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Form **990-PF**

Department of the Treasury
Internal Revenue Service (77)

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

2009

For calendar year 2009, or tax year beginning , 2009, and ending , 20

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

Use the IRS label. Otherwise, print or type. See Specific Instructions.

Name of foundation: JAMES R. WATTS TRUST

A Employer identification number: 20-1585269

Number and street (or P O box number if mail is not delivered to street address): P.O. BOX 708

Room/suite:

B Telephone number (see page 10 of the instructions)

City or town, state, and ZIP code: MAYFIELD KY 42066

C If exemption application is pending, check here ▶ ☐

D 1. Foreign organizations, check here ▶ ☐

2. Foreign organizations meeting the 85% test, check here and attach computation ▶ ☐

E If private foundation status was terminated under section 507(b)(1)(A), check here ▶ ☐

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

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

I Fair market value of all assets at end of year (from Part II, col. (c), line 16) ▶ $ 367,425

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 page 11 of the 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)				
	2 Check ▶ ☐ if the foundation is **not** required to attach Sch B				
	3 Interest on savings and temporary cash investments	3,932	3,932	3,932	
	4 Dividends and interest from securities	2,025	2,025	2,025	
	5a Gross rents				
	b Net rental income or (loss) (410)				
	6a Net gain or (loss) from sale of assets not on line 10				
	b Gross sales price for all assets on line 6a				
	7 Capital gain net income (from Part IV, line 2)		0		
	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)	0			
	11 Other income (attach schedule)				
	12 **Total.** Add lines 1 through 11	5,957	5,957	5,957	
Operating and Administrative Expenses	13 Compensation of officers, directors, trustees, etc				
	14 Other employee salaries and wages				
	15 Pension plans, employee benefits				
	16a Legal fees (attach schedule)				
	b Accounting fees (attach schedule)	745	745	745	
	c Other professional fees (attach schedule)				
	17 Interest				
	18 Taxes (attach schedule) (see page 14 of the instructions)	324	324	324	
	19 Depreciation (attach schedule) and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings				
	22 Printing and publications				
	23 Other expenses (attach schedule)	2,435	2,435	2,435	
	24 **Total operating and administrative expenses.** Add lines 13 through 23	3,504	3,504	3,504	0
	25 Contributions, gifts, grants paid	20,321			20,321
	26 **Total expenses and disbursements.** Add lines 24 and 25	23,825	3,504	3,504	20,321
	27 Subtract line 26 from line 12:				
	a **Excess of revenue over expenses and disbursements**	(17,868)			
	b **Net investment income** (if negative, enter -0-)		2,453		
	c **Adjusted net income** (if negative, enter -0-)			2,453	

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Form **990-PF** (2009)

ISA

18 P

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	11,494	10,588	10,588
	2 Savings and temporary cash investments	306,905	289,837	289,837
	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)			
	b Investments—corporate stock (attach schedule)			
	c Investments—corporate bonds (attach schedule)			
	11 Investments—land, buildings, and equipment. basis ▶ 6,000			
	Less accumulated depreciation (attach schedule) ▶	6,000	6,000	67,000
	12 Investments—mortgage loans			
	13 Investments—other (attach schedule)			
	14 Land, buildings, and equipment: basis ▶			
	Less accumulated depreciation (attach schedule) ▶			
	15 Other assets (describe ▶)			
	16 **Total assets** (to be completed by all filers—see the instructions. Also, see page 1, item I)	324,399	306,425	367,425
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	324,399	306,425	
	28 Paid-in or capital surplus, or land, bldg., and equipment fund			
	29 Retained earnings, accumulated income, endowment, or other funds			
	30 **Total net assets or fund balances** (see page 17 of the instructions)	324,399	306,425	
	31 **Total liabilities and net assets/fund balances** (see page 17 of the instructions)	324,399	306,425	

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	324,399
2 Enter amount from Part I, line 27a	2	(17,868)
3 Other increases not included in line 2 (itemize) ▶	3	
4 Add lines 1, 2, and 3	4	306,531
5 Decreases not included in line 2 (itemize) ▶ SCHEDULE ATTACHED	5	106
6 Total net assets or fund balances at end of year (line 4 minus line 5)—Part II, column (b), line 30	6	306,425

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				
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			(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				
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	
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 pages 13 and 17 of the 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))
2008	27,309	406,422	0.0672
2007	0	362,416	0.0000
2006	0	269,661	0.0000
2005			
2004			

2	**Total** of line 1, column (d)	2	0.0672
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	.0224
4	Enter the net value of noncharitable-use assets for 2009 from Part X, line 5	4	365,625
5	Multiply line 4 by line 3	5	8,190
6	Enter 1% of net investment income (1% of Part I, line 27b)	6	25
7	Add lines 5 and 6	7	8,215
8	Enter qualifying distributions from Part XII, line 4	8	20,321

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 on page 18.

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	25
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	
3	Add lines 1 and 2	3	25
4	Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-)	4	
5	**Tax based on investment income.** Subtract line 4 from line 3. If zero or less, enter -0-	5	25
6	Credits/Payments:		
a	2009 estimated tax payments and 2008 overpayment credited to 2009 — 6a		
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	0
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	25
10	**Overpayment.** If line 7 is more than the total of lines 5 and 8, enter the **amount overpaid** ▶	10	0
11	Enter the amount of line 10 to be: **Credited to 2010 estimated tax** ▶ **Refunded** ▶	11	0

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		X
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		X
	*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		X
d	Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year: (1) On the foundation. ▶ $ 0 (2) On foundation managers. ▶ $ 0			
e	Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers. ▶ $ 0			
2	Has the foundation engaged in any activities that have not previously been reported to the IRS? *If "Yes," attach a detailed description of the activities.*	2		X
3	Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? *If "Yes," attach a conformed copy of the changes*	3		X
4a	Did the foundation have unrelated business gross income of $1,000 or more during the year?	4a		X
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		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?	6	X	
7	Did the foundation have at least $5,000 in assets at any time during the year? *If "Yes," complete Part II, col (c), and Part XV*	7	X	
8a	Enter the states to which the foundation reports or with which it is registered (see page 19 of the instructions) ▶ KENTUCKY			
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	X	
9	Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2009 or the taxable year beginning in 2009 (see instructions for Part XIV on page 27)? *If "Yes," complete Part XIV*	9		X
10	Did any persons become substantial contributors during the tax year? *If "Yes," attach a schedule listing their names and addresses*	10		X

Part VII-A Statements Regarding Activities *(continued)*

11	At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," attach schedule (see page 20 of the instructions)	11		X
12	Did the foundation acquire a direct or indirect interest in any applicable insurance contract before August 17, 2008?	12		X
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application?	13	X	

Website address ▶ N/A

14 The books are in care of ▶ JAMES B. BRIEN, JR. Telephone no. ▶ 270-247-9333
Located at ▶ P.O. BOX 708, MAYFIELD, KY ZIP+4 ▶ 42066

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

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

			Yes	No
	File Form 4720 if any item is checked in the "Yes" column, unless an exception applies.			
1a	During the year did the foundation (either directly or indirectly):			
	(1) Engage in the sale or exchange, or leasing of property with a disqualified person? ☐ Yes ☒ No			
	(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? ☐ Yes ☒ No			
	(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person? ☐ Yes ☒ No			
	(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person? ☐ Yes ☒ No			
	(5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)? ☐ Yes ☒ No			
	(6) Agree to pay money or property to a government official? (**Exception.** Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.) ☐ Yes ☒ No			
b	If any answer is "Yes" to 1a(1)–(6), did **any** of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance (see page 20 of the instructions)? Organizations relying on a current notice regarding disaster assistance check here ▶ ☐	1b		
c	Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2009?	1c		X
2	Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5)):			
a	At the end of tax year 2009, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2009? ☐ Yes ☒ No If "Yes," list the years ▶ 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 page 20 of the instructions)	2b		X
c	If the provisions of section 4942(a)(2) are being applied to **any** of the years listed in 2a, list the years here. ▶ 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 2009 as a result of **(1)** any purchase by the foundation or disqualified persons after May 26, 1969; **(2)** the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest; or **(3)** the lapse of the 10-, 15-, or 20-year first phase holding period? *(Use Schedule C, Form 4720, to determine if the foundation had excess business holdings in 2009.)*	3b		
4a	Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?	4a		X
b	Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2009?	4b		X

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

5a	During the year did the foundation pay or incur any amount to:			
	(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))? ☐ Yes ☒ No			
	(2) Influence the outcome of any specific public election (see section 4955); or to carry on, directly or indirectly, any voter registration drive? ☐ Yes ☒ No			
	(3) Provide a grant to an individual for travel, study, or other similar purposes? ☐ Yes ☒ No			
	(4) Provide a grant to an organization other than a charitable, etc., organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)? (see page 22 of the 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 page 22 of the instructions)? Organizations relying on a current notice regarding disaster assistance check here ▶ ☐	5b		
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? *If "Yes" to 6b, file Form 8870*	6b		X
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 page 22 of the 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
JAMES B. BRIEN, JR. P.O. BOX 708, MAYFIELD, KY 42066	TRUSTEE 2	0	0	0

2 Compensation of five highest-paid employees (other than those included on line 1—see page 23 of the 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 ▶

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 page 23 of the 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 SCHOLARSHIP FUNDS TO STUDENTS FROM GRAVES COUNTY HIGH SCHOOL.	10,161
2 SCHOLARSHIP FUNDS TO STUDENTS FROM MAYFIELD HIGH SCHOOL.	10,160
3	
4	

Part IX-B **Summary of Program-Related Investments** (see page 23 of the instructions)

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2	Amount
1 NONE	
2 NONE	
All other program-related investments See page 24 of the instructions	
3 NONE	
Total. Add lines 1 through 3 ▶	0

Part X Minimum Investment Return (All domestic foundations must complete this part. Foreign foundations, see page 24 of the 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	
b	Average of monthly cash balances	1b	304,193
c	Fair market value of all other assets (see page 24 of the instructions)	1c	67,000
d	**Total** (add lines 1a, b, and c)	1d	371,193
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation) — 1e		
2	Acquisition indebtedness applicable to line 1 assets	2	
3	Subtract line 2 from line 1d	3	371,193
4	Cash deemed held for charitable activities. Enter 1½% of line 3 (for greater amount, see page 25 of the instructions)	4	5,568
5	**Net value of noncharitable-use assets.** Subtract line 4 from line 3. Enter here and on Part V, line 4	5	365,625
6	**Minimum investment return.** Enter 5% of line 5	6	18,281

Part XI Distributable Amount (see page 25 of the 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	18,281
2a	Tax on investment income for 2009 from Part VI, line 5	2a	25		
b	Income tax for 2009 (This does not include the tax from Part VI.)	2b	0		
c	Add lines 2a and 2b			2c	25
3	Distributable amount before adjustments. Subtract line 2c from line 1			3	18,256
4	Recoveries of amounts treated as qualifying distributions			4	0
5	Add lines 3 and 4			5	18,256
6	Deduction from distributable amount (see page 25 of the instructions)			6	0
7	**Distributable amount** as adjusted. Subtract line 6 from line 5 Enter here and on Part XIII, line 1			7	18,256

Part XII Qualifying Distributions (see page 25 of the 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	20,321
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	20,321
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 page 26 of the instructions)	5	
6	**Adjusted qualifying distributions.** Subtract line 5 from line 4	6	20,321

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 page 26 of the instructions)

	(a) Corpus	(b) Years prior to 2008	(c) 2008	(d) 2009
1 Distributable amount for 2009 from Part XI, line 7				18,256
2 Undistributed income, if any, as of the end of 2009				
a Enter amount for 2008 only			20,321	
b Total for prior years: 20 ____ ,20 ____ ,20 ____		0		
3 Excess distributions carryover, if any, to 2009:				
a From 2004				
b From 2005				
c From 2006				
d From 2007				
e From 2008				
f **Total** of lines 3a through e	0			
4 Qualifying distributions for 2009 from Part XII, line 4: ▶ $ 20,321				
a Applied to 2008, but not more than line 2a			20,321	
b Applied to undistributed income of prior years (Election required—see page 26 of the instructions)		0		
c Treated as distributions out of corpus (Election required—see page 26 of the instructions)	0			
d Applied to 2009 distributable amount				0
e Remaining amount distributed out of corpus	0			
5 Excess distributions carryover applied to 2009	0			0
(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:**				
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 page 27 of the instructions		0		
e Undistributed income for 2008. Subtract line 4a from line 2a. Taxable amount—see page 27 of the instructions			0	
f Undistributed income for 2009. Subtract lines 4d and 5 from line 1 This amount must be distributed in 2010				18,256
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see page 27 of the instructions)	0			
8 Excess distributions carryover from 2004 not applied on line 5 or line 7 (see page 27 of the instructions)	0			
9 **Excess distributions carryover to 2010.** Subtract lines 7 and 8 from line 6a	0			
10 Analysis of line 9:				
a Excess from 2005				
b Excess from 2006				
c Excess from 2007				
d Excess from 2008				
e Excess from 2009				

Part XIV Private Operating Foundations (see page 27 of the 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 2009, enter the date of the ruling . . . . ▶

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

	Tax year	Prior 3 years			(e) Total
	(a) 2009	(b) 2008	(c) 2007	(d) 2006	
2a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed					0
b 85% of line 2a	0	0	0	0	0
c Qualifying distributions from Part XII, line 4 for each year listed . . .					0
d Amounts included in line 2c not used directly for active conduct of exempt activities . .					0
e Qualifying distributions made directly for active conduct of exempt activities Subtract line 2d from line 2c . .	0	0	0	0	0
3 Complete 3a, b, or c for the alternative test relied upon:					
a "Assets" alternative test—enter:					
(1) Value of all assets					0
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					0
b "Endowment" alternative test—enter ⅔ of minimum investment return shown in Part X, line 6 for each year listed . . .					0
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) . . .					0
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii) . . .					0
(3) Largest amount of support from an exempt organization . . .					0
(4) Gross investment income . .					0

Part XV Supplementary Information (Complete this part only if the foundation had $5,000 or more in assets at any time during the year—see page 27 of the instructions.)

1 **Information Regarding Foundation Managers:**

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

NONE

b List any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest.

NONE

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

Check here ▶ ☐ if the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds. If the foundation makes gifts, grants, etc. (see page 28 of the 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.

**

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

**

c Any submission deadlines:

**

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

**

** SEE SCHOLARSHIP INFORMATION ATTACHED.

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*				
GRAVES COUNTY HIGH SCHOOL 1107 HOUSMAN STREET MAYFIELD, KY 42066			SCHOLARSHIP FUNDS	10,161
MAYFIELD HIGH SCHOOL 700 DOUTHITT STREET MAYFIELD, KY 42066			SCHOLARSHIP FUNDS	10,160
Total . . . . . ▶ **3a**				20,321
b *Approved for future payment* NONE				
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)
	(a) Business code	(b) Amount	(c) Exclusion code	(d) Amount	Related or exempt function income (See page 28 of the instructions.)
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					3,931
4 Dividends and interest from securities					
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					(410)
7 Other investment income					
8 Gain or (loss) from sales of assets other than inventory					
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		0	3,521
13 Total. Add line 12, columns (b), (d), and (e)				13	3,521

(See worksheet in line 13 instructions on page 28 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 page 28 of the instructions.)
ALL	THE NET INCOME OF THE TRUST, AFTER PAYMENT OF COSTS AND EXPENSES, IS TO BE USED TO FUND OR PARTIALLY FUND EDUCATIONAL SCHOLARSHIPS FOR TWO STUDENTS (ONE FROM GRAVES COUNTY HIGH SCHOOL AND ONE FROM MAYFIELD HIGH SCHOOL) WHO DESIRE TO ATTEND AN ACCREDITED COLLEGE LOCATED IN THE COMMONWEALTH OF KENTUCKY (EXCLUDING VOCATIONAL OR TECHNICAL SCHOOLS).

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)		X
	(2) Other assets	1a(2)		X
b	Other transactions			
	(1) Sales of assets to a noncharitable exempt organization	1b(1)		X
	(2) Purchases of assets from a noncharitable exempt organization	1b(2)		X
	(3) Rental of facilities, equipment, or other assets	1b(3)		X
	(4) Reimbursement arrangements	1b(4)		X
	(5) Loans or loan guarantees	1b(5)		X
	(6) Performance of services or membership or fundraising solicitations	1b(6)		X
c	Sharing of facilities, equipment, mailing lists, other assets, or paid employees	1c		X

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 nonchantable 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

Signature of officer or trustee: James B Bryan Jr T Date: 5-11-2010 Title: Trustee

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed ▶ ☐	Preparer's identifying number (see Signature on page 30 of the instructions)
Earl L Watts	05-06-10		P00085349

Firm's name (or yours if self-employed), address, and ZIP code: CORNMAN, BRYAN & WATTS, PSC, P.O. BOX 384 MAYFIELD, KY 42066 EIN ▶ 61-0990447 Phone no 270-247-4190

JAMES R. WATTS TRUST
EIN: 20-1585269
2009 FORM 990-PF

PAGE 1, PART 1, LINE 3, INTEREST ON SAVINGS & TEMPORARY CASH INVESTMENTS:

INTEGRA BANK INTEREST	3,932

PAGE 1, PART 1, LINE 5a, GROSS RENTS:

CROP SHARE - GRAIN SALES	2,025

PAGE 1, PART 1, LINE 16b, ACCOUNTING FEES:

TAX RETURN PREPARATION	745

PAGE 1, PART 1, LINE 18, TAXES:

AD VALOREM TAXES	324
	324

PAGE 1, PART 1, LINE 23, OTHER EXPENSES:

CUSTOM HIRE ON FARM	2,435
	2,435

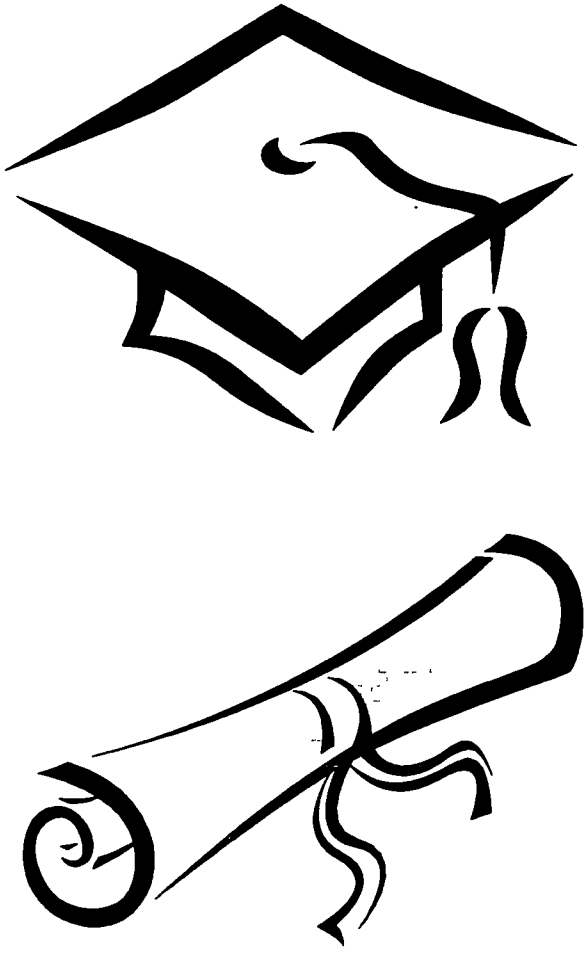
JAMES R. WATTS TRUST
EIN: 20-1585269
2009 FORM 990-PF

PAGE 2, PART III, LINE 5:

DECREASES NOT INCLUDED IN LINE 2 (itemize)

Flowers for grave sites of Randle and Vera Watts and James Watts, pursuant to will of James R. Watts.	106
	106

RANDLE WATTS AND VERSA WATTS SCHOLARSHIP FUND PROGRAM ESTABLISHED BY: JAMES R. WATTS, JR.



Mayfield High School
700 Douthitt Street
Mayfield, KY 42066
270-247-4461

Graves County High School
1107 Housman Street
Mayfield, KY 42066
270-328-6242

I. **After the Trust has been in existence for three years, each recipient, as long as he or she qualifies, will receive $1,500.00 per year from the fund until he or she graduates. However, since the Trust mandates spending the entire net income for scholarships, the students that will receive scholarships the first two years will receive more than those who receive the scholarships in later years. This, of course, means that the commitment of the trust would be a follows:**

YEAR	MAYFIELD SCHOLARSHIP	GRAVES CO. SCHOLARSHIP	TOTAL
First	$5,000.00 for one scholarship	$5,000.00 for one scholarship	$10,000.00
Second	$5,000.00 for two scholarships	$5,000.00 for two scholarships	$10,000.00
Third	$6,000.00 for three scholarships	$6,000.00 for three scholarships	$12,000.00
Fourth	$6,000.00 for four scholarships	$6,000.00 for four scholarships	$12,000.00
Each Year Thereafter	$6,000 00 for four scholarships	$6,000.00 for four scholarships	$12,000.00

II. **The Randle Watts & Versa Watts Scholarship Criteria**

Each year for one student at Mayfield High School and one student at Graves County High School, must be as follows:

(a) Must have resided in Graves County (which includes the City of Mayfield) for a continuous period of five years
(b) Must be a High School Senior
(c) Must have a minimum ACT score of 20.
(d) Must plan to attend a Kentucky four year accredited college (regardless whether a private or public college).
(e) Must agree to be a full time student at the four year Kentucky accredited college (earn at least 12 hours per semester or 24 hours per year).
(f) Must maintain a college grade point average of at least 2.5 (based on a 4.0 scale) each semester or quarter.
(g) The recipient must correspond with James B. Brien, Jr., who is the Trustee, twice a year to keep him appraised of the grades of the scholarship recipient.
(h) For Mayfield High School Students, must submit a copy of his/her actual college transcript to the Mayfield High School Guidance Counselor, who in turn will submit a copy of the transcript to the Trustee of the Randle and Vera Watts Scholarship Program.
(i) For Graves County High School Students, must submit a copy of his or her actual college grades to the Graves County High School Principal, who will submit to the Randle and Vera Watts Scholarship Program.

III. ***Requirements that a Scholarship applicant must comply with:***

The following must be in the office of the guidance counselor for the respective schools by March 30th of each and every year.

1. General Application Form
2. College Acceptance Data Form
3. Scholarship Acceptance Agreement Form
4. Three completed reference questionnaires (two from educators and one from a person not in education who has observed the students in activities such as sports, scouts, church, community work, extracurricular activities, etc.) These references should be sent directly to the guidance counselor or placed in a sealed envelope and given to the counselor.
5 Financial aid form provided in packet
6 High School Transcript
7. An essay outlining the student's career goals and educational goals. In the essay, the applicant should outline the reasons he/she thinks that the scholarship should be awarded to them.

Incomplete, late, or incorrectly submitted applications will not be considered by the Selection Committee. It is the student's responsibility to determine whether the application is complete.

Randle Watts and Versa Watts Scholarship Fund Program
20 ___ Scholarship Application

Name: _____ Date: _____ SSN: _____

High School: _____ Class of: _____

Address: _____ Phone No: _____

Father's Name: _____ Age: _____ Phone No.: _____

Address: _____ Marital Status: _____

Occupation: _____ Company: _____

Mother's Name: _____ Age: _____ Phone No.: _____

Address: _____ Marital Status: _____

Occupation: _____ Company: _____

Planned College Major: _____

Colleges accepted by: 1) _____
2) _____
3) _____

FOR PROGRAM USE ONLY

1) APPLICATION: _____
2) COLLEGE DATA VERIFICATION FORM: _____
3) TRANSCRIPT WITH SAT OR ACT SCORE: _____
4) HIGH SCHOOL GPA: _____
5) FINANCIAL AID FORM: _____
6) ESSAY: _____
7) REFERENCES: _____

RANDLE AND VERSA WATTS
SCHOLOARSHIP APPLICATION FOR 20____

Applicant's Name _____ SSN: _____

(NO NOT be brief. Use reverse side or additional paper.)

Honors and Awards:

_____
_____
_____
_____
_____

Extracurricular Activities:

_____
_____
_____
_____
_____

Leadership Positions – School Related:

Organization	Year	Office Held
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Leadership Positions – Church/Civic:

Organization	Year	Office Held
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Randle and Versa Watts Scholarship Fund Program

Financial Aid Form

The Financial Aid Form is a document to collect information for determining a student's need for financial aid. The information you report is confidential and is read only by the Selection Committee for the scholarship. It is important that you provide accurate and complete information on the form.

1. Name of Candidate: _____

2. Was Candidate listed (or will Candidate be listed) on parents' U. S. Income Tax Return for: 2008?_____ 2007?_____ 2006?_____

3. Did (or will) Candidate receive assistance worth $600 or more from parents during: 2008?_____ 2007? _____ 2006?_____

4. PARENTS' ANNUAL INCOME AND EXPENSES
   A. Total gross income of parents during 2008: $_____
   B. U. S. Income Tax Paid by parents for 2008: $_____
   C. State Income Taxes and other taxes paid by parents for 2008: $_____
   D. Medical expenses not covered by insurance: $_____
   E. Other extreme hardships: $_____

5. Total number of people residing in parent's household: _____
   Number of these people who are dependents: _____

6. Number of parents' children currently enrolled in college or other education beyond high school: _____

I (we) declare that the information reported is true, correct, and complete. I (we) agree that I (we) will, upon request, provide any documentation necessary to verify information reported on this form.

_____ _____
Candidate's Signature Telephone Number

_____ _____
Signature of Parent or Guardian Date Completed

_____
Signature of Parent or Guardian (Please have both parents or guardians sign form.)

Randle and Versa Watts Scholarship Fund Program
Mayfield High School / Graves County High School

Reference Questionnaire

_____ _____
Name Social Security Number

This is a private communication to be received by the Randle and Versa Watts Scholarship Fund Program. The student should not see the completed evaluation. Please submit evaluation form to the appropriate person by March 24, 2009. The appropriate person is the Guidance Counselor for Mayfield High School and the Principal for Graves County High School.

Please evaluate the candidate on all fifteen factors listed below. Check only one choice for each factor that best describes the qualities of the applicant in relation to those of his/her peers.

Rate Scale
(use scale of 1 to 6 as indicated with 1 being inferior and 6 being superior)

6-Superior..... Outstanding potential based on demonstrated performance
5-Above Average..... Demonstrates capabilities head of peers
4-Average..... Demonstrates capabilities typical of peers
3-Below Average..... Capabilities on a lower scale than that of peers
2-Not observed..... Insufficient contact to give an opinion
1-Inferior..... No capabilities or growth potential demonstrated

_____ 1. Academic potential as reflected by performance in class

_____ 2. Respect demonstrated by peers

_____ 3. Ability to accept criticism by persons with authority

_____ 4. Ability and willingness to conform to established rules of conduct

_____ 5. Ability to communicate orally

_____ 6. Interest and willingness to accept responsibilities in extracurricular activities

_____ 7. Ability to make friends easily

_____ 8. Interest in participating in competitive situations

_____ 9. Ability to work toward goals when in a subordinate position

_____10. Ability to influence others in definite lines of actions

_____11. Interest in seeking positions of leadership

_____12. Ability to carry a demanding academic program at the college level

_____13. Ability to deal with frustration

_____14. Personal appearance

_____15. Ability to communicate in writing

In your own words, please state the applicant's most outstanding qualities, and how long and in what capacity you have known the applicant.

To be completed by Applicant:

Full Name

Address

City State Zip

School Presently Attending

To be completed by Evaluator:

Signature of Evaluator

Date Phone

Address

School/Company

Randle and Versa Watts Scholarship Fund Program
Scholarship Acceptance Agreement

Recipient: _____ Scholarship Value: _____

I accept the scholarship funds provided by the Randle and Versa Watts Scholarship Fund Program. I understand that I must comply with the conditions listed below in order to qualify for the funds.

A. I have been a continuous resident of Mayfield or Graves County for a continuous period of five years prior to the date listed below.

B. I plan to enter _____ during the _____ term.

C. I plan to study/major in _____.

D. I must maintain a college grade point average of at least 2.5 (based on a 4 point scale) each semester or quarter and must be classified as a full time student by the college (earn at least 12 hours credit per semester and 24 hours per year. In addition, I will submit my grades for each college grade period to the guidance counselor of Mayfield High School (if a Mayfield High School scholarship recipient) and to the Principal of Graves County High School (if a Graves County High School scholarship recipient).

E. I will immediately inform the program if I receive any additional financial aid or scholarship funding. (Submit a copy of Financial Aid disclosure letter to the program prior to beginning class.)

F. I must communicate with the Trustee of the Randle and Versa Watts Trust twice a year to keep him/her appraised of my grades, plus I must provide the program with a true and correct copy of my grades at the end of each term. I understand that failure to provide these grades will terminate my scholarship.

G. If I transfer or withdraw from college, I will immediately notify the program.

H. I understand that all scholarship payments will be made directly to the college and that I must provide an invoice for my tuition and/or room and board and/or books.

I. The program must have my correct school mailing address and my correct home address at all times.

_____ _____
Date Signature of Recipient

_____
Signature of Parent/Guardian

Recipient's Home Mailing Address

_____
_____
_____

Recipient's School Mailing Address

_____
_____
_____

Randle and Versa Watts Scholarship Fund Program

Mayfield High School
700 Douthitt Street
Mayfield, KY 42066
270-247-4461

Graves County High School
1107 Housman Street
Mayfield, KY 42066
270-328-6242

College Acceptance Data Form

_____ _____
Student's Name Social Security Number

_____
High School

I have verified the following information: (enclose college acceptance letter)

1. Name of Institution: _____
2. Date Student Accepted: _____
3. Estimated tuition cost for 2009-2010 year: _____ _____
   per year per year
4. Estimated scholarship offered: _____
5. Other financial aid offered: _____
6. Date fall term begins: _____

If not determined, state unknown.

_____
Signature of Guidance Counselor or Principal

_____ _____
Date Signature of Student