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Form **990-PF**

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

OMB No 1545-0052

2011Department 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 2011 or tax year beginning **11/01/11**, and ending **10/31/12**

Name of foundation SMITH & WATSON FOUNDATION		A Employer identification number 85-0387785
Number and street (or P O box number if mail is not delivered to street address) PO BOX 2704	Room/suite	B Telephone number (see instructions) 575-397-2411
City or town, state, and ZIP code HOBBS NM 88240		C If exemption application is pending, check here <input type="checkbox"/>
G Check all that apply: <input type="checkbox"/> Initial return <input type="checkbox"/> Initial return of a former public charity <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Address change <input checked="" type="checkbox"/> Name change		D 1 Foreign organizations, check here <input type="checkbox"/> 2. Foreign organizations meeting the 85% test, check here and attach computation <input type="checkbox"/>
H Check type of organization: <input checked="" type="checkbox"/> Section 501(c)(3) exempt private foundation <input type="checkbox"/> Section 4947(a)(1) nonexempt charitable trust <input type="checkbox"/> Other taxable private foundation		E If private foundation status was terminated under section 507(b)(1)(A), check here <input type="checkbox"/>
I Fair market value of all assets at end of year (from Part II, col (c), line 16) \$ 314,408	J Accounting method: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other (specify)	F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here <input type="checkbox"/>

Part I Analysis of Revenue and Expenses (The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see instructions))		(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
Revenue	1 Contributions, gifts, grants, etc., received (attach schedule)	10,000			
	2 Check <input checked="" type="checkbox"/> if the foundation is not required to attach Sch B				
	3 Interest on savings and temporary cash investments	2	2	2	
	4 Dividends and interest from securities	9,532	9,532	9,532	
	5a Gross rents				
	b Net rental income or (loss)				
	6a Net gain or (loss) from sale of assets not on line 10 STMT 1	-2,606			
	b Gross sales price for all assets on line 6a 105,748				
	7 Capital gain net income (from Part IV, line 2)		0		
	8 Net short-term capital gain			0	
	9 Income modifications				
	10a Gross sales less returns & allowances				
b Less Cost of goods sold					
c Gross profit or (loss) (attach schedule)					
11 Other income (attach schedule)					
12 Total. Add lines 1 through 11	16,928	9,534	9,534		
Operating and Administrative Expenses	13 Compensation of officers, directors, trustees, etc	0			
	14 Other employee salaries and wages				
	15 Pension plans, employee benefits				
	16a Legal fees (attach schedule)				
	b Accounting fees (attach schedule)				
	c Other professional fees (attach schedule)				
	17 Interest				
	18 Taxes (attach schedule) (see instructions) STMT 2	128			
	19 Depreciation (attach schedule) and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings				
	22 Printing and publications				
	23 Other expenses (attach schedule) STMT 3	138	95		
	24 Total operating and administrative expenses. Add lines 13 through 23	266	95	0	0
	25 Contributions, gifts, grants paid	5,000			5,000
26 Total expenses and disbursements. Add lines 24 and 25	5,266	95	0	5,000	
27 Subtract line 26 from line 12					
a Excess of revenue over expenses and disbursements	11,662				
b Net investment income (if negative, enter -0-)		9,439			
c Adjusted net income (if negative, enter -0-)			9,534		

For Paperwork Reduction Act Notice, see instructions.

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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			54,023	28,868	28,868
	2	Savings and temporary cash investments			14,516	10,044	10,044
	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					
	10a	Investments—U S. and state government obligations (attach schedule)					
	b	Investments—corporate stock (attach schedule) SEE STMT 4	246,335	287,624	275,496		
	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)						
14	Land, buildings, and equipment basis ▶						
	Less: accumulated depreciation (attach sch.) ▶						
15	Other assets (describe ▶)						
16	Total assets (to be completed by all filers—see the instructions. Also, see page 1, item I)	314,874	326,536	314,408			
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. ▶ <input checked="" type="checkbox"/>					
	24	Unrestricted	314,874	326,536			
	25	Temporarily restricted					
	26	Permanently restricted					
		Foundations that do not follow SFAS 117, check here and complete lines 27 through 31. ▶ <input type="checkbox"/>					
	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					
	30	Total net assets or fund balances (see instructions)	314,874	326,536			
	31	Total liabilities and net assets/fund balances (see instructions)	314,874	326,536			

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	314,874
2	Enter amount from Part I, line 27a	2	11,662
3	Other increases not included in line 2 (itemize) ▶	3	
4	Add lines 1, 2, and 3	4	326,536
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	326,536

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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 N/A				
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	
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))
2010	23,572	236,063	0.099855
2009	6,250	256,778	0.024340
2008	1,500	244,939	0.006124
2007	27,887	224,082	0.124450
2006	5,575	213,684	0.026090
2 Total of line 1, column (d)			2 0.280859
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 0.056172
4 Enter the net value of noncharitable-use assets for 2011 from Part X, line 5			4 300,723
5 Multiply line 4 by line 3			5 16,892
6 Enter 1% of net investment income (1% of Part I, line 27b)			6 94
7 Add lines 5 and 6			7 16,986
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 5,000

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 <input type="checkbox"/> 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 <input type="checkbox"/> and enter 1% of Part I, line 27b	1	189
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	189
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	189
6 Credits/Payments.		
a 2011 estimated tax payments and 2010 overpayment credited to 2011	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	
8 Enter any penalty for underpayment of estimated tax. Check here <input type="checkbox"/> 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	189
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 2012 estimated tax <input type="checkbox"/> Refunded <input type="checkbox"/>	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 page 19 of the instructions for definition)? If the answer is "Yes" to 1a or 1b , attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities		X
c Did the foundation file Form 1120-POL for this year?		X
d Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year: (1) On the foundation <input type="checkbox"/> \$ (2) On foundation managers <input type="checkbox"/> \$		
e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers <input type="checkbox"/> \$		
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 instructions) <input type="checkbox"/>		
NM		
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 2011 or the taxable year beginning in 2011 (see instructions for Part XIV)? 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

STMT 5

Part VII-A Statements Regarding Activities (continued)

11	At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," attach schedule (see instructions)	11		X
12	Did the foundation 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 ► CHARLEY R SMITH 1501 N GRIMES Located at ► HOBBS	Telephone no ► 575-397-2411 ZIP+4 ► 88240		
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 2011, 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 Form TD F 90-22.1. If "Yes," enter the name of the foreign country ►	16	Yes X	No 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?	<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? (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)	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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	
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 2011?	N/A	
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 2011, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2011? If "Yes," list the years ► 20 , 20 , 20 , 20	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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	
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	N/A	
3a	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 2011 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 2011.)	N/A	
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 2011?	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 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** ☒

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
JULEE W SMITH 415 E ALTO HOBBS NM 88240	PRESIDENT 1.00	0	0	0
CHARLEY R SMITH 415 E ALTO HOBBS NM 88240	VICE PRES 1.00	0	0	0
R FINN SMITH 1700 N VEGA HOBBS NM 88240	SEC/TREAS 0.50	0	0	0
SCOTT SMITH 10863 STONEHOUSE LN FRISCO TX 75034	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

Form 990-PF (2011) **SMITH & WATSON FOUNDATION****85-0387785**Page **7****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 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	

Total. Add lines 1 through 3 ▶Form **990-PF** (2011)

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	65,401
b	Average of monthly cash balances	1b	239,902
c	Fair market value of all other assets (see instructions)	1c	0
d	Total (add lines 1a, b, and c)	1d	305,303
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	305,303
4	Cash deemed held for charitable activities. Enter 1½% of line 3 (for greater amount, see instructions)	4	4,580
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	300,723
6	Minimum investment return. Enter 5% of line 5	6	15,036

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	15,036
2a	Tax on investment income for 2011 from Part VI, line 5	2a	189	
b	Income tax for 2011. (This does not include the tax from Part VI.)	2b		
c	Add lines 2a and 2b	2c	189	
3	Distributable amount before adjustments. Subtract line 2c from line 1	3	14,847	
4	Recoveries of amounts treated as qualifying distributions	4		
5	Add lines 3 and 4	5	14,847	
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	14,847	

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	5,000
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	5,000
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	5,000

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 2010	(c) 2010	(d) 2011
1 Distributable amount for 2011 from Part XI, line 7				14,847
2 Undistributed income, if any, as of the end of 2011.				
a Enter amount for 2010 only				
b Total for prior years: 20____, 20____, 20____				
3 Excess distributions carryover, if any, to 2011:				
a From 2006				
b From 2007				16,909
c From 2008				
d From 2009				
e From 2010				12,025
f Total of lines 3a through e		28,934		
4 Qualifying distributions for 2011 from Part XII, line 4 ▶ \$ 5,000				
a Applied to 2010, 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 2011 distributable amount				5,000
e Remaining amount distributed out of corpus				
5 Excess distributions carryover applied to 2011 (If an amount appears in column (d), the same amount must be shown in column (a).)		9,847		9,847
6 Enter the net total of each column as indicated below:				
a Corpus Add lines 3f, 4c, and 4e Subtract line 5	19,087			
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 2010. Subtract line 4a from line 2a. Taxable amount—see instructions				
f Undistributed income for 2011 Subtract lines 4d and 5 from line 1 This amount must be distributed in 2012				0
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see instructions)				
8 Excess distributions carryover from 2006 not applied on line 5 or line 7 (see instructions)				
9 Excess distributions carryover to 2012. Subtract lines 7 and 8 from line 6a	19,087			
10 Analysis of line 9				
a Excess from 2007	7,062			
b Excess from 2008				
c Excess from 2009				
d Excess from 2010	12,025			
e Excess from 2011				

Enter gross amounts unless otherwise indicated

Enter gross amounts unless otherwise indicated		Unrelated business income		Excluded by section 512, 513, or 514		(e) Related or exempt function income (See instructions)
		(a) Business code	(b) Amount	(c) Exclusion code	(d) Amount	
1	Program service revenue					
a						
b						
c						
d						
e						
f						
g	Fees and contracts from government agencies					
2	Membership dues and assessments					
3	Interest on savings and temporary cash investments					2
4	Dividends and interest from securities					9,532
5	Net rental income or (loss) from real estate.					
a	Debt-financed property					
b	Not debt-financed property					
6	Net rental income or (loss) from personal property					
7	Other investment income					
8	Gain or (loss) from sales of assets other than inventory					-2,606
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	6,928
13	Total. Add line 12, columns (b), (d), and (e)					6,928

(See worksheet in line 13 instructions to verify calculations)

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

[illegible]

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Statement 1 - Form 990-PF, Part I, Line 6a - Sale of Assets

Whom Sold	Description	Date Acquired	Date Sold	How Received		Cost	Expense	Depreciation	Net Gain / Loss
				Sale Price	PURCHASE				
VANGUARD		10/31/10	10/11/12	\$ 15,605	PURCHASE	11,702	\$	\$	3,903
BANK OF AMERICA		10/31/10	10/11/12	1,961	PURCHASE	9,207			-7,246
CHEVRON		10/31/10	10/11/12	32,984	PURCHASE	14,718			18,266
DUKE ENERGY		10/31/10	10/11/12	13,443	PURCHASE	23,013			-9,570
PYXIS FLTG		11/30/11	10/11/12	24,649	PURCHASE	33,277			-8,628
SPECTRA ENERGY		10/30/10	10/11/12	6,180	PURCHASE	1,183			4,997
ZWEIG		10/31/10	10/11/12	10,926	PURCHASE	15,254			-4,328
TOTAL				\$ 105,748	\$ 108,354	\$	0	\$	-2,606

Statement 2 - Form 990-PF, Part I, Line 18 - Taxes

Description	Total		Net Investment		Adjusted Net		Charitable Purpose	
	FEDERAL INCOME TAX		FEDERAL INCOME TAX		FEDERAL INCOME TAX		FEDERAL INCOME TAX	
FEDERAL INCOME TAX	\$ 128		\$		\$		\$	
TOTAL	\$ 128		\$ 0		\$ 0		\$ 0	

Federal Statements

Statement 3 - Form 990-PF, Part I, Line 23 - Other Expenses

Description	Total	Net Investment	Adjusted Net	Charitable Purpose
EXPENSES				
INVESTMENT EXPENSE	95	95		
MISC EXPENSE	43			
TOTAL	<u>138</u>	<u>95</u>	<u>0</u>	<u>0</u>

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Statement 4 - Form 990-PF, Part II, Line 10b - Corporate Stock Investments

Description	Beginning of Year	End of Year	Basis of Valuation	Fair Market Value
	\$	\$		\$
109.706 SHS JC PENNEY	5,100	5,153	COST	2,826
608.980 SHS DUKE ENERGY	22,553		COST	
256.642 SHS BUCKEYE PARTNERS LP	11,364	11,313	COST	13,044
347.407 SHS CHEVRON TEXACO CORP	13,924		COST	7,894
115.778 SHS VANGUARD INDEX TR 500	11,702		COST	
567.677 SHS BLACKROCK CREDIT ALLOC	11,652		COST	
606.955 SHS INCOME FUND OF AMERICA	10,923		COST	11,348
215.567 SHS BANK OF AMERICA	9,203	11,354	COST	
3273.191 SHS HIGHLAND FLOATING RATE	32,250		COST	
3239.646 SHS ZWEIG TOTAL RETURN FND	14,471		COST	
295.257 SHS SPECTRA ENERGY CORP	954		COST	
461.467 SHS VANGUARD BAL INDEX FD	10,020	10,020	COST	2,699
8530.004 SHS BLACKROCK DEBT STRATEG	51,863	53,750	COST	10,886
394 SHS ISHARES TRUST BARCLAYS BOND	40,356	40,223	COST	38,499
219.523 SHS INVESCO MIDCAPCORE		5,150	COST	44,140
511.503 SHS INVESCO DIVERSFD DIV FD		7,248	COST	4,898
75.215 SHS INVESCO SMALLCAP EQTY		1,050	COST	6,895
2316.256 SHS INVESCO SHORT TERM BON		20,661	COST	998
264.505 SHS INVESCO GLB REAL ESTATE		3,100	COST	20,314
876.119 SHS INVESCO CORE PLUS BOND		9,979	COST	2,994
527.664 SHS INVESCO INTL GROWTH		15,450	COST	9,637
16 SHS APPLE INC		10,762	COST	14,743
89 SHS CVS CORP		4,456	COST	9,664
79 SHS COMCAST CORP CL A		2,973	COST	4,099
133 SHS DENTSPLY INTL INC		5,216	COST	2,967
585.619 SHS GOLDMAN SACHS COMMOD		3,596	COST	4,942
199 SHS INVESCO LTD		5,237	COST	3,344
326.781 SHS INVESCO GROWTH & INCOM		7,248	COST	4,826
443.393 SHS INVESCO COMSTOCK FUND		8,154	COST	6,840
159 SHS MAGNA INTL INC CL A		7,473	COST	7,737
46 SHS PHILIP MORRIS INTL INC		4,427	COST	6,869
130 SHS POTASH CORP SASK INC		5,601	COST	4,061
121 SHS STATE STREET CORP		5,238	COST	5,216
611 SHS SOUTHWEST AIRLINES CO		5,616	COST	5,370
127 SHS TEVA PHARM IND LTD ADR		5,235	COST	5,340
8995 SHS BLACKROCK PFD OPPORTUNITY		11,941	COST	5,130
				7,276

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Statement 4 - Form 990-PF, Part II, Line 10b - Corporate Stock Investments (continued)

Description	Beginning of Year	End of Year	Basis of Valuation	Fair Market Value
TOTAL	\$ 246,335	\$ 287,624		\$ 275,496

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Statement 5 - Form 990-PF, Part VII-A, Line 10 - Substantial Contributors

Name	Address	City, State, Zip
WATSON TRUCK & SUPPLY INC	1501 N GRIMES ST	HOBBS NM 88240
CHARLEY & JULEE SMITH	PO BOX 2704	HOBBS NM 88241

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Federal Statements

FYE: 10/31/2012

Direct Public Support

<u>Contributor</u>	<u>Cash Contribution</u>	<u>Noncash Contribution</u>
WATSON TRUCK & SUPPLY INC	<u>10,000</u>	<u></u>
TOTAL	<u>10,000</u>	<u>0</u>

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Federal Statements

FYE: 10/31/2012

Taxable Dividends from Securities

<u>Description</u>	<u>Amount</u>	<u>Unrelated Business Code</u>	<u>Exclusion Code</u>	<u>Postal Code</u>	<u>US Obs (\$ or %)</u>
WELLS FARGO DIVIDENDS	\$ 7,202				
EDWARD JONES DIVIDENDS	2,050				
EDWARD JONES LIMITED DIVIDEND	280				
TOTAL	<u>\$ 9,532</u>				



NEW MEXICO PUBLIC REGULATION COMMISSION

Certificate Of Amendment

OF

SMITH & WATSON FOUNDATION

7605820

NEW MEXICO

The Public Regulation Commission certifies that the Articles Of Amendment, duly signed and verified pursuant to the provisions of the

Nonprofit Corporation Act

(53-8-1 To 53-8-99 NMSA 1978)

have been received by it and are found to conform to law. Accordingly, by virtue of the authority vested in it by law, the Public Regulation Commission issues this Certificate Of Amendment and attaches hereto a duplicate of the Articles Of Amendment.

Dated : **August 31, 2012**

In testimony whereof, the Public Regulation Commission of the State of New Mexico has caused this certificate to be signed by its Chairman and the seal of said Commission to be affixed at the City of Santa Fe.

Stacy Starr Garcia

Bureau Chief

Patrick H. Lyons

Chairman

SECOND ARTICLES OF AMENDMENT

FILED
NMPRC
Corporation Bureau
AUG 31 2007

TO THE

ARTICLES OF INCORPORATION

OF

J. FINN WATSON AND VERDA M. WATSON FOUNDATION

A NONPROFIT NEW MEXICO CORPORATION

Pursuant to the provisions of the New Mexico Nonprofit Corporation Act (NMSA 1978, Sections 53-8-1 to 99), the J. Finn Watson and Verda M. Watson Foundation, a Nonprofit New Mexico corporation ("Corporation"), adopts the following Second Articles of Amendment for the purpose of amending its Articles of Incorporation:

ARTICLE 1

The name of the Corporation is J. Finn Watson and Verda M. Watson Foundation (NMPRC #1500644).

ARTICLE 2

2.1 Article One of the Articles of Incorporation of the Corporation is deleted in its entirety and the following is substituted in lieu thereof, so that Article One reads in its entirety as follows:

"ARTICLE ONE

Name: The name of the Corporation is the Smith & Watson Foundation."

2.2 Article Two of the Articles of Incorporation of the Corporation is deleted in its entirety and the following is substituted in lieu thereof, so that Article Two reads in its entirety as follows:

"ARTICLE TWO

Duration: The duration of the Smith & Watson Foundation ("Corporation") is perpetual."

ARTICLE 3

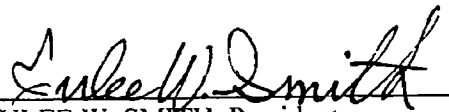
On August 15, 2012, these Second Articles of Amendment were adopted by a consent in writing signed by all Members of the Corporation entitled to vote with respect thereon.

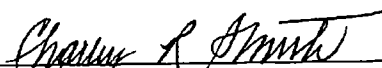
ARTICLE 4

These Second Articles of Amendment are to be effective upon filing with the New Mexico Public Regulation Commission.

Dated: August 15, 2012.

J. FINN WATSON AND VERDA M.
WATSON FOUNDATION

By: 
JULIE W. SMITH, President

By: 
CHARLEY R. SMITH, Secretary