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Form **990-PF**

Return of Private Foundation

or Section 4947(a)(1) Trust Treated as Private Foundation

OMB No 1545-0052

2016Department of the Treasury
Internal Revenue Service

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▶ Information about Form 990-PF and its separate instructions is at www.irs.gov/form990pf.

Open to Public Inspection

For calendar year 2016 or tax year beginning , and ending

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) FROST BANK, 2201 MARKET, 10TH FLOOR	Room/suite	B Telephone number (see instructions) 409-770-5665
City or town, state or province, country, and ZIP or foreign postal code GALVESTON TX 77550		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) ▶ \$ 2,585,407	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) (see instructions))		(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
1	Contributions, gifts, grants, etc., received (attach schedule)				
2	Check ☒ if the foundation is not required to attach Sch B				
3	Interest on savings and temporary cash investments	1,256	1,256	1,256	
4	Dividends and interest from securities	28,039	28,039	28,039	
5a	Gross rents				
b	Net rental income or (loss)				
6a	Net gain or (loss) from sale of assets not on line 10	178,904			
b	Gross sales price for all assets on line 6a 1,048,850				
7	Capital gain net income (from Part IV, line 2)		178,904		
8	Net short-term capital gain			0	
9	Income modifications SEE STMT 1			154,370	
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) STMT 2	65	65	65	
12	Total. Add lines 1 through 11	208,264	208,264	183,730	
13	Compensation of officers, directors, trustees, etc	37,957	15,914	15,914	22,042
14	Other employee salaries and wages				
15	Pension plans, employee benefits				
16a	Legal fees (attach schedule)				
b	Accounting fees (attach schedule) STMT 3	2,750	1,375	1,375	1,375
c	Other professional fees (attach schedule)				
17	Interest				
18	Taxes (attach schedule) (see instructions) STMT 4	2,997	3	3	3
19	Depreciation (attach schedule) and depletion				
20	Occupancy				
21	Travel, conferences, and meetings				
22	Printing and publications				
23	Other expenses (att sch)				
24	Total operating and administrative expenses. Add lines 13 through 23	43,704	17,292	17,292	23,420
25	Contributions, gifts, grants paid	137,500			137,500
26	Total expenses and disbursements. Add lines 24 and 25	181,204	17,292	17,292	160,920
27	Subtract line 26 from line 12:				
a	Excess of revenue over expenses and disbursements	27,060			
b	Net investment income (if negative, enter -0-)		190,972		
c	Adjusted net income (if negative, enter -0-)			166,438	

For Paperwork Reduction Act Notice, see instructions.

Form 990-PF (2016)

DAA

Part II Balance Sheets		Beginning of year	End of year	
			(a) Book Value	(b) Book Value
Assets	1 Cash – non-interest-bearing			
	2 Savings and temporary cash investments	549,782	717,207	717,207
	3 Accounts receivable ▶ Less: allowance for doubtful accounts ▶			
	4 Pledges receivable ▶ Less: allowance for doubtful accounts ▶			
	5 Grants receivable			
	6 Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see instructions)			
	7 Other notes and loans receivable (att. schedule) ▶ Less: allowance for doubtful accounts ▶	0		
	8 Inventories for sale or use			
	9 Prepaid expenses and deferred charges	3,240	3,000	3,000
	10a Investments – U S and state government obligations (attach schedule)			
	b Investments – corporate stock (attach schedule)			
	c Investments – corporate bonds (attach schedule)			
	11 Investments – land, buildings, and equipment basis ▶ Less: accumulated depreciation (attach sch.) ▶			
	12 Investments – mortgage loans			
	13 Investments – other (attach schedule) SEE STATEMENT 5	1,639,950	1,296,971	1,507,693
	14 Land, buildings, and equipment basis ▶ Less: accumulated depreciation (attach sch.) ▶			
Liabilities	15 Other assets (describe ▶ SEE STATEMENT 6)	2	357,226	357,507
	16 Total assets (to be completed by all filers – see the instructions. Also, see page 1, item I)	2,192,974	2,374,404	2,585,407
	17 Accounts payable and accrued expenses			
	18 Grants payable			
	19 Deferred revenue			
	20 Loans from officers, directors, trustees, and other disqualified persons			
Net Assets or Fund Balances	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			
	28 Paid-in or capital surplus, or land, bldg, and equipment fund			
	29 Retained earnings, accumulated income, endowment, or other funds	2,192,974	2,374,404	
	30 Total net assets or fund balances (see instructions)	2,192,974	2,374,404	
Net Assets or Fund Balances	31 Total liabilities and net assets/fund balances (see instructions)	2,192,974	2,374,404	

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	2,192,974
2 Enter amount from Part I, line 27a	2	27,060
3 Other increases not included in line 2 (itemize) ▶ SEE STATEMENT 7	3	154,370
4 Add lines 1, 2, and 3	4	2,374,404
5 Decreases not included in line 2 (itemize) ▶	5	
6 Total net assets or fund balances at end of year (line 4 minus line 5) – Part II, column (b), line 30	6	2,374,404

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 WORKSHEET				
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				
b				
c				
d				
e				
Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69				
(i) FMV as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col. (j), if any	(l) Gains (Col. (h) gain minus col. (k), but not less than -0-) or Losses (from col. (h))	
a				
b				
c				
d				
e				
2 Capital gain net income or (net capital loss) If gain, also enter in Part I, line 7 If (loss), enter -0- in Part I, line 7			2	178,904
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 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))
2015	140,470	2,520,475	0.055732
2014	186,610	2,506,132	0.074461
2013	190,349	2,297,693	0.082844
2012	204,318	2,105,402	0.097045
2011	214,540	2,087,536	0.102772
2 Total of line 1, column (d)			2 0.412854
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 0.082571
4 Enter the net value of noncharitable-use assets for 2016 from Part X, line 5			4 2,661,996
5 Multiply line 4 by line 3			5 219,804
6 Enter 1% of net investment income (1% of Part I, line 27b)			6 1,910
7 Add lines 5 and 6			7 221,714
8 Enter qualifying distributions from Part XII, line 4 If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate. See the Part VI instructions.			8 160,920

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	3,819
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	3,819
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	3,819
6	Credits/Payments		
a	2016 estimated tax payments and 2015 overpayment credited to 2016	6a	3,000
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	3,000
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	819
10	Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid	10	
11	Enter the amount of line 10 to be Credited to 2017 estimated tax ☐ Refunded ☐	11	

Part VII-A Statements Regarding Activities

	Yes	No
1a During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?		X
b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see Instructions for the definition)? <i>If the answer is "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities</i>		X
c Did the foundation file Form 1120-POL for this year?		X
d Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year: (1) On the foundation ☐ \$ _____ (2) On foundation managers ☐ \$ _____		
e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers ☐ \$ _____		
2 Has the foundation engaged in any activities that have not previously been reported to the IRS? <i>If "Yes," attach a detailed description of the activities</i>		X
3 Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? <i>If "Yes," attach a conformed copy of the changes</i>		X
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? <i>If "Yes," attach the statement required by General Instruction T</i>		X
6 Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either: • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	X	
7 Did the foundation have at least \$5,000 in assets at any time during the year? <i>If "Yes," complete Part II, col (c), and Part XV</i>	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? <i>If "No," attach explanation</i>	X	
9 Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2016 or the taxable year beginning in 2016 (see instructions for Part XIV)? <i>If "Yes," complete Part XIV</i>	X	
10 Did any persons become substantial contributors during the tax year? <i>If "Yes," attach a schedule listing their names and addresses</i>		X

Part VII-A Statements Regarding Activities (continued)

	Yes	No
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 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	X
13 Did the foundation comply with the public inspection requirements for its annual returns and exemption application? Website address ► N/A	13	X
14 The books are in care of ► FROST BANK TRUST DEPT. 2201 MARKET STREET, 10TH FLOOR Located at ► GALVESTON TX ZIP+4 ► 77550 Telephone no ► 409-770-5665		
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 2016, did the foundation have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? See the instructions for exceptions and filing requirements for FinCEN Form 114. If "Yes," enter the name of the foreign country ►	16	X

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

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

	Yes	No
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 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 2016?	N/A	1c
2 Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5))		
a At the end of tax year 2016, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2016? If "Yes," list the years ► 20 , 20 , 20 , 20	☐ Yes ☒ No	
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 ► 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 2016 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 2016.)	N/A	3b
4a Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?		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 2016?		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 4945(d)(4)(A)? (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)?	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		
b Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		6b	X
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 (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
FROST BANK 2201 MARKET STREET, 10TH FLOOR TX 77550	TRUSTEE 0.00	37,957	0	0
CHAD DISCH FROST BANK, 2201 MARKET, 10TH FLOOR TX 77550	DIRECTOR 0.00	0	0	0
REVEREND SUSAN KENNARD FROST BANK, 2201 MARKET, 10TH FLOOR TX 77550	DIRECTOR 0.00	0	0	0
MAUREEN MCCUTCHEN FROST BANK, 2201 MARKET, 10TH FLOOR TX 77550	DIRECTOR 0.00	0	0	0

2 Compensation of five highest-paid employees (other than those included on line 1 – see instructions). If none, enter "NONE."

(a) Name and address of each employee paid more than \$50,000	(b) Title, and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
NONE				

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

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors (continued)**3 Five highest-paid independent contractors for professional services (see instructions). If none, enter "NONE."**

(a) Name and address of each person paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		

Total number of others receiving over \$50,000 for professional services

**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.	160,920
2	
3	
4	

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

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2	Amount
1 N/A	
2	
All other program-related investments See instructions	
3	
Total. Add lines 1 through 3	

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	1,993,771
b	Average of monthly cash balances	1b	526,617
c	Fair market value of all other assets (see instructions)	1c	182,146
d	Total (add lines 1a, b, and c)	1d	2,702,534
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	2,702,534
4	Cash deemed held for charitable activities. Enter 1½% of line 3 (for greater amount, see instructions)	4	40,538
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	2,661,996
6	Minimum investment return. Enter 5% of line 5	6	133,100

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 2016 from Part VI, line 5	2a	
b	Income tax for 2016 (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	160,920
b	Program-related investments — total from Part IX-B	1b	
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	2	
3	Amounts set aside for specific charitable projects that satisfy the		
a	Suitability test (prior IRS approval required)	3a	
b	Cash distribution test (attach the required schedule)	3b	
4	Qualifying distributions. Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	4	160,920
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	0
6	Adjusted qualifying distributions. Subtract line 5 from line 4	6	160,920

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 2015	(c) 2015	(d) 2016
1 Distributable amount for 2016 from Part XI, line 7				
2 Undistributed income, if any, as of the end of 2016				
a Enter amount for 2015 only				
b Total for prior years 20____, 20____, 20____				
3 Excess distributions carryover, if any, to 2016:				
a From 2011				
b From 2012				
c From 2013				
d From 2014				
e From 2015				
f Total of lines 3a through e				
4 Qualifying distributions for 2016 from Part XII, line 4 ▶ \$ 160,920				
a Applied to 2015, but not more than line 2a				
b Applied to undistributed income of prior years (Election required – see instructions)				
c Treated as distributions out of corpus (Election required – see instructions)				
d Applied to 2016 distributable amount				
e Remaining amount distributed out of corpus	160,920			
5 Excess distributions carryover applied to 2016 (If an amount appears in column (d), the same amount must be shown in column (a).)				
6 Enter the net total of each column as indicated below:	160,920			
a Corpus Add lines 3f, 4c, and 4e Subtract line 5				
b Prior years' undistributed income Subtract line 4b from line 2b				
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				
d Subtract line 6c from line 6b Taxable amount – see instructions				
e Undistributed income for 2015 Subtract line 4a from line 2a Taxable amount – see instructions				
f Undistributed income for 2016 Subtract lines 4d and 5 from line 1 This amount must be distributed in 2017				
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (Election may be required—see instructions)				
8 Excess distributions carryover from 2011 not applied on line 5 or line 7 (see instructions)				
9 Excess distributions carryover to 2017. Subtract lines 7 and 8 from line 6a				
10 Analysis of line 9.				
a Excess from 2012				
b Excess from 2013				
c Excess from 2014				
d Excess from 2015				
e Excess from 2016				

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 2016, enter the date of the ruling **N/A**

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

	Prior 3 years				(e) Total
	(a) 2016	(b) 2015	(c) 2014	(d) 2013	
2a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed	133,100	126,024	125,307	114,885	499,316
b 85% of line 2a	113,135	107,120	106,511	97,652	424,418
c Qualifying distributions from Part XII, line 4 for each year listed	160,920	140,470	186,610	190,349	678,349
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	160,920	140,470	186,610	190,349	678,349
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	88,733	84,016	83,538	76,590	332,877
c "Support" alternative test – enter:					
(1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii)					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income					

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

1 Information Regarding Foundation Managers:

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

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
N/A

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 address of the person to whom applications should be addressed
PEARCE EDUCATIONAL FOUNDATION 409-770-5665
C/O FROST BANK P.O. BOX 8210 GALVESTON TX 77553-8210

b The form in which applications should be submitted and information and materials they should include
SEE ATTACHED 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:
SEE STATEMENT 8

Part XV Supplementary Information (continued)**3 Grants and Contributions Paid During the Year or Approved for Future Payment**

Recipient	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
Name and address (home or business)				
a Paid during the year STUDENT LOANS (SEE ATTACHED)	NONE	N/A	EDUCATIONAL	137,500
Total			3a	137,500
b Approved for future payment N/A				
Total			3b	

Form 990-PF	Capital Gains and Losses for Tax on Investment Income	2016
For calendar year 2016, or tax year beginning _____, and ending _____		

Name JACK AND KATHERINE PEARCE EDUCATIONAL FOUNDATION	Employer Identification Number 74-6035546
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(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.)
(1) 4960.317 UTS FROST KEMPNER TREAS &	P	09/30/71	10/03/16
(2) 39513.946 UTS FROST KEMPNER TREAS &	P	VARIOUS	12/30/16
(3) 10741.139 UTS FROST KEMPNER MULTICAP	P	09/30/76	09/02/16
(4) 10822.511 UTS FROST KEMPNER MULTICAP	P	09/30/76	10/03/16
(5) 35823.951 UTS FROST KEMPNER MULTICAP	P	09/30/76	12/02/16
(6) FROST KEMPNER MULTI-CAP DEEP			
(7) FROST GROWTH EQUITY FD			
(8) T ROWE PRICE MID-CAP GROWTH F			
(9) FROST TOTAL RETURN BOND FD			
(10) FROST VALUE EQUITY FD			
(11)			
(12)			
(13)			
(14)			
(15)			

(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)
(1) 50,049		44,835	5,214
(2) 357,060		359,012	-1,952
(3) 100,645		87,239	13,406
(4) 99,892		87,900	11,992
(5) 348,925		290,960	57,965
(6) 34,856			34,856
(7) 42,259			42,259
(8) 5,183			5,183
(9) 169			169
(10) 9,812			9,812
(11)			
(12)			
(13)			
(14)			
(15)			

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) FMV as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col. (j), if any	
(1)			5,214
(2)			-1,952
(3)			13,406
(4)			11,992
(5)			57,965
(6)			34,856
(7)			42,259
(8)			5,183
(9)			169
(10)			9,812
(11)			
(12)			
(13)			
(14)			
(15)			

Statement 1 - Form 990-PF, Part I, Line 9 - Income Modifications

Description	Amount
LOAN REPAYMENTS	\$ 154,370
TOTAL	\$ 154,370

Federal Statements

Statement 2 - Form 990-PF, Part I, Line 11 - Other Income

Description	Revenue per Books	Net Investment Income	Adjusted Net Income
ROYALTY INCOME	\$ 65	\$ 65	\$ 65
TOTAL	\$ 65	\$ 65	\$ 65

Statement 3 - Form 990-PF, Part I, Line 16b - Accounting Fees

Description	Total	Net Investment	Adjusted Net	Charitable Purpose
PREPARATION OF FROM 990-PF	\$ 2,750	\$ 1,375	\$ 1,375	\$ 1,375
TOTAL	\$ 2,750	\$ 1,375	\$ 1,375	\$ 1,375

Statement 4 - Form 990-PF, Part I, Line 18 - Taxes

Description	Total	Net Investment	Adjusted Net	Charitable Purpose
PRODUCTION TAXES ON ROYALTY INC	\$ 3	\$ 3	\$ 3	\$ 3
F. I. T.	2,994			
TOTAL	\$ 2,997	\$ 3	\$ 3	\$ 3

Statement 5 - Form 990-PF, Part II, Line 13 - Other Investments

Description	Beginning of Year	End of Year	Basis of Valuation	Fair Market Value
43,222.294 SH FROST KEMPNER MULTI-C	\$ 827,720	\$ 361,588	COST	\$ 430,062
44,474.263 SH FROST KEMPNER TREASURY	403,847		COST	
31,982.594 SH FROST GROWTH FD	318,915	318,915	COST	395,625
2187.118 SH T ROWE PRICE MID-CAP GWT	89,468	89,468	COST	164,843
20,053.274 SH FROST VALUE EQUITY FD	200,000	200,000	COST	194,717
4,868.55 SH FROST LOW DURATION BOND	50,000	50,000	COST	49,659
26,330.799 SH FROST RETURN BOND FD	277,000	277,000	COST	272,787
TOTAL	\$ 1,639,950	\$ 1,296,971		\$ 1,507,693

Federal Statements

Statement 6 - Form 990-PF, Part II, Line 15 - Other Assets

Description	Beginning of Year	End of Year	Fair Market Value
MINERAL INTERESTS	\$ 2	\$ 2	\$ 283
ACCRUED INTEREST RECEIVABLE		164	164
STOCK PROCEEDS RECEIVABLE		357,060	357,060
TOTAL	\$ 2	\$ 357,226	\$ 357,507

Statement 7 - Form 990-PF, Part III, Line 3 - Other Increases

Description	Amount
REPAYMENTS OF PRIOR DISTRIBUTIONS	\$ 154,370
TOTAL	\$ 154,370

Form 990-PF, Part XV, Line 2b - Application Format and Required Contents

Description
SEE ATTACHED APPLICATION FORM

Form 990-PF, Part XV, Line 2c - Submission Deadlines

Description
APPLICATIONS ACCEPTED JANUARY THROUGH MARCH EACH YEAR.

Statement 8 - Form 990-PF, Part XV, Line 2d - Award Restrictions or Limitations

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

FORM 990-PF, PART XV**LINE 3 (a), Loans Made During the Year****GRANTS AND CONTRIBUTIONS PAID DURING THE YEAR ENDING DECEMBER 31, 2016**

<u>NAME</u>	<u>ADDRESS CITY, STATE & ZIP</u>	<u>AMOUNT</u>
Best, Dean Edward	17 Tradewinds Dr. Galveston, TX 77554	\$ 5,000.00
Bytautas, Dominykas Vasaris	3002 69th Street Apt H4 Galveston, TX 77551	5,000 00
Caszatt, Sarah Larue	4249 Pirates Beach Galveston, TX 77554	5,000 00
Caudillo, Bianca Rose	1802 39th Street Galveston, TX 77550	5,000.00
Cerini, Natalie Nicole	15651 Chase Hill Blvd Apt 1507 San Antonio, TX 78256	5,000 00
Cromer, Kaitlin Elizabeth	4508 Avenue O 1/2 Galveston, TX 77551	5,000 00
Dabao, Mark John Decorina	500 Ferry Rd Apt 310 Galveston, TX 77550	5,000 00
Dannenmaier, Katherine Jordan	408B West 33rd Street Austin, TX 78705	5,000 00
Fisher, Kathryn Ann	2520 Sydnor Ln Galveston, TX 77554	5,000 00
Furlong, Jennifer Grace	17 Cedar Lawn N Galveston, TX 77551	5,000.00
Hugger, Joseph Rees	5019 Sherman Blvd Galveston, TX 77551	5,000 00
Jensen, Alyssa Ann	2326 39th St Galveston, TX 77550	5,000.00
Kinard, Michael Taylor	2413 Gerol Dr Galveston, TX 77551	5,000 00
Lu, Eric Kientrung	2123 Victory St Galveston, TX 77551	5,000 00
Millender, Ami Elizabeth	P O Box 1527 Crystal Beach, TX 77650	5,000 00

JACK & KATHERINE PEARCE EDUCATIONAL FOUNDATION**74-6035546****FORM 990-PF, PART XV****LINE 3 (a), Loans Made During the Year****GRANTS AND CONTRIBUTIONS PAID DURING THE YEAR ENDING DECEMBER 31, 2016**

<u>NAME</u>	<u>ADDRESS CITY, STATE & ZIP</u>	<u>AMOUNT</u>
Morales, Drew Austin	2409 Gerol Dr Galveston, TX 77551	5,000 00
Ott, Kyle Robert	4306 Sherman Galveston, TX 77550	5,000 00
Pruitt, Jordan Anthony	18 Maple Ln. Galveston, TX 77551	5,000 00
Rashke, Jordan Shaye	13 Mariner Pass Galveston, TX 77554	5,000 00
Reitmeyer, Christopher F	5001 Crockett Blvd Galveston, TX 77551	5,000 00
Reitmeyer, Mary Catherine Joan	5001 Crockett Blvd. Galveston, TX 77551	5,000.00
Schmitt, Caitlin Nicole	3211 80th Street Galveston, TX 77551	5,000 00
Schwab, Ashley Taylor	7202 Spanish Grant Galveston, TX 77554	5,000 00
Termini, Joseph Anthony III	2908 Beluche Galveston, TX 77551	5,000.00
Thomas, Catherine Alia	7824 Beluche Dr. Galveston, TX 77551	5,000 00
Vandewalli, Ryan Palmer	7205 Youpon Dr Galveston, TX 77551	7,500 00
Viernes, Justin Cruz	5 Back Bay Circle Galveston, TX 77551	5,000.00
		<u>137,500.00</u>