX 1471 MIDLAND, TX 797021471	$ 27,457,297	Person ☑ Payroll ☐ Noncash ☑ (Complete Part II if there is a noncash contribution)
		$	Person ☐ Payroll ☐ Noncash ☐ (Complete Part II if there is a noncash contribution)
		$	Person ☐ Payroll ☐ Noncash ☐ (Complete Part II if there is a noncash contribution)
		$	Person ☐ Payroll ☐ Noncash ☐ (Complete Part II if there is a noncash contribution)
		$	Person ☐ Payroll ☐ Noncash ☐ (Complete Part II if there is a noncash contribution)
		$	Person ☐ Payroll ☐ Noncash ☐ (Complete Part II if there is a noncash contribution)

Name of organization	Employer identification number
SCHARBAUER FOUNDATION INC	26-2527362

Part II **Noncash Property** (see instructions) Use duplicate copies of Part II if additional space is needed

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
1	10% INTEREST IN SCHARBAUER MINERALS, LP AND 10% INTEREST IN SOUTH CURTIS RANCH, LP	$ 7,457,297	2012-01-01

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	

Name of organization
SCHARBAUER FOUNDATION INC

Employer identification number
26-2527362

Part III *Exclusively* **religious, charitable, etc., individual contributions to section 501(c)(7), (8), or (10) organizations that total more than $1,000 for the year.** Complete columns **(a)** through **(e) and** the following line entry
For organizations completing Part III, enter the total of *exclusively* religious, charitable, etc , contributions of **$1,000 or less** for the year (Enter this information once See instructions) ▶ $
Use duplicate copies of Part III if additional space is needed

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP 4	Relationship of transferor to transferee

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Form **4562**

Department of the Treasury
Internal Revenue Service (99)

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No 1545-0172

2012

Attachment Sequence No **179**

Name(s) shown on return	Business or activity to which this form relates	Identifying number
SCHARBAUER FOUNDATION INC	FORM 990-PF PAGE 1	26-2527362

Part I **Election To Expense Certain Property Under Section 179**
Note: *If you have any listed property, complete Part V before you complete Part I.*

1	Maximum amount (see instructions)	1	500,000
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,000,000
4	Reduction in limitation Subtract line 3 from line 2 If zero or less, enter -0-	4	
5	Dollar limitation for tax year Subtract line 4 from line 1 If zero or less, enter -0- If married filing separately, see instructions	5	

6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
6			

7	Listed property Enter the amount from line 29	7	
8	Total elected cost of section 179 property Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2011 Form 4562	10	
11	Business income limitation Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	
12	Section 179 expense deduction Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2013 Add lines 9 and 10, less line 12 ▶	13	

Note: *Do not use Part II or Part III below for listed property. Instead, use Part V.*

Part II **Special Depreciation Allowance and Other Depreciation (Do not** include listed property **)** (See instructions)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	2,669
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

Part III **MACRS Depreciation (Do not** include listed property.**)** (See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2012	17	1,646
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ ☐		

Section B—Assets Placed in Service During 2012 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property		See Add'l Data				
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27 5 yrs	MM	S/L	
			27 5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2012 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV **Summary** (see instructions)

21	Listed property Enter amount from line 28	21	
22	**Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21 Enter here and on the appropriate lines of your return Partnerships and S corporations—see instructions	22	4,695
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V **Listed Property** (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: *For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.*

Section A—Depreciation and Other Information (Caution: *See the instructions for limits for passenger automobiles.***)**

24a Do you have evidence to support the business/investment use claimed? **Yes** **No** | **24b** If "Yes," is the evidence written? **Yes** **No**

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation/ deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)						**25**		
26 Property used more than 50% in a qualified business use								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use								
		%				S/L -		
		%				S/L -		
		%				S/L -		

28 Add amounts in column (h), lines 25 through 27 Enter here and on line 21, page 1 **28**

29 Add amounts in column (i), line 26 Enter here and on line 7, page 1 . . . . **29**

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person

If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (**do not** include commuting miles) . .												
31 Total commuting miles driven during the year .												
32 Total other personal(noncommuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use? .												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions)

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners . . .		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles		

Part VI **Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2012 tax year (see instructions)					

43 Amortization of costs that began before your 2012 tax year **43**

44 Total. Add amounts in column (f) See the instructions for where to report **44**

Additional Data

Software ID:
Software Version:
EIN: 26-2527362
Name: SCHARBAUER FOUNDATION INC

Form 4562, Part III, Line 19, Section B—Assets Placed in Service During 2011 Tax Year Using the General Depreciation System:

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g)Depreciation deduction
c 7-year property		37	7 0	HY	200 DB	5
c 7-year property		22	7 0	HY	200 DB	3
c 7-year property		32	7 0	HY	200 DB	5
c 7-year property		139	7 0	HY	200 DB	20
c 7-year property		539	7 0	HY	200 DB	77
c 7-year property		136	7 0	HY	200 DB	19
c 7-year property		372	7 0	HY	200 DB	53
c 7-year property		951	7 0	HY	200 DB	136
c 7-year property		244	7 0	HY	200 DB	35
c 7-year property		191	7 0	HY	200 DB	27

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TY 2012 Accounting Fees Schedule

Name: SCHARBAUER FOUNDATION INC

EIN: 26-2527362

Category	Amount	Net Investment Income	Adjusted Net Income	Disbursements for Charitable Purposes
ACCOUNTING	23,500	17,625		5,875

Note: To capture the full content of this document, please select landscape mode (11" x 8.5") when printing.

TY 2012 Depreciation Schedule

Name: SCHARBAUER FOUNDATION INC

EIN: 26-2527362

Description of Property	Date Acquired	Cost or Other Basis	Prior Years' Depreciation	Computation Method	Rate / Life (# of years)	Current Year's Depreciation Expense	Net Investment Income	Adjusted Net Income	Cost of Goods Sold Not Included
FURNITURE AND FIXTURES	2011-06-30	568	25	200DB	7 000000000000	139	0		
MACHINERY AND EQUIPMENT	2011-06-30	4,710	404	200DB	5 000000000000	1,507	0		
COMPUTER MONITORS	2011-06-27	1,180		200DB	5 000000000000	0	0		
COMPUTER TABLE	2011-06-27	95		200DB	7 000000000000	0	0		
COMPUTERS	2011-06-27	1,620		200DB	5 000000000000	0	0		
WRITING TABLE	2011-06-27	150		200DB	7 000000000000	0	0		
HP LASER PRINTER	2011-08-22	395		200DB	5 000000000000	0	0		
HP LASER PRINTER	2011-08-22	1,515		200DB	5 000000000000	0	0		
OFFICE PRINT/PICTURE	2011-09-13	129		200DB	7 000000000000	0	0		
OFFICE PRINT/PICTURE	2011-09-13	141		200DB	7 000000000000	0	0		
SCHARBAUER PORTRAIT	2011-11-18	460			0 %	0	0		
BOOKCASES	2011-12-12	2,947		200DB	7 000000000000	0	0		
OFFICE CHAIRS	2011-12-12	3,228		200DB	7 000000000000	0	0		
CHEST	2011-12-12	1,480		200DB	7 000000000000	0	0		
COFFEE TABLE	2011-12-12	493		200DB	7 000000000000	0	0		
END TABLE	2011-12-12	391		200DB	7 000000000000	0	0		
LATERAL FILE CABINET	2011-12-12	1,350		200DB	7 000000000000	0	0		
SIDE TABLE	2011-12-12	295		200DB	7 000000000000	0	0		
SOFA	2011-12-12	5,569		200DB	7 000000000000	0	0		
REFRIGERATOR	2011-12-20	822		200DB	5 000000000000	0	0		
COMPUTER TABLE	2011-12-12	669		200DB	7 000000000000	0	0		
CONFERENCE TABLE	2011-12-12	8,008		200DB	7 000000000000	0	0		
CONFERENCE TABLE CHAIRS (10)	2011-12-11	4,195		200DB	7 000000000000	0	0		
CREDENZA (5)	2011-12-12	11,881		200DB	7 000000000000	0	0		
CORNER TABLE	2011-12-12	337		200DB	7 000000000000	0	0		
EXECUTIVE DESK (4)	2011-12-12	9,961		200DB	7 000000000000	0	0		
SIDE CHAIRS	2011-12-12	4,690		200DB	7 000000000000	0	0		
SOFA	2011-12-12	2,437		200DB	7 000000000000	0	0		
TABLE	2011-12-12	299		200DB	7 000000000000	0	0		
KEURIG COFFEE MAKER	2011-12-23	144		200DB	5 000000000000	0	0		

Description of Property	Date Acquired	Cost or Other Basis	Prior Years' Depreciation	Computation Method	Rate / Life (# of years)	Current Year's Depreciation Expense	Net Investment Income	Adjusted Net Income	Cost of Goods Sold Not Included
MICROWAVE	2011-12-23	79		200DB	5 000000000000	0	0		
GLASSES	2012-01-02	74		200DB	7 000000000000	42	0		
ALYSHEBA PRINT	2012-02-21	45		200DB	7 000000000000	26	0		
BOOKENDS	2012-02-21	65		200DB	7 000000000000	38	0		
FLOOR MAT	2012-02-21	278		200DB	7 000000000000	159	0		
G HARVEY PAINTING	2012-02-21	940			0 %	0	0		
OFFICE LAMPS	2012-02-21	1,079		200DB	7 000000000000	617	0		
PORTRAIT FRAME	2012-02-21	272		200DB	7 000000000000	155	0		
SILK OFFICE PLANTS	2012-02-21	745		200DB	7 000000000000	426	0		
TABLETOP GLASS	2012-02-21	1,902		200DB	7 000000000000	1,087	0		
FLOOR MAT	2012-03-30	489		200DB	7 000000000000	280	0		
FRAMEED JOCKEY SILK	2012-04-04	383		200DB	7 000000000000	219	0		
HISTORIC SCHARBAUER PICTURES	2012-06-01	658			0 %	0	0		

TY 2012 Investments Corporate Bonds Schedule

Name: SCHARBAUER FOUNDATION INC

EIN: 26-2527362

Name of Bond	End of Year Book Value	End of Year Fair Market Value
INVESTMENTS IN CORPORATE BONDS	13,483,381	15,080,743

TY 2012 Investments Corporate Stock Schedule

Name: SCHARBAUER FOUNDATION INC

EIN: 26-2527362

Name of Stock	End of Year Book Value	End of Year Fair Market Value
INVESTMENTS IN CORPORATE STOCK	32,754,120	36,634,467

TY 2012 Investments Government Obligations Schedule

Name:	SCHARBAUER FOUNDATION INC
EIN:	26-2527362
US Government Securities - End of Year Book Value:	2,494,395
US Government Securities - End of Year Fair Market Value:	2,789,903
State & Local Government Securities - End of Year Book Value:	0
State & Local Government Securities - End of Year Fair Market Value:	0

TY 2012 Investments - Other Schedule

Name: SCHARBAUER FOUNDATION INC

EIN: 26-2527362

Category/ Item	Listed at Cost or FMV	Book Value	End of Year Fair Market Value
GS:MASTER LIMITED PARTNERSHIP HOLDINGS	AT COST	3,661,013	4,094,729

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TY 2012 Land, Etc. Schedule

Name: SCHARBAUER FOUNDATION INC

EIN: 26-2527362

Category / Item	Cost / Other Basis	Accumulated Depreciation	Book Value	End of Year Fair Market Value
FURNITURE AND FIXTURES	568	164	404	
MACHINERY AND EQUIPMENT	4,710	1,911	2,799	
COMPUTER MONITORS	1,180	1,180	0	
COMPUTER TABLE	95	95	0	
COMPUTERS	1,620	1,620	0	
WRITING TABLE	150	150	0	
HP LASER PRINTER	395	395	0	
HP LASER PRINTER	1,515	1,515	0	
OFFICE PRINT/PICTURE	129	129	0	
OFFICE PRINT/PICTURE	141	141	0	
SCHARBAUER PORTRAIT	460	460	0	
BOOKCASES	2,947	2,947	0	
OFFICE CHAIRS	3,228	3,228	0	
CHEST	1,480	1,480	0	
COFFEE TABLE	493	493	0	
END TABLE	391	391	0	
LATERAL FILE CABINET	1,350	1,350	0	
SIDE TABLE	295	295	0	
SOFA	5,569	5,569	0	
REFRIGERATOR	822	822	0	
COMPUTER TABLE	669	669	0	
CONFERENCE TABLE	8,008	8,008	0	
CONFERENCE TABLE CHAIRS (10)	4,195	4,195	0	
CREDENZA (5)	11,881	11,881	0	
CORNER TABLE	337	337	0	
EXECUTIVE DESK (4)	9,961	9,961	0	
SIDE CHAIRS	4,690	4,690	0	
SOFA	2,437	2,437	0	
TABLE	299	299	0	
KEURIG COFFEE MAKER	144	144	0	

Category / Item	Cost / Other Basis	Accumulated Depreciation	Book Value	End of Year Fair Market Value
MICROWAVE	79	79	0	
GLASSES	74	42	32	
ALYSHEBA PRINT	45	26	19	
BOOKENDS	65	38	27	
FLOOR MAT	278	159	119	
G. HARVEY PAINTING	940	0	940	
OFFICE LAMPS	1,079	617	462	
PORTRAIT FRAME	272	155	117	
SILK OFFICE PLANTS	745	426	319	
TABLETOP GLASS	1,902	1,087	815	
FLOOR MAT	489	280	209	
FRAMEED JOCKEY SILK	383	219	164	
HISTORIC SCHARBAUER PICTURES	658	0	658	

TY 2012 Legal Fees Schedule

Name: SCHARBAUER FOUNDATION INC

EIN: 26-2527362

Category	Amount	Net Investment Income	Adjusted Net Income	Disbursements for Charitable Purposes
ATTORNEY	2,888	2,888		0

TY 2012 Other Assets Schedule

Name: SCHARBAUER FOUNDATION INC

EIN: 26-2527362

Description	Beginning of Year - Book Value	End of Year - Book Value	End of Year - Fair Market Value
SCHARBAUER MINERALS LP	833,762	1,517,289	42,420,000
SOUTH CURTIS RANCH LP	6,878,683	14,076,732	14,925,025

TY 2012 Other Decreases Schedule

Name: SCHARBAUER FOUNDATION INC

EIN: 26-2527362

Description	Amount
PRIOR PERIOD ADJUSTMENT	213,306

TY 2012 Other Expenses Schedule

Name: SCHARBAUER FOUNDATION INC

EIN: 26-2527362

Description	Revenue and Expenses per Books	Net Investment Income	Adjusted Net Income	Disbursements for Charitable Purposes
BANK/PAYROLL FEES	54	54		0
IT/COMPUTER EXPENSES	2,108	2,108		0
DUES	1,030	1,030		0
INSURANCE	29,749	29,749		0
OFFICE SUPPLIES	4,698	4,698		0
OFFICE EXPENSES	51,392	51,392		0
POSTAGE	117	117		0
REPAIRS	9,864	9,864		0
SUBSCRIPTIONS	4,797	4,797		0
TELEPHONE	3,868	3,868		0
UTILITIES	252	252		0
MISCELLANEOUS	1,266	1,266		0
INVESTMENT EXPENSES	113,575	113,575		0
	0	-55,693		0

TY 2012 Other Income Schedule

Name: SCHARBAUER FOUNDATION INC

EIN: 26-2527362

Description	Revenue And Expenses Per Books	Net Investment Income	Adjusted Net Income
UBS #3863 - OTHER INCOME	225	225	225
SOUTH CURTIS RANCH LP	46,591	191,053	46,591
ACCESS MIDSTREAM PARTNERS	-4,687	0	-4,687
BUCKEYE PARTNERS, LP	-3,403	101	-3,403
EL PASO PIPELINE PARTNERS, L P	-3,054	20	-3,054
ENERGY TRANSFER EQUITY, L P	-7,324	282	-7,324
ENTERPRISE PRODUCTS PARTNERSHIP L	-35,539	11	-35,539
GENESIS ENERGY L P	-834	91	-834
HOLLY ENERGY PARTNERS LP	-8,536	0	-8,536
MAGELLAN MIDSTREAM PARTNERS, LP	-7,096	0	-7,096
MARKWEST ENERGY PARTNERS, LP	-19,358	1,913	-19,358
NUSTAR ENERGY, LP	-5,996	106	-5,996
ONEOK PARTNERS, LP	-16,007	0	-16,007
PLAINS ALL AMERICAN PIPELINE, LP	-8,148	94	-8,148
SUNOCO LOGISTICS PARTNERS, LP	2,844	1,531	2,844
TARGA RESOURCES PARTNERS, LP (FINAL RETURN)	-1,723	0	-1,723
TC PIPELINES LP	-12,550	0	-12,550
WILLIAMS PARTNERS, LP	-7,354	10	-7,354
ORDINARY GAIN - SALE OF MAGELLAN MIDSTREAM PARTNERS LP	375	0	375
ORDINARY GAIN - SALE OF SUNOCO LOGISTICS PARTNERS LP	1,175	0	1,175
ORDINARY GAIN - SALE OF TARGA RESOURCES PARTNERS, LP	2,199	0	2,199
SCHARBAUER MINERALS LP	9,279,841	9,009,649	9,279,841

TY 2012 Other Professional Fees Schedule

Name: SCHARBAUER FOUNDATION INC

EIN: 26-2527362

Category	Amount	Net Investment Income	Adjusted Net Income	Disbursements for Charitable Purposes
CONSULTING	2,500	2,500		0

TY 2012 Substantial Contributors Schedule

Name: SCHARBAUER FOUNDATION INC

EIN: 26-2527362

Name	Address
CLARENCE SCHARBAUER JR	PO BOX 1471 MIDLAND, TX 797021471

TY 2012 Taxes Schedule

Name: SCHARBAUER FOUNDATION INC

EIN: 26-2527362

Category	Amount	Net Investment Income	Adjusted Net Income	Disbursements for Charitable Purposes
EXCISE TAX ESTIMATE FOR CURRENT YEAR	266,009	266,009		0
FOREIGN TAX WITHHELD	3,242	3,242		0
PAYROLL TAXES	16,962	12,722		0

TY 2012
TransfersToControlledEntities

Name: SCHARBAUER FOUNDATION INC

EIN: 26-2527362

Name	US / Foreign Address	EIN	Description	Amount
SCHARBAUER MINERALS LP	PO BOX 1471 MIDLAND, TX 797021471	26-2501957	NO CURRENT YEAR TRANSFERS WITHIN THE MEANING OF IRC SEC 512(B)(13)	0
SOUTH CURTIS RANCH LP	PO BOX 1471 MIDLAND, TX 797021471	27-2510434	NO CURRENT YEAR TRANSFERS WITHIN THE MEANING OF IRC SEC 512(B)(13)	0
Total				

BYLAWS
OF
SCHARBAUER FOUNDATION, INC.

Amended June 11, 2012

ARTICLE 1
Offices

1.1 Principal Office. The principal office of the corporation in the State of Texas shall be located in Midland, Midland County, Texas. The corporation may have such other offices as the Board of Directors may determine or as the affairs of the corporation may require from time to time.

1.2 Registered Office and Registered Agent. The corporation shall have and continuously maintain in the State of Texas a registered office and a registered agent whose office is identical with such registered office, as required by the Texas Non-Profit Corporation Act. The registered office may be, but need not be, identical with the principal office of the corporation in the State of Texas, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE 2
Members

2.1 The corporation shall have no members or shareholders.

ARTICLE 3
Board of Directors

3.1 General Powers. The affairs of the corporation shall be managed by its Board of Directors.

3.2 Number, Tenure and Qualifications. The number of Directors shall be not less than three (3) or more than fifteen (15), with the exact number of Directors and the individuals to serve as Directors to be determined by the Board of Directors from time to time. Each member of the initial Board of Directors shall serve for a three (3) year term. A Director may serve for consecutive terms. The initial Board of Directors is set forth in the Articles of Incorporation of the Corporation.

3.3 Regular Meetings. A regular annual meeting of the Board of Directors shall be held during the first half of the year following the closing of each fiscal year, at a time and place to be determined by the Board, for the purpose of transacting all business as may come before the meeting. The Board of Directors may provide by resolution the time and place for the holding of additional regular meetings of the Board without other notice than such resolution.

3.4 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any three (3) Directors. The person or persons authorized to call special meetings of the Board may fix any place, either within or without the State of Texas, as the place for holding any special meetings of the Board called by them.

3.5 Notice. Notice of any special meeting of the Board of Directors shall be given at least two (2) days previously thereto by written notice delivered personally or sent by mail or electronic mail to each Director at his or her address as shown by the records of the corporation. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed with postage thereon prepaid. If notice be given by electronic mail, such notice shall be deemed to be delivered when the electronic mail is sent to the address shown by the records of the corporation. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these Bylaws.

3.6 Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board; but if less than a majority of the Directors is present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

3.7 Manner of Acting. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or by these Bylaws.

3.8 Vacancies. Any vacancy occurring in the Board of Directors and any directorship to be filled by reason of an increase in the number of Directors, shall be filled by a majority of the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

3.9 Compensation. Directors as such shall not receive any stated salaries for their services, but by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board; but nothing herein contained shall be construed to preclude any Director from serving the corporation in any other capacity and receiving compensation therefor.

3.10 Informal Action by Directors. Any action required by law to be taken at a meeting of Directors, or any action which may be taken at a meeting of Directors, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by a majority of the Directors after all Directors have either been given written notice of the action to be taken or have waived such notice.

ARTICLE 4
Officers

4.1 Officers. The officers of the corporation shall be a President, a Secretary and a Treasurer and such other officers as may be elected in accordance with the provisions of this Article. The Board of Directors may elect or appoint such other officers, including one or more Vice Presidents, Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed, from time to time, by the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Secretary.

4.2 Election and Term of Offices. The officers of the corporation shall be elected annually by the Board of Directors at the regular annual meeting of the Board of Directors. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected and shall have qualified.

4.3 Removal. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officer so removed.

4.4 Vacancies. A vacancy in any office because of death, resignation, disqualification or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

4.5 President. The President shall be the principal executive officer of the corporation and shall in general supervise and control all of the business and affairs of the corporation. He or she shall preside at all meetings of the Board of Directors. He or she may sign, with the Secretary or any other proper officer of the corporation authorized by the Board of Directors, any deeds, mortgages, bonds, contracts or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws or by statute to some other officer or agent of the corporation; and in general, he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

4.6 Vice President. In the absence of the President or in the event of his inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Chairmen in order of their election) shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as from time to time may be assigned to the Vice President by the President or Board of Directors.

4.7 Treasurer. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. He shall have charge and custody of and be responsible for all funds and securities of the corporation; receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article 6 of these Bylaws; and in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the President or by the Board of Directors.

4.8 Secretary. The Secretary shall keep the minutes of the meetings of the Board of Directors in one or more books provided for that purpose; give all notices in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records and, in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be as signed to the Secretary by the President or by the Board of Directors.

ARTICLE 5
Committees

5.1 Committees of Directors. The Board of Directors, by resolution adopted by a majority of the Directors in office, may designate and appoint one or more committees, each of which shall consist of one or more Directors and such other persons as the Board of Directors shall designate, which committees shall not have any authority except to report to the Board of Directors. The Board of Directors may accept or reject any report or recommendation made by a committee. Any members thereof may be removed by the person or persons authorized to appoint such member whenever in their judgment the best interests of the corporation shall be served by such removal.

5.2 Term of Office. Each member of a committee shall continue as such until the next annual meeting of the Board of Directors of the corporation and until his successor is appointed, unless the committee shall be sooner terminated, or unless such member be removed from such committee, or unless such member shall cease to qualify as a member thereof.

5.3 Chairman. One member of each committee shall be appointed chairman by the person or persons authorized to appoint the members thereof.

5.4 Vacancies. Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments.

5.5 Quorum. Unless otherwise provided in the resolution of the Board of Directors designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

5.6 Rules. Each committee may adopt rules for its own government not inconsistent with these Bylaws or with rules adopted by the Board of Directors.

ARTICLE 6
Contracts, Checks, Deposits and Funds

6.1 Contracts. The Board of Directors may authorize any officer or officers, agent or agents of the corporation, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation. Such authority may be general or confined to specific instances.

6.2 **Checks and Drafts.** All checks, drafts or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such determination by the Board of Directors, such instruments shall be signed by the President, Vice President, Secretary or Treasurer.

6.3 **Deposits.** All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board of Directors may select.

6.4 **Gifts.** The Board of Directors may accept on behalf of the corporation any contribution, gift, bequest or devise for the general purposes or for any special purpose of the corporation.

ARTICLE 7
Books and Records

7.1 The corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its Board of Directors and committees having any of the authority of the Board of Directors, and shall keep at the registered or principal office a record giving the names and addresses of the members entitled to vote. All books and records of the corporation may be inspected by any member or his agent or attorney for any proper purpose at any reasonable time.

ARTICLE 8
Fiscal Year

8.1 The fiscal year of the corporation shall be the calendar year.

ARTICLE 9
Seal

9.1 The corporation shall not have a corporate seal.

ARTICLE 10
Waiver of Notice

10.1 Whenever any notice is required to be given under the provisions of the Texas Non-Profit Corporation Act or under the provisions of the articles of incorporation or the Bylaws of the corporation, a waiver thereof in writing by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE 11
Indemnification

11.1 Each person who acts as a Director or officer of the corporation shall be indemnified by the corporation against any costs, expenses and liabilities which may be imposed upon or reasonably incurred by him in connection with any civil or criminal action, suit or proceeding in which he may be named as a party defendant by reason of his being or having been such Director or officer or by reason of any action alleged to have been taken or omitted by him in either such capacity and any person who, at the request of the corporation, acts as a Director or officer of any of its subsidiary or affiliate corporations shall likewise be indemnified by the corporation against any such costs, expenses and liabilities; provided that, in any case, the right of indemnification herein provided for shall not extend to any costs, expenses or liabilities imposed upon or incurred by any Director or officer of the corporation or of any subsidiary or affiliate corporation in relation to matters as to which he shall be finally adjudged to be liable for negligence or misconduct in the performance of his duties as such Director or officer or to any sum paid by him to the corporation or to such subsidiary or affiliate corporation, as the case may be, in settlement of any action, suit or proceeding based on his alleged dereliction of duty. The right of indemnification herein provided for shall inure to each of the Directors and officers of the corporation and to such of the Directors and officers of any subsidiary or affiliate corporation as shall act in such capacity at the request of the corporation, whether or not the respective Director or officer is acting as such at the time such costs, expenses or liabilities are imposed or incurred and whether or not the claim asserted against him is based on matters which antedate the adoption of this Section of these Bylaws, and in the event of his death shall extend to his legal representatives; but such rights shall not be exclusive of any other rights to which he may be entitled.

ARTICLE 12
Amendments to Bylaws

12.1 These Bylaws may be altered, amended or repealed and new bylaws may be adopted by a majority of the Directors present at any regular meeting or at any special meeting, if at least two (2) days' written notice is given of an intention to alter, amend or repeal these Bylaws or to adopt new bylaws at such meeting.

The undersigned Secretary of the Corporation, Grant A. Billingsley, hereby states that the foregoing Bylaws were amended by unanimous vote of the Directors of the Corporation, effective as of June 11, 2012.

G. A. Bi—

Grant A. Billingsley, Secretary

Bylaws amended June 11 2012 sfi