

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

**2006**

Department of the Treasury  
Internal Revenue Service

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

**For calendar year 2006, or tax year beginning** 8/01 , **2006, and ending** 7/31 , 2007

**G** Check all that apply:  Initial return  Final return  Amended return  Address change  Name change

Use the IRS label. Otherwise, print or type. See Specific Instructions.	Potts and Sibley Foundation P O Box 8907 Midland, TX 79708	<b>A</b> Employer identification number 75-6081070 <b>B</b> Telephone number (see instructions) 432-686-7051 <b>C</b> If exemption application is pending, check here. <input type="checkbox"/> <b>D 1</b> Foreign organizations, check here. <input type="checkbox"/> <b>2</b> Foreign organizations meeting the 85% test, check here and attach computation. <input type="checkbox"/> <b>E</b> If private foundation status was terminated under section 507(b)(1)(A), check here. <input type="checkbox"/> <b>F</b> If the foundation is in a 60-month termination under section 507(b)(1)(B), check here. <input type="checkbox"/>
---	--	--

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

**I** Fair market value of all assets at end of year (from Part II, column (c), line 16)  
 ▶ \$ 5,632,610.

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

**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)
--	------------------------------------	---------------------------	-------------------------	---

<b>R E V E N U E</b>	1 Contributions, gifts, grants, etc. received (att sch)				
	2 Ck <input checked="" type="checkbox"/> if the foundn is not req to att Sch B				
	3 Interest on savings and temporary cash investments	153,313.	153,313.	N/A	
	4 Dividends and interest from securities	43,274.	43,274.		
	5a Gross rents				
	b Net rental income or (loss)				
	6a Net gain/(loss) from sale of assets not on line 10	22,146.			
	b Gross sales price for all assets on line 6a	227,349.			
	7 Capital gain net income (from Part IV, line 2)		22,146.		
	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/(loss) (att sch)					
11 Other income (attach schedule)	307,782.	307,782.			
See Statement 1					
12 <b>Total.</b> Add lines 1 through 11	526,515.	526,515.			

<b>A D M I N I S T R A T I V E  O P E R A T I N G  A N D  E X P E N S E S</b>	13 Compensation of officers, directors, trustees, etc.	59,073.	44,305.		14,768.
	14 Other employee salaries and wages				
	15 Pension plans, employee benefits				
	16a Legal fees (attach schedule)				
	b Accounting fees (attach sch) See St. 2	3,500.	3,500.		
	c Other prof fees (attach sch) See St. 3	40,684.	40,684.		
	17 Interest				
	18 Taxes (attach schedule) See Stmt. 4	51,145.	51,145.		
	19 Depreciation (attach schedule) and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings	75.	75.		
	22 Printing and publications				
23 Other expenses (attach schedule) See Statement 5	1,009.	1,009.			
24 <b>Total operating and administrative expenses.</b> Add lines 13 through 23	155,486.	140,718.		14,768.	
25 Contributions, gifts, grants paid Part. XV	275,000.			275,000.	
26 <b>Total expenses and disbursements.</b> Add lines 24 and 25	430,486.	140,718.		289,768.	
27 Subtract line 26 from line 12:					
a <b>Excess of revenue over expenses and disbursements</b>	96,029.				
b <b>Net investment income</b> (if negative, enter -0-)		385,797.			
c <b>Adjusted net income</b> (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	122,280.	99,650.	99,650.
	2 Savings and temporary cash investments	211,958.	163,773.	163,773.
	3 Accounts receivable			
	Less: allowance for doubtful accounts			
	4 Pledges receivable			
	Less: allowance for doubtful accounts			
	5 Grants receivable			
	6 Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see instructions)			
	7 Other notes and loans receivable (attach sch)			
	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)	1,561,188.	1,251,026.	1,244,013.
	b Investments — corporate stock (attach schedule)	1,196,854.	1,243,261.	1,411,970.
	c Investments — corporate bonds (attach schedule)	1,604,511.	2,035,110.	1,988,935.
	11 Investments — land, buildings, and equipment: basis	354,360.		
Less: accumulated depreciation (attach schedule) See Stmt. 6	354,360.	354,360.	720,417.	
12 Investments — mortgage loans				
13 Investments — other (attach schedule)				
14 Land, buildings, and equipment: basis				
Less: accumulated depreciation (attach schedule)				
15 Other assets (describe See Statement 7)	3,852.	3,852.	3,852.	
16 Total assets (to be completed by all filers — see instructions. Also, see page 1, item I)	5,055,003.	5,151,032.	5,632,610.	
LIABILITIES	17 Accounts payable and accrued expenses			
	18 Grants payable			
	19 Deferred revenue			
	20 Loans from officers, directors, trustees, & 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	734,195.	734,195.	
	28 Paid-in or capital surplus, or land, building, and equipment fund			
29 Retained earnings, accumulated income, endowment, or other funds	4,320,808.	4,416,837.		
30 Total net assets or fund balances (see instructions)	5,055,003.	5,151,032.		
31 Total liabilities and net assets/fund balances (see instructions)	5,055,003.	5,151,032.		

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	5,055,003.
2 Enter amount from Part I, line 27a	2	96,029.
3 Other increases not included in line 2 (itemize)	3	
4 Add lines 1, 2, and 3	4	5,151,032.
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	5,151,032.

**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 shares MLC Company)	(b) How acquired P — Purchase D — Donation	(c) Date acquired (month, day, year)	(d) Date sold (month, day, year)
1 a See Statement 8			
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) Gains (Column (h) gain minus column (k), but not less than -0-) or Losses (from column (h))
(i) Fair Market Value as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of column (i) over column (j), if any	
a			
b			
c			
d			
e			

2 Capital gain net income or (net capital loss). <span style="float:right">[ If gain, also enter in Part I, line 7 If (loss), enter -0- in Part I, line 7 ]</span>	2	22,146.
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. <span style="float:right">]</span>	3	17,372.

**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.)

N/A

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

Was the foundation liable for the section 4942 tax on the distributable amount of any year in the base period?  Yes  No

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

1 Enter the appropriate amount in each column for each year; see instructions before making any entries.	(a) Base period years Calendar year (or tax year beginning in)	(b) Adjusted qualifying distributions	(c) Net value of noncharitable-use assets	(d) Distribution ratio (column (b) divided by column (c))
	2005			
	2004			
	2003			
	2002			
	2001			

2 Total of line 1, column (d).	2	
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	
4 Enter the net value of noncharitable-use assets for 2006 from Part X, line 5.	4	
5 Multiply line 4 by line 3.	5	
6 Enter 1% of net investment income (1% of Part I, line 27b).	6	
7 Add lines 5 and 6.	7	
8 Enter qualifying distributions from Part XII, line 4.	8	

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 instructions)**

1 a Exempt operating foundations described in section 4940(d)(2), check here <input type="checkbox"/> and enter 'N/A' on line 1. Date of ruling letter: _____ (attach copy of ruling letter if necessary – see instructions)			
b Domestic foundations that meet the section 4940(e) requirements in Part V, check here. <input type="checkbox"/> and enter 1% of Part I, line 27b.		1	7,716.
c All other domestic foundations enter 2% of line 27b. Exempt foreign organizations enter 4% of Part I, line 12, column (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	7,716.
4 Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-).		4	0.
5 <b>Tax based on investment income.</b> Subtract line 4 from line 3. If zero or less, enter -0-.		5	7,716.
6 Credits/Payments:			
a 2006 estimated tax pmts and 2005 overpayment credited to 2006	6a	12,000.	
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	12,000.	
8 Enter any <b>penalty</b> for underpayment of estimated tax. Check here <input type="checkbox"/> if Form 2220 is attached.	8		
9 <b>Tax due.</b> If the total of lines 5 and 8 is more than line 7, enter <b>amount owed</b> .	9	0.	
10 <b>Overpayment.</b> If line 7 is more than the total of lines 5 and 8, enter the <b>amount overpaid</b> .	10	4,284.	
11 Enter the amount of line 10 to be: <b>Credited to 2007 estimated tax</b> 4,284.   <b>Refunded</b>	11	0.	

**Part VII-A Statements Regarding Activities**

	Yes	No
1 a During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?		X
b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see instructions for definition)?		X
<i>If the answer is 'Yes' to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities.</i>		
c Did the foundation file <b>Form 1120-POL</b> for this year?		X
d Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year: (1) On the foundation. . . . ▶ \$ 0. (2) On foundation managers. . . . ▶ \$ 0.		
e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers. . . . ▶ \$ 0.		
2 Has the foundation engaged in any activities that have not previously been reported to the IRS? <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
4 a 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 <b>Form 990-T</b> for this year?		N/A
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, column (c), and Part XV.</i>	X	
8 a 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 <i>General Instruction G</i> ? <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 2006 or the taxable year beginning in 2006 (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**

11 a	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 a		X
b	If 'Yes', did the foundation have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, an annuities described in the attachment for line 11a?.....	11 b	N/A	
12	Did the foundation acquire a direct or indirect interest in any applicable insurance contract?.....	12		X
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application?..... Website address..... ▶ <u>www.amcquire.com</u>	13	X	
14	The books are in care of ▶ <u>Allen G McGuire</u> Telephone no. ▶ <u>432.686.7051</u> Located at ▶ <u>PO Box 8907, Midland, TX,</u> ZIP + 4 ▶ <u>79708-8907</u>			
15	Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of Form 1041 – Check here..... N/A... ▶ <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the year..... ▶ 15   N/A			

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

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

		Yes	No
1 a	During the year did the foundation (either directly or indirectly):		
(1)	Engage in the sale or exchange, or leasing of property with a disqualified person?..... <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(2)	Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person?..... <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(3)	Furnish goods, services, or facilities to (or accept them from) a disqualified person?..... <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(4)	Pay compensation to, or pay or reimburse the expenses of, a disqualified person?..... <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(5)	Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)?..... <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(6)	Agree to pay money or property to a government official? ( <b>Exception.</b> Check 'No' if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.)..... <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
b	If any answer is 'Yes' to 1a(1)-(6), did <b>any</b> 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)?..... <input type="checkbox"/> Organizations relying on a current notice regarding disaster assistance check here..... ▶ <input type="checkbox"/>	1 b	N/A
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 2006?.....	1 c	X
2	Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5)):		
a	At the end of tax year 2006, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2006?..... <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If 'Yes,' list the years ▶ 20__ , 20__ , 20__ , 20__ .		
b	Are there any years listed in 2a for which the foundation is <b>not</b> 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 <b>all</b> years listed, answer 'No' and attach statement – see instructions.).....	2 b	N/A
c	If the provisions of section 4942(a)(2) are being applied to <b>any</b> of the years listed in 2a, list the years here. ▶ 20__ , 20__ , 20__ , 20__ .		
3 a	Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year?..... <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
b	If 'Yes,' did it have excess business holdings in 2006 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? ( <i>Use Schedule C, Form 4720, to determine if the foundation had excess business holdings in 2006.</i> ).....	3 b	N/A
4 a	Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?.....	4 a	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 2006?.....	4 b	X

BAA

**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 N/A

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

N/A

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

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

**b** Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract?  Yes  No

6b X

If you answered 'Yes' to 6b, also file Form 8870.

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

**b** If yes, did the foundation receive any proceeds or have any net income attributable to the transaction?  Yes  No

7b N/A

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

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

(a) Name and address	(b) Title and average hours per week devoted to position	(c) Compensation (If not paid, enter -0-)	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
See Statement 9		59,073.	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**

BAA

**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		
-----		
-----		
-----		
-----		
<b>Total</b> number of others receiving over \$50,000 for professional services		0

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

List the foundation's four largest direct charitable activities during the tax year. Include relevant statistical information such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc.

	Expenses
1 N/A	
-----	
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	
-----	
<b>Total.</b> Add lines 1 through 3.	0.

BAA

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

<b>1</b> Fair market value of assets not used (or held for use) directly in carrying out charitable, etc, purposes:		
<b>a</b> Average monthly fair market value of securities.....	<b>1 a</b>	4,482,892.
<b>b</b> Average of monthly cash balances.....	<b>1 b</b>	323,206.
<b>c</b> Fair market value of all other assets (see instructions).....	<b>1 c</b>	724,330.
<b>d Total</b> (add lines 1a, b, and c).....	<b>1 d</b>	5,530,428.
<b>e</b> Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation).....	<b>1 e</b>	0.
<b>2</b> Acquisition indebtedness applicable to line 1 assets.....	<b>2</b>	0.
<b>3</b> Subtract line 2 from line 1d.....	<b>3</b>	5,530,428.
<b>4</b> Cash deemed held for charitable activities. Enter 1-1/2% of line 3 (for greater amount, see instructions).....	<b>4</b>	82,956.
<b>5 Net value of noncharitable-use assets.</b> Subtract line 4 from line 3. Enter here and on Part V, line 4.....	<b>5</b>	5,447,472.
<b>6 Minimum investment return.</b> Enter 5% of line 5.....	<b>6</b>	272,374.

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

<b>1</b> Minimum investment return from Part X, line 6.....	<b>1</b>	272,374.
<b>2a</b> Tax on investment income for 2006 from Part VI, line 5.....	<b>2 a</b>	7,716.
<b>b</b> Income tax for 2006. (This does not include the tax from Part VI.).....	<b>2 b</b>	
<b>c</b> Add lines 2a and 2b.....	<b>2 c</b>	7,716.
<b>3</b> Distributable amount before adjustments. Subtract line 2c from line 1.....	<b>3</b>	264,658.
<b>4</b> Recoveries of amounts treated as qualifying distributions.....	<b>4</b>	
<b>5</b> Add lines 3 and 4.....	<b>5</b>	264,658.
<b>6</b> Deduction from distributable amount (see instructions).....	<b>6</b>	
<b>7 Distributable amount</b> as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1.....	<b>7</b>	264,658.

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

<b>1</b> Amounts paid (including administrative expenses) to accomplish charitable, etc, purposes:		
<b>a</b> Expenses, contributions, gifts, etc – total from Part I, column (d), line 26.....	<b>1 a</b>	289,768.
<b>b</b> Program-related investments – total from Part IX-B.....	<b>1 b</b>	
<b>2</b> Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc, purposes.....	<b>2</b>	
<b>3</b> Amounts set aside for specific charitable projects that satisfy the:		
<b>a</b> Suitability test (prior IRS approval required).....	<b>3 a</b>	
<b>b</b> Cash distribution test (attach the required schedule).....	<b>3 b</b>	
<b>4 Qualifying distributions.</b> Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4.....	<b>4</b>	289,768.
<b>5</b> Foundations that qualify under section 4940(e) for the reduced rate of tax on net investment income. Enter 1% of Part I, line 27b (see instructions).....	<b>5</b>	
<b>6 Adjusted qualifying distributions.</b> Subtract line 5 from line 4.....	<b>6</b>	289,768.

**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 2005	(c) 2005	(d) 2006
1 Distributable amount for 2006 from Part XI, line 7.....				264,658.
2 Undistributed income, if any, as of the end of 2005:				
a Enter amount for 2005 only.....			16,434.	
b Total for prior years: 20 ____, 20 ____, 20 ____		0.		
3 Excess distributions carryover, if any, to 2006:				
a From 2001.....				
b From 2002.....				
c From 2003.....				
d From 2004.....				
e From 2005.....				
f Total of lines 3a through e.....	0.			
4 Qualifying distributions for 2006 from Part XII, line 4: ▶ \$ <u>289,768.</u>				
a Applied to 2005, but not more than line 2a....			16,434.	
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 2006 distributable amount.....				264,658.
e Remaining amount distributed out of corpus....	8,676.			
5 Excess distributions carryover applied to 2006..... (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.....	8,676.			
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 2005. Subtract line 4a from line 2a. Taxable amount – see instructions.....			0.	
f Undistributed income for 2006. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2007.....				0.
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(E) or 4942(g)(3) (see instructions).....	0.			
8 Excess distributions carryover from 2001 not applied on line 5 or line 7 (see instructions)....	0.			
9 Excess distributions carryover to 2007. Subtract lines 7 and 8 from line 6a.....	8,676.			
10 Analysis of line 9:				
a Excess from 2002.....				
b Excess from 2003.....				
c Excess from 2004.....				
d Excess from 2005.....				
e Excess from 2006.....	8,676.			

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

<b>1 a</b> If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2006, enter the date of the ruling. . . . .					
<b>b</b> Check box to indicate whether the foundation is a private operating foundation described in section <input type="checkbox"/> 4942(j)(3) or <input type="checkbox"/> 4942(j)(5)					
<b>2 a</b> Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed . . . . .	Tax year	Prior 3 years			(e) Total
	(a) 2006	(b) 2005	(c) 2004	(d) 2003	
<b>b</b> 85% of line 2a. . . . .					
<b>c</b> Qualifying distributions from Part XII, line 4 for each year listed. . . . .					
<b>d</b> Amounts included in line 2c not used directly for active conduct of exempt activities. . . . .					
<b>e</b> Qualifying distributions made directly for active conduct of exempt activities. Subtract line 2d from line 2c. . . . .					
<b>3</b> Complete 3a, b, or c for the alternative test relied upon:					
<b>a</b> 'Assets' alternative test – enter:					
<b>(1)</b> Value of all assets . . . . .					
<b>(2)</b> Value of assets qualifying under section 4942(j)(3)(B)(i). . . . .					
<b>b</b> 'Endowment' alternative test – enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed. . . . .					
<b>c</b> 'Support' alternative test – enter:					
<b>(1)</b> Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties) . . . . .					
<b>(2)</b> Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii) . . . . .					
<b>(3)</b> Largest amount of support from an exempt organization. . . . .					
<b>(4)</b> 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).)  
 None

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

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

**a** The name, address, and telephone number of the person to whom applications should be addressed:  
 See Statement 10

**b** The form in which applications should be submitted and information and materials they should include:  
 See Statement for Line 2a

**c** Any submission deadlines:  
 See Statement for Line 2a

**d** Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors:  
 See Statement for Line 2a

**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 Statement 11				
<b>Total</b> ..... ▶ <b>3a</b>				275,000.
b Approved for future payment				
<b>Total</b> ..... ▶ <b>3b</b>				





Client 1

Potts and Sibley Foundation

75-6081070

9/30/07

01:08PM

**Statement 1**  
**Form 990-PF, Part I, Line 11**  
**Other Income**

Other Investment Income.....		\$	307,782.
	Total	\$	<u>307,782.</u>

**Statement 2**  
**Form 990-PF, Part I, Line 16b**  
**Accounting Fees**

	(a) Expenses per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
.....	\$ 3,500.	\$ 3,500.		
Total	<u>\$ 3,500.</u>	<u>\$ 3,500.</u>		<u>\$ 0.</u>

**Statement 3**  
**Form 990-PF, Part I, Line 16c**  
**Other Professional Fees**

	(a) Expenses per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
Contract Payment.....	\$ 40,684.	\$ 40,684.		
Total	<u>\$ 40,684.</u>	<u>\$ 40,684.</u>		<u>\$ 0.</u>

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

	(a) Expenses per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
2006 990-PF balance.....	\$ 3,596.	\$ 3,596.		
2007 990-PF estimates.....	12,000.	12,000.		
Ad Valorem Taxes Minerals.....	12,376.	12,376.		
Ad Valorem Taxes-Surface.....	166.	166.		
Production Taxes.....	23,007.	23,007.		
Total	<u>\$ 51,145.</u>	<u>\$ 51,145.</u>		<u>\$ 0.</u>

Client 1

Potts and Sibley Foundation

75-6081070

9/30/07

01:08PM

**Statement 5**  
**Form 990-PF, Part I, Line 23**  
**Other Expenses**

	(a) Expenses per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
Office Expenses.....	\$ 1,008.	\$ 1,008.		
rounding.....	1.	1.		
Total	<u>\$ 1,009.</u>	<u>\$ 1,009.</u>		<u>\$ 0.</u>

**Statement 6**  
**Form 990-PF, Part II, Line 11**  
**Investments - Land, Buildings, and Equipment**

Category	Basis	Accum. Deprec.	Book Value	Fair Market Value
Land	\$ 354,360.		\$ 354,360.	\$ 720,417.
Total	<u>\$ 354,360.</u>	<u>\$ 0.</u>	<u>\$ 354,360.</u>	<u>\$ 720,417.</u>

**Statement 7**  
**Form 990-PF, Part II, Line 15**  
**Other Assets**

	Book Value	Fair Market Value
Salt Grass Partnership.....	\$ 3,852.	\$ 3,852.
Total	<u>\$ 3,852.</u>	<u>\$ 3,852.</u>

**Statement 8**  
**Form 990-PF, Part IV, Line 1**  
**Capital Gains and Losses for Tax on Investment Income**

Item	(a) Description	(b) How Acquired	(c) Date Acquired	(d) Date Sold
1	1000 Trinity Industries	Purchased	10/06/2006	10/13/2006
2	1000 Duke Energy	Purchased	8/07/2006	2/06/2007
3	500 Spectra Energy	Purchased	1/02/2007	2/06/2007
4	500 Caterpillar Inc	Purchased	10/23/2006	3/16/2007
5	1000 Ingersoll Rand	Purchased	11/01/2006	3/16/2007
6	1000 Intel Corp	Purchased	3/30/2006	5/18/2007
7	1000 Intel Corp	Purchased	3/30/2006	5/21/2007
8	500 Danaher Corp	Purchased	2/14/2007	7/18/2007

  

Item	(e) Gross Sales	(f) Deprec. Allowed	(g) Cost Basis	(h) Gain (Loss)	(i) FMV 12/31/69	(j) Adj. Bas. 12/31/69	(k) Excess (i) - (j)	(l) Gain (Loss)
1	34,759.		31,960.	2,799.			\$ 2,799.	
2	20,251.		17,398.	2,853.			2,853.	
3	13,395.		12,542.	853.			853.	
4	32,068.		29,765.	2,303.			2,303.	

Client 1

Potts and Sibley Foundation

75-6081070

9/30/07

01:08PM

**Statement 8 (continued)**  
**Form 990-PF, Part IV, Line 1**  
**Capital Gains and Losses for Tax on Investment Income**

Item	(e) Gross Sales	(f) Deprec. Allowed	(g) Cost Basis	(h) Gain (Loss)	(i) FMV 12/31/69	(j) Adj. Bas. 12/31/69	(k) Excess (i) - (j)	(l) Gain (Loss)
5	42,591.		37,439.	5,152.				\$ 5,152.
6	22,210.		19,805.	2,405.				2,405.
7	22,174.		19,805.	2,369.				2,369.
8	39,901.		36,489.	3,412.				3,412.
							Total	\$ <u>22,146.</u>

**Statement 9**  
**Form 990-PF, Part VIII, Line 1**  
**List of Officers, Directors, Trustees, and Key Employees**

Name and Address	Title and Average Hours Per Week Devoted	Compen- sation	Contri- bution to EBP & DC	Expense Account/ Other
Robert W. Bechtel Box 8907 Midland, TX 79701	Dir/Mgr/Co-Trus 20	\$ 42,305.	\$ 0.	\$ 0.
Hiram Sibley #1 Las Auras Alpine, TX 79830-8503	Chairman None	1,000.	0.	0.
Tom Scott 1416 Lanham Midland, TX 79701	Director None	1,000.	0.	0.
Allen G. McGuire PO Box 2111 Midland, TX 79702	Director/Co Tr 5	14,768.	0.	0.
	Total	\$ <u>59,073.</u>	\$ <u>0.</u>	\$ <u>0.</u>

**Statement 10**  
**Form 990-PF, Part XV, Line 2a-d**  
**Application Submission Information**

Name of Grant Program: Potts and Sibley Foundation  
Name:  
Care Of: Robert W Bechtel  
Street Address: PO Box 8907  
City, State, Zip Code: Midland, TX 79708  
Telephone:  
Form and Content: Copies of the Request for Funds Affidavit and General Informaiton for Grants Applicants are attached to this return. Original can be printed by going to [www.amcguire.com](http://www.amcguire.com) and clicking on Foundation Reports (upper right).  
Submission Deadlines:

Client 1

Potts and Sibley Foundation

75-6081070

9/30/07

01:08PM

**Statement 10 (continued)**  
**Form 990-PF, Part XV, Line 2a-d**  
**Application Submission Information**

Restrictions on Awards:

**Statement 11**  
**Form 990-PF, Part XV, Line 3a**  
**Recipient Paid During the Year**

<u>Name and Address</u>	<u>Donee Relationship</u>	<u>Found- ation Status</u>	<u>Purpose of Grant</u>	<u>Amount</u>
Austin Symphony 1101 Red River Austin, TX 78701	None	Public	Public Symphony	\$ 7,000.
Chihuahuan Desert Research In PO Box 905 Fort Davis, TX 79734	None	Public	Nature Conservation & Education	14,500.
First United Methodist Church 1501 West Fifth St Ft Stockton, TX 79735	None	Public	Religious	5,000.
Hospice of Midland, Inc. P O Box 2621 Midland, TX 79702	None	Public	Public Health Care Education & Assistance	5,000.
Midland College 3600 N. Garfield St. Midland, TX 79705	None	Public	Public Eduction	15,000.
Permian Basin Petroleum Museu 1500 Interstate 20 West Midland, TX 79701	None	Public	Public Museum & Education	7,500.
Recording Library of West TX 2012 W. Cuthbert Midland, TX 79701	None	Public	Public Health Care Education & Assistance	23,000.
The Salk Institute P O Box 85800 San Diego, CA 92186	None	Public	Medical Research & Public Assistance	5,000.
The Salvation Army P O Box 594 Midland, TX 79702	None	Public	Assistance to Needy Individuals	21,000.
Southern Methodist University P O Box 750336 Dallas, TX 75275	None	Public	Public Education & Research	7,000.

Client 1

Potts and Sibley Foundation

75-6081070

9/30/07

01:08PM

**Statement 11 (continued)**  
**Form 990-PF, Part XV, Line 3a**  
**Recipient Paid During the Year**

<u>Name and Address</u>	<u>Donee Relationship</u>	<u>Found- ation Status</u>	<u>Purpose of Grant</u>	<u>Amount</u>
Texas Nature Conservancy 711 Navarro St., Ste 410 San Antonio, TX 78205	None	Public	Nature Conservation & Education	\$ 6,000.
Community Children's Clinic P O Box 3328 Midland, TX 79702	None	Public	Public Health Care Education & Assistance	10,000.
Habitat for Humanity PO Box 2555 Midland, TX 79702	None	Public	Shelter for the Needy	6,000.
Big Bend Education Corporatio P.O. Box 256 Terlingua, TX 79852	none	Public	Education of Children	12,000.
Sibley Enviromental Learning 1307 E Wadley Midland, TX 79705	None	Public	Nature & Conservation Education	60,000.
Bynum School P O Box 80175 Midland, TX 79708	None	Public	Education of Children	8,000.
Sul Ross State University P.O. Box C-114 Alpine, TX 79832,	none	Public	Public Education & Research	35,000.
Alpine Public Library 203 N. 7th St. Alpine, TX 79830	None	Public	Education	15,000.
Alpine Middle School 801 Middle School Drive Alpine, TX 79830	None	Public	Education	6,000.
Dallas Symphony Orchestra 2301 Flora Street Dallas, TX 75201	None	Public	Public Symphony	7,000.
Total				\$ <u>275,000.</u>