



See a Social Security Number? Say Something!
Report Privacy Problems to <https://public.resource.org/privacy>
Or call the IRS Identity Theft Hotline at 1-800-908-4490



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

For calendar year 2012 or tax year beginning

, 2012, and ending

, 20

Name of foundation RICHARD T. & JUDITH B. WATSON FOUNDATION		A Employer identification number 34-1488717						
Number and street (or P O box number if mail is not delivered to street address) 25201 CHAGRIN BLVD	Room/suite 370	B Telephone number (see instructions) (216) 896-1111						
City or town, state, and ZIP code BEACHWOOD, OH 44122		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 ☐						
G Check all that apply: <table style="display: inline-table; vertical-align: top;"> <tr><td>☐ Initial return</td><td>☐ Initial return of a former public charity</td></tr> <tr><td>☐ Final return</td><td>☐ Amended return</td></tr> <tr><td>☐ Address change</td><td>☐ Name change</td></tr> </table>			☐ Initial return	☐ Initial return of a former public charity	☐ Final return	☐ Amended return	☐ Address change	☐ Name change
☐ Initial return	☐ Initial return of a former public charity							
☐ Final return	☐ Amended return							
☐ Address change	☐ Name change							
H Check type of organization: <table style="display: inline-table; vertical-align: top;"> <tr><td>☒ Section 501(c)(3) exempt private foundation</td></tr> <tr><td>☐ Section 4947(a)(1) nonexempt charitable trust</td></tr> <tr><td>☐ Other taxable private foundation</td></tr> </table>		☒ Section 501(c)(3) exempt private foundation	☐ Section 4947(a)(1) nonexempt charitable trust	☐ Other taxable private foundation				
☒ 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) \$ 356,480. 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)
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	1.	1.		ATCH 1
	4 Dividends and interest from securities	7,250.	7,250.		ATCH 2
	5a Gross rents				
	b Net rental income or (loss)				
	6a Net gain or (loss) from sale of assets not on line 10	86,191.			
	b Gross sales price for all assets on line 6a 364,308.				
	7 Capital gain net income (from Part IV, line 2)		86,191.		
	8 Net short-term capital gain				
Operating and Administrative Expenses	9 Income modifications				
	10a Gross sales less returns and allowances				
	b Less Cost of goods sold				
	c Gross profit or (loss) (attach schedule)				
	11 Other income (attach schedule)				
	12 Total Add lines 1 through 11	93,442.	93,442.		
	13 Compensation of officers, directors, trustees, etc	0			
	14 Other employee salaries and wages				
	15 Pension plans, employee benefits				
	16a Legal fees (attach schedule) ATCH 3	2,380.	595.		1,785.
	b Accounting fees (attach schedule) ATCH 4	1,235.	618.		617.
	c Other professional fees (attach schedule) *	2,384.	2,384.		
	17 Interest				
	18 Taxes (attach schedule) (see instructions) ATCH 6	101.	101.		
	19 Depreciation (attach schedule) and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings				
	22 Printing and publications				
23 Other expenses (attach schedule) ATCH 7	100.			100.	
24 Total operating and administrative expenses. Add lines 13 through 23	6,200.	3,698.		2,502.	
25 Contributions, gifts, grants paid	40,000.			40,000.	
26 Total expenses and disbursements Add lines 24 and 25	46,200.	3,698.	0	42,502.	
27 Subtract line 26 from line 12					
a Excess of revenue over expenses and disbursements	47,242.				
b Net investment income (if negative, enter -0-)		89,744.			
c Adjusted net income (if negative, enter -0-)					

Part II Balance Sheets

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

		Beginning of year	End of year	
		(a) Book Value	(b) Book Value	(c) Fair Market Value
Assets	1 Cash - non-interest-bearing	73,681.	30,808.	30,808.
	2 Savings and temporary cash investments	5,814.	23,027.	23,027.
	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 schedule) ▶ Less allowance for doubtful accounts ▶			
	8 Inventories for sale or use			
	9 Prepaid expenses and deferred charges			
	10 a Investments - U.S. and state government obligations (attach schedule) .			
	b Investments - corporate stock (attach schedule) ATCH 8	223,594.	296,496.	302,645.
	c Investments - corporate bonds (attach schedule)			
	11 Investments - land, buildings, and equipment basis ▶ Less accumulated depreciation ▶ (attach schedule)			
	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)	303,089.	350,331.	356,480.	
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 ▶ ☐			
	Foundations that do not follow SFAS 117, check here and complete lines 27 through 31. ▶ ☒			
	24 Unrestricted			
	25 Temporarily restricted			
	26 Permanently restricted			
	27 Capital stock, trust principal, or current funds	303,089.	350,331.	
	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)	303,089.	350,331.	
	31 Total liabilities and net assets/fund balances (see instructions)	303,089.	350,331.	

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	303,089.
2 Enter amount from Part I, line 27a	2	47,242.
3 Other increases not included in line 2 (itemize) ▶	3	
4 Add lines 1, 2, and 3	4	350,331.
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	350,331.

Form 990-PF (2012)

Part IV Capital Gains and Losses for Tax on Investment Income

(a) List and describe the kind(s) of property sold (e.g., real estate, 2-story brick warehouse, or common stock, 200 shs MLC Co.)			(b) How acquired P - Purchase D - Donation	(c) Date acquired (mo., day, yr.)	(d) Date sold (mo., day, yr.)
1a SEE PART IV SCHEDULE					
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) 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	(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	86,191.	
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	0	

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))
2011	81,133.	307,172.	0.264129
2010	92,897.	286,520.	0.324225
2009	51,530.	288,184.	0.178809
2008	122,914.	337,795.	0.363872
2007	74,500.	411,816.	0.180906
2 Total of line 1, column (d)			2 1.311941
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 0.262388
4 Enter the net value of noncharitable-use assets for 2012 from Part X, line 5			4 350,101.
5 Multiply line 4 by line 3			5 91,862.
6 Enter 1% of net investment income (1% of Part I, line 27b)			6 897.
7 Add lines 5 and 6			7 92,759.
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 42,502.

Part VI Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948 - see instructions)

1a	Exempt operating foundations described in section 4940(d)(2), check here ☐ and enter "N/A" on line 1		
	Date of ruling or determination letter _____ (attach copy of letter if necessary - see instructions)		
b	Domestic foundations that meet the section 4940(e) requirements in Part V, check here ☐ and enter 1% of Part I, line 27b	1	1,795.
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	1,795.
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	1,795.
6	Credits/Payments		
a	2012 estimated tax payments and 2011 overpayment credited to 2012	6a	87.
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	87.
8	Enter any penalty for underpayment of estimated tax. Check here ☐ if Form 2220 is attached	8	38.
9	Tax due. If the total of lines 5 and 8 is more than line 7, enter amount owed	9	1,746.
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 2013 estimated tax ☐ Refunded ☐	11	

Part VII-A Statements Regarding Activities

	Yes	No
1a During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?		X
b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see Instructions for the definition)? 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 ☐ \$ _____ (2) On foundation managers ☐ \$ _____		
e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers ☐ \$ _____		
2 Has the foundation engaged in any activities that have not previously been reported to the IRS? If "Yes," attach a detailed description of the activities		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		X
4a Did the foundation have unrelated business gross income of \$1,000 or more during the year?		X
b If "Yes," has it filed a tax return on Form 990-T for this year?	N/A	
5 Was there a liquidation, termination, dissolution, or substantial contraction during the year? If "Yes," attach the statement required by General Instruction T.		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? If "Yes," complete Part II, col (c), and Part XV	X	
8a Enter the states to which the foundation reports or with which it is registered (see instructions) ☐ OH		
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. ANNUAL REPORT FILED	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 2012 or the taxable year beginning in 2012 (see instructions for Part XIV)? If "Yes," complete Part XIV		X
10 Did any persons become substantial contributors during the tax year? If "Yes," attach a schedule listing their names and addresses		X

Form 990-PF (2012)

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?	13	X	
Website address N/A				
14	The books are in care of REBECCA H. DENT Telephone no 216-896-1111 Located at 25201 CHAGRIN BLVD, SUITE 370 BEACHWOOD, OH ZIP+4 44122			
15	Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of Form 1041 - Check here ☐ and enter the amount of tax-exempt interest received or accrued during the year 15			
16	At any time during calendar year 2012, did the foundation have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country?	16	Yes	No X
See the instructions for exceptions and filing requirements for Form TD F 90-22.1 If "Yes," enter the name of the foreign country				

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

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

		Yes	No
1a	During the year did the foundation (either directly or indirectly)		
(1)	Engage in the sale or exchange, or leasing of property with a disqualified person? ☐ Yes ☒ No		
(2)	Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? ☐ Yes ☒ No		
(3)	Furnish goods, services, or facilities to (or accept them from) a disqualified person? ☐ Yes ☒ No		
(4)	Pay compensation to, or pay or reimburse the expenses of, a disqualified person? ☐ Yes ☒ No		
(5)	Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)? ☐ Yes ☒ No		
(6)	Agree to pay money or property to a government official? (Exception. Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days). ☐ Yes ☒ No		
b	If any answer is "Yes" to 1a(1)-(6), did any of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance (see instructions)? ☐ Organizations relying on a current notice regarding disaster assistance check here ☐	1b	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 2012?	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 2012, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2012? ☐ Yes ☒ No If "Yes," list the years		
b	Are there any years listed in 2a for which the foundation is not applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to all years listed, answer "No" and attach statement - see instructions)	2b	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		
3a	Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year? ☐ Yes ☒ No		
b	If "Yes," did it have excess business holdings in 2012 as a result of (1) any purchase by the foundation or disqualified persons after May 26, 1969, (2) the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest, or (3) the lapse of the 10-, 15-, or 20-year first phase holding period? (Use Schedule C, Form 4720, to determine if the foundation had excess business holdings in 2012)	3b	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 2012?	4b	X

Form 990-PF (2012)

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

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

6a Did the foundation, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?

☐ Yes ☒ No

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

6b X

If "Yes" to 6b, file Form 8870

7a At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction?

☐ Yes ☒ No

b If "Yes," did the foundation receive any proceeds or have any net income attributable to the transaction?

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
ATCH 9		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		0	0	0

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

Form 990-PF (2012)

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		0
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 NONE	
Total. Add lines 1 through 3	

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

1	Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes		
a	Average monthly fair market value of securities	1a	299,830.
b	Average of monthly cash balances	1b	55,602.
c	Fair market value of all other assets (see instructions)	1c	
d	Total (add lines 1a, b, and c)	1d	355,432.
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	355,432.
4	Cash deemed held for charitable activities. Enter 1 1/2% of line 3 (for greater amount, see instructions)	4	5,331.
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	350,101.
6	Minimum investment return. Enter 5% of line 5	6	17,505.

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	17,505.
2a	Tax on investment income for 2012 from Part VI, line 5	2a	1,795.
b	Income tax for 2012 (This does not include the tax from Part VI)	2b	
c	Add lines 2a and 2b	2c	1,795.
3	Distributable amount before adjustments. Subtract line 2c from line 1	3	15,710.
4	Recoveries of amounts treated as qualifying distributions	4	
5	Add lines 3 and 4	5	15,710.
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	15,710.

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	42,502.
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	42,502.
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	42,502.

Note. The amount on line 6 will be used in Part V, column (b), in subsequent years when calculating whether the foundation qualifies for the section 4940(e) reduction of tax in those years

Part XIII Undistributed Income (see instructions)

	(a) Corpus	(b) Years prior to 2011	(c) 2011	(d) 2012
1 Distributable amount for 2012 from Part XI, line 7				15,710.
2 Undistributed income, if any, as of the end of 2012				
a Enter amount for 2011 only				
b Total for prior years 20 <u>10</u> 20 <u>09</u> 20 <u>08</u>				
3 Excess distributions carryover, if any, to 2012:				
a From 2007	54,310.			
b From 2008	106,252.			
c From 2009	37,126.			
d From 2010	79,039.			
e From 2011	65,774.			
f Total of lines 3a through e	342,501.			
4 Qualifying distributions for 2012 from Part XII, line 4 ▶ \$ <u>42,502.</u>				
a Applied to 2011, 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 2012 distributable amount				15,710.
e Remaining amount distributed out of corpus	26,792.			
5 Excess distributions carryover applied to 2012 (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	369,293.			
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 2011 Subtract line 4a from line 2a Taxable amount - see instructions				
f Undistributed income for 2012 Subtract lines 4d and 5 from line 1 This amount must be distributed in 2013				
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 2007 not applied on line 5 or line 7 (see instructions)	54,310.			
9 Excess distributions carryover to 2013. Subtract lines 7 and 8 from line 6a	314,983.			
10 Analysis of line 9				
a Excess from 2008	106,252.			
b Excess from 2009	37,126.			
c Excess from 2010	79,039.			
d Excess from 2011	65,774.			
e Excess from 2012	26,792.			

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

NOT APPLICABLE

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

- b Check box to indicate whether the foundation is a private operating foundation described in section

4942(j)(3) or

4942(j)(5)

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

Part XV Supplementary Information (Complete this part only if the foundation had \$5,000 or more in assets at any time during the year - see instructions.)**1 Information Regarding Foundation Managers:**

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

JUDITH B. WATSON

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

N/A

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

Check here ☒ if the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds. If the foundation makes gifts, grants, etc. (see instructions) to individuals or organizations under other conditions, complete items 2a, b, c, and d

- a The name, address, and telephone number or e-mail 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

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 ATCH 10				
Total			▶ 3a	40,000.
b Approved for future payment				
Total			▶ 3b	

Part XVI-A Analysis of Income-Producing Activities

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						
4 Dividends and interest from securities				14	7,251.	
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				18	86,191.	
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)					93,442.	
13 Total. Add line 12, columns (b), (d), and (e)					93,442.	93,442.

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

[illegible]

FORM 990-PF - PART IV
CAPITAL GAINS AND LOSSES FOR TAX ON INVESTMENT INCOME

Kind of Property		Description				P or D	Date acquired	Date sold
Gross sale price less expenses of sale	Depreciation allowed/ allowable	Cost or other basis	FMV as of 12/31/69	Adj basis as of 12/31/69	Excess of FMV over adj basis		Gain or (loss)	
		TOTAL CAPITAL GAIN DISTRIBUTIONS					1,518.	
21,170.		350 SHS ACCENTURE PLC PROPERTY TYPE: SECURITIES 20,689.				P	10/03/2011	08/06/2012
							481.	
21,966.		375 SHS AMPHENOL CORP PROPERTY TYPE: SECURITIES 13,351.				P	04/28/2010	08/06/2012
							8,615.	
18,012.		225 SHS ANSYS INC PROPERTY TYPE: SECURITIES 13,710.				P	04/28/2010	08/06/2012
							4,302.	
17,320.		250 SHS CELGENE CORP PROPERTY TYPE: SECURITIES 15,207.				P	09/13/2011	08/06/2012
							2,113.	
22,388.		385 SHS EXPRESS SCRIPTS HLDG PROPERTY TYPE: SECURITIES 18,702.				P	09/13/2011	08/06/2012
							3,686.	
15,889.		145 SHS RALPH LAUREN CORP PROPERTY TYPE: SECURITIES 6,633.				P	04/08/2008	08/06/2012
							9,256.	
5,055.		35 SHS RALPH LAUREN CORP PROPERTY TYPE: SECURITIES 5,084.				P	01/10/2012	08/06/2012
							-29.	
25,894.		42 SHS APPLE INC PROPERTY TYPE: SECURITIES 10,431.				P	09/10/2010	08/08/2012
							15,463.	
21,154.		325 SHS YUM BRANDS INC PROPERTY TYPE: SECURITIES 13,131.				P	04/14/2011	08/06/2012
							8,023.	
12,834.		20 SHS GOOGLE INC PROPERTY TYPE: SECURITIES 7,609.				P	07/16/2010	08/08/2012
							5,225.	
19,235.		45 SHS MASTERCARD INC PROPERTY TYPE: SECURITIES 11,725.				P	09/09/2008	08/08/2012
							7,510.	
		225 SHS URBAN OUTFITTERS INC				P	07/27/2011	08/08/2012

FORM 990-PF - PART IV**CAPITAL GAINS AND LOSSES FOR TAX ON INVESTMENT INCOME**

Kind of Property		Description				P or D	Date acquired	Date sold
Gross sale price less expenses of sale	Depreciation allowed/ allowable	Cost or other basis	FMV as of 12/31/69	Adj. basis as of 12/31/69	Excess of FMV over adj basis		Gain or (loss)	
6,725.		PROPERTY TYPE: SECURITIES 7,298.					-573.	
13,565.		205 SHS PROCTER & GAMBLE PROPERTY TYPE: SECURITIES 11,111.				P	03/15/2005	08/10/2012
11,614.		150 SHS UNITED TECHNOLOGIES CORP PROPERTY TYPE: SECURITIES 10,706.				P	04/01/2008	08/10/2012
11,674.		250 SHS VERISK ANALYTICS INC PROPERTY TYPE: SECURITIES 7,716.				P	12/03/2010	08/10/2012
1,167.		25 SHS VERISK ANALYTICS INC PROPERTY TYPE: SECURITIES 1,128.				P	03/09/2012	08/10/2012
11,397.		925 SHS SCHWAB CHARLES CORP PROPERTY TYPE: SECURITIES 11,700.				P	06/17/2010	08/06/2012
3,696.		300 SHS SCHWAB CHARLES CORP PROPERTY TYPE: SECURITIES 3,681.				P	02/02/2012	08/06/2012
14,510.		110 SHS INTERCONTINENTAL PROPERTY TYPE: SECURITIES 11,611.				P	09/10/2010	08/08/2012
5,277.		40 SHS INTERCONTINENTAL PROPERTY TYPE: SECURITIES 5,302.				P	02/17/2012	08/08/2012
7,433.		225 SHS NETAPP INC PROPERTY TYPE: SECURITIES 10,740.				P	08/05/2011	08/10/2012
2,478.		75 SHS NETAPP INC PROPERTY TYPE: SECURITIES 2,709.				P	08/19/2011	08/10/2012
526.		5 SHS PRAXAIR INC PROPERTY TYPE: SECURITIES 550.				P	02/28/2012	08/10/2012

FORM 990-PF - PART IV
CAPITAL GAINS AND LOSSES FOR TAX ON INVESTMENT INCOME

Kind of Property		Description				P or D	Date acquired	Date sold
Gross sale price less expenses of sale	Depreciation allowed/ allowable	Cost or other basis	FMV as of 12/31/69	Adj basis as of 12/31/69	Excess of FMV over adj basis		Gain or (loss)	
16,842.		160 SHS PRAXAIR INC PROPERTY TYPE: SECURITIES 10,722.				P	04/27/2011	08/10/2012
							6,120.	
14,383.		WP STEWART ACCOUNT (ATTACHMENT 11) PROPERTY TYPE: SECURITIES 14,585.				P	VARIOUS	VARIOUS
							-202.	
40,559.		WP STEWART ACCOUNT (ATTACHMENT 11) PROPERTY TYPE: SECURITIES 32,286.				P	VARIOUS	VARIOUS
							8,273.	
27.		WP STEWART SECURITIES RESIDUAL BASIS PROPERTY TYPE: SECURITIES				P	12/31/2008	08/08/2012
							27.	
TOTAL GAIN(LOSS)							<u>86,191.</u>	

ATTACHMENT 1

FORM 990PF, PART I - INTEREST ON TEMPORARY CASH INVESTMENTS

<u>DESCRIPTION</u>	<u>REVENUE AND EXPENSES PER BOOKS</u>	<u>NET INVESTMENT INCOME</u>
FIDELITY CASH ACCOUNT	1.	1.
TOTAL	<u>1.</u>	<u>1.</u>

ATTACHMENT 2

FORM 990PF, PART I - DIVIDENDS AND INTEREST FROM SECURITIES

<u>DESCRIPTION</u>	<u>REVENUE AND EXPENSES PER BOOKS</u>	<u>NET INVESTMENT INCOME</u>
WP STEWART ACCOUNT	1,521.	1,521.
FIDELITY ACCOUNT	5,729.	5,729.
TOTAL	<u>7,250.</u>	<u>7,250.</u>

ATTACHMENT 3

FORM 990PF, PART I - LEGAL FEES

<u>DESCRIPTION</u>	<u>REVENUE AND EXPENSES PER BOOKS</u>	<u>NET INVESTMENT INCOME</u>	<u>ADJUSTED NET INCOME</u>	<u>CHARITABLE PURPOSES</u>
LEGAL FEES	2,380.	595.		1,785.
TOTALS	<u>2,380.</u>	<u>595.</u>		<u>1,785.</u>

ATTACHMENT 4

FORM 990PF, PART I - ACCOUNTING FEES

<u>DESCRIPTION</u>	<u>REVENUE AND EXPENSES PER BOOKS</u>	<u>NET INVESTMENT INCOME</u>	<u>ADJUSTED NET INCOME</u>	<u>CHARITABLE PURPOSES</u>
ACCOUNTING AND TAX RETURN PREP	1,235.	618.		617.
TOTALS	<u>1,235.</u>	<u>618.</u>		<u>617.</u>

ATTACHMENT 5

FORM 990PF, PART I - OTHER PROFESSIONAL FEES

<u>DESCRIPTION</u>	<u>REVENUE AND EXPENSES PER BOOKS</u>	<u>NET INVESTMENT INCOME</u>
INVESTMENT ADVISORY FEES	2,384.	2,384.
TOTALS	<u>2,384.</u>	<u>2,384.</u>

ATTACHMENT 6

FORM 990PF, PART I - TAXES

<u>DESCRIPTION</u>	<u>REVENUE AND EXPENSES PER BOOKS</u>	<u>NET INVESTMENT INCOME</u>
TAXES WITHHELD	101.	101.
TOTALS	<u>101.</u>	<u>101.</u>

ATTACHMENT 7

FORM 990PF, PART I - OTHER EXPENSES

<u>DESCRIPTION</u>	<u>REVENUE AND EXPENSES PER BOOKS</u>
STATE FILING FEES	100.
TOTALS	100.

CHARITABLE PURPOSES	100.
	100.

ATTACHMENT 8FORM 990PF, PART II - CORPORATE STOCK

<u>DESCRIPTION</u>	<u>ENDING BOOK VALUE</u>	<u>ENDING FMV</u>
1,256.446 SHS BBH CORE SELECT	21,428.	21,799.
2,930.78 SHS BLACKROCK HI YLD	23,069.	23,710.
755.360 SHS CGM REALTY FD	22,570.	22,185.
361.812 SHS DODGE & COX INTL	11,290.	12,533.
213.793 SHS HARBOR INTL FD	12,288.	13,281.
1,534.09 SHS HARDING LOEVNER	24,201.	26,478.
486.197 SHS OAKMARK INTL SM C	6,100.	6,797.
734.573 LAZARD US SM MID CAP	9,278.	9,763.
2,975.869 SHS LOOMIS SAYLES	37,267.	37,556.
3,284.007 SHS PIMCO TOTAL RET	37,586.	36,912.
1,252.819 SHS PIMCO REAL RET	15,647.	15,372.
3,255.581 SHS PIMCO COMMODITY	22,390.	21,617.
2,862.99 SHS PIMCO EMGNG LOCAL	30,869.	31,436.
989.447 SHS RIVERPARK/WEDGE	13,068.	13,694.
713.051 SHS TEMPLETON GLOBAL	9,445.	9,512.
TOTALS	<u>296,496.</u>	<u>302,645.</u>

FORM 990PF, PART VIII - LIST OF OFFICERS, DIRECTORS, AND TRUSTEES

ATTACHMENT 9

NAME AND ADDRESS	TITLE AND AVERAGE HOURS PER WEEK DEVOTED TO POSITION	COMPENSATION	CONTRIBUTIONS		EXPENSE ACCT AND OTHER ALLOWANCES
			TO EMPLOYEE BENEFIT PLANS		
JUDITH B. WATSON 25201 CHAGRIN BLVD, SUITE 370 BEACHWOOD, OH 44122	TRUSTEE	0	0	0	0
DAVID D. WATSON 25201 CHAGRIN BLVD, SUITE 370 BEACHWOOD, OH 44122	TRUSTEE	0	0	0	0
ANDREW C. WATSON 25201 CHAGRIN BLVD, SUITE 370 BEACHWOOD, OH 44122	TRUSTEE	0	0	0	0
GRAND TOTALS		0	0	0	0

FORM 990OFF, PART XV - GRANTS AND CONTRIBUTIONS PAID DURING THE YEAR

ATTACHMENT 10

RECIPIENT NAME AND ADDRESS	RELATIONSHIP TO SUBSTANTIAL CONTRIBUTOR AND FOUNDATION STATUS OF RECIPIENT	PURPOSE OF GRANT OR CONTRIBUTION	AMOUNT
HEIGHTS YOUTH CLUB 2065 LEE ROAD CLEVELAND HEIGHTS, OH 44118	PUBLIC CHARITY	GENERAL SUPPORT	5,000.
ST. PAUL'S EPISCOPAL CHURCH 2747 FAIRMOUNT BOULEVARD CLEVELAND HEIGHTS, OH 44106	PUBLIC CHARITY	"IN US & THROUGH US" CAMPAIGN FOR FUTURE	30,000.
LUTHERAN METROPOLITAN MINISTRY 1468 W. 25TH STREET CLEVELAND, OH 44113	PUBLIC CHARITY	CAPITAL CAMPAIGN	5,000.
TOTAL CONTRIBUTIONS PAID			40,000.

THE RICHARD T & JUDITH B WATSON FOUNDATION
E.I #34-1488717
2012 CAPITAL GAINS/(LOSSES)

DATE SOLD	DATE ACQUIRED	QUANTITY	DESCRIPTION	COST BASIS	PROCEEDS	GAIN (LOSS)	Term
02/23/12	12/30/11	50	EXPRESS SCRIPTS INC COM	2,246.10	2,641.30	395.20	Short
04/12/12	01/10/12	15	RALPH LAUREN CORP CL	2,178.40	2,567.68	389.28	Short
05/03/12	03/09/12	50	VERISK ANALYTICS INC CL	2,256.63	2,438.57	181.94	Short
05/29/12	11/08/11	25	ORACLE CORP COM	842.33	655.16	(187.17)	Short
05/29/12	10/25/11	50	ORACLE CORP COM	1,638.80	1,310.32	(328.48)	Short
05/29/12	06/28/11	100	ORACLE CORP COM	3,221.89	2,620.66	(601.23)	Short
07/10/12	02/28/12	20	PRAXAIR INC	2,200.58	2,149.32	(51.26)	Short
			TOTAL SHORT-TERM	14,584.73	14,383.01	(201.72)	
01/10/12	04/29/03	25	TARGET CORP COM	833.43	1,214.62	381.19	Long
01/10/12	10/24/08	100	TARGET CORP COM	3,307.72	4,858.49	1,550.77	Long
01/10/12	11/21/08	75	TARGET CORP COM	2,028.90	3,643.86	1,614.96	Long
02/09/12	04/23/10	3	APPLE INC COM	810.76	1,473.50	662.74	Long
02/22/12	03/25/10	2	GOOGLE INC CL A	1,132.89	1,222.52	89.63	Long
02/22/12	04/16/10	3	GOOGLE INC CL A	1,688.05	1,833.78	145.73	Long
02/22/12	01/29/10	2	GOOGLE INC CL A	1,075.33	1,222.52	147.19	Long
02/28/12	06/25/08	5	MASTERCARD INC CL A	1,459.43	2,109.53	650.10	Long
02/28/12	06/20/08	15	MASTERCARD INC CL A	4,326.71	6,328.60	2,001.89	Long
03/19/12	04/23/10	2	APPLE INC COM	540.51	1,180.61	640.10	Long
03/19/12	09/10/10	3	APPLE INC COM	789.38	1,770.91	981.53	Long
04/12/12	06/12/08	10	MASTERCARD INC CL A	2,848.52	4,312.72	1,464.20	Long
05/29/12	05/03/11	50	ORACLE CORP COM	1,810.71	1,310.32	(500.39)	Long
05/29/12	05/04/11	200	ORACLE CORP COM	7,081.30	5,241.30	(1,840.00)	Long
07/12/12	01/29/10	3	GOOGLE INC CL A	1,613.00	1,701.69	88.69	Long
07/12/12	07/16/10	2	GOOGLE INC CL A	939.39	1,134.46	195.07	Long
			TOTAL LONG-TERM	32,286.03	40,559.43	8,273.40	

**SCHEDULE D
(Form 1041)**Department of the Treasury
Internal Revenue Service**Capital Gains and Losses**▶ Attach to Form 1041, Form 5227, or Form 990-T.
▶ Information about Schedule D (Form 1041) and its separate instructions is at
www.irs.gov/form1041.

OMB No 1545-0092

2012

Name of estate or trust

RICHARD T. & JUDITH B. WATSON FOUNDATION

Employer identification number

34-1488717

Note: Form 5227 filers need to complete **only** Parts I and II**Part I Short-Term Capital Gains and Losses - Assets Held One Year or Less**

(a) Description of property (Example 100 shares 7% preferred of "Z" Co)	(b) Date acquired (mo , day, yr)	(c) Date sold (mo , day, yr)	(d) Sales price	(e) Cost or other basis (see instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)
1a					

b Enter the short-term gain or (loss), if any, from Schedule D-1, line 1b	1b	5,823.
2 Short-term capital gain or (loss) from Forms 4684, 6252, 6781, and 8824	2	
3 Net short-term gain or (loss) from partnerships, S corporations, and other estates or trusts	3	
4 Short-term capital loss carryover. Enter the amount, if any, from line 9 of the 2011 Capital Loss Carryover Worksheet	4	()
5 Net short-term gain or (loss). Combine lines 1a through 4 in column (f). Enter here and on line 13, column (3) on the back ▶	5	5,823.

Part II Long-Term Capital Gains and Losses - Assets Held More Than One Year

(a) Description of property (Example 100 shares 7% preferred of "Z" Co)	(b) Date acquired (mo , day, yr)	(c) Date sold (mo , day, yr)	(d) Sales price	(e) Cost or other basis (see instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)
6a					

b Enter the long-term gain or (loss), if any, from Schedule D-1, line 6b	6b	78,850.
7 Long-term capital gain or (loss) from Forms 2439, 4684, 6252, 6781, and 8824	7	
8 Net long-term gain or (loss) from partnerships, S corporations, and other estates or trusts	8	
9 Capital gain distributions	9	1,518.
10 Gain from Form 4797, Part I	10	
11 Long-term capital loss carryover. Enter the amount, if any, from line 14 of the 2011 Capital Loss Carryover Worksheet	11	()
12 Net long-term gain or (loss). Combine lines 6a through 11 in column (f). Enter here and on line 14a, column (3) on the back ▶	12	80,368.

For Paperwork Reduction Act Notice, see the Instructions for Form 1041.

Schedule D (Form 1041) 2012

Part III Summary of Parts I and II		(1) Beneficiaries' (see instr)	(2) Estate's or trust's	(3) Total
Caution: Read the instructions before completing this part.				
13	Net short-term gain or (loss)	13		5,823.
14	Net long-term gain or (loss):			
a	Total for year	14a		80,368.
b	Unrecaptured section 1250 gain (see line 18 of the wrksht)	14b		
c	28% rate gain	14c		
15	Total net gain or (loss). Combine lines 13 and 14a ▶	15		86,191.

Note: If line 15, column (3), is a net gain, enter the gain on Form 1041, line 4 (or Form 990-T, Part I, line 4a). If lines 14a and 15, column (2), are net gains, go to Part V, and do not complete Part IV. If line 15, column (3), is a net loss, complete Part IV and the **Capital Loss Carryover Worksheet**, as necessary.

Part IV Capital Loss Limitation

16	Enter here and enter as a (loss) on Form 1041, line 4 (or Form 990-T, Part I, line 4c, if a trust), the smaller of	16	()
a	The loss on line 15, column (3) or	b	\$3,000

Note: If the loss on line 15, column (3), is more than \$3,000, or if Form 1041, page 1, line 22 (or Form 990-T, line 34), is a loss, complete the **Capital Loss Carryover Worksheet** in the instructions to figure your capital loss carryover.

Part V Tax Computation Using Maximum Capital Gains Rates

Form 1041 filers. Complete this part **only** if both lines 14a and 15 in column (2) are gains, or an amount is entered in Part I or Part II and there is an entry on Form 1041, line 2b(2), and Form 1041, line 22, is more than zero.

Caution: Skip this part and complete the **Schedule D Tax Worksheet** in the instructions if

- Either line 14b, col (2) or line 14c, col (2) is more than zero, or
- Both Form 1041, line 2b(1), and Form 4952, line 4g are more than zero.

Form 990-T trusts. Complete this part **only** if both lines 14a and 15 are gains, or qualified dividends are included in income in Part I of Form 990-T, and Form 990-T, line 34, is more than zero. Skip this part and complete the **Schedule D Tax Worksheet** in the instructions if either line 14b, col (2) or line 14c, col (2) is more than zero.

17	Enter taxable income from Form 1041, line 22 (or Form 990-T, line 34)	17	
18	Enter the smaller of line 14a or 15 in column (2) but not less than zero	18	
19	Enter the estate's or trust's qualified dividends from Form 1041, line 2b(2) (or enter the qualified dividends included in income in Part I of Form 990-T)	19	
20	Add lines 18 and 19	20	
21	If the estate or trust is filing Form 4952, enter the amount from line 4g, otherwise, enter -0- . . . ▶	21	
22	Subtract line 21 from line 20. If zero or less, enter -0-	22	
23	Subtract line 22 from line 17. If zero or less, enter -0-	23	
24	Enter the smaller of the amount on line 17 or \$2,400	24	
25	Is the amount on line 23 equal to or more than the amount on line 24? ☐ Yes. Skip lines 25 and 26, go to line 27 and check the "No" box ☐ No. Enter the amount from line 23	25	
26	Subtract line 25 from line 24	26	
27	Are the amounts on lines 22 and 26 the same? ☐ Yes. Skip lines 27 thru 30, go to line 31 ☐ No. Enter the smaller of line 17 or line 22	27	
28	Enter the amount from line 26 (If line 26 is blank, enter -0-)	28	
29	Subtract line 28 from line 27	29	
30	Multiply line 29 by 15% (15)	30	
31	Figure the tax on the amount on line 23. Use the 2012 Tax Rate Schedule for Estates and Trusts (see the Schedule G instructions in the instructions for Form 1041)	31	
32	Add lines 30 and 31	32	
33	Figure the tax on the amount on line 17. Use the 2012 Tax Rate Schedule for Estates and Trusts (see the Schedule G instructions in the instructions for Form 1041)	33	
34	Tax on all taxable income. Enter the smaller of line 32 or line 33 here and on Form 1041, Schedule G, line 1a (or Form 990-T, line 36)	34	

Schedule D (Form 1041) 2012

Department of the Treasury
Internal Revenue Service

**Continuation Sheet for Schedule D
(Form 1041)**

OMB No 1545-0092

2012

▶ **Attach to Schedule D to list additional transactions for lines 1a and 6a.**

► Information about Schedule D (Form 1041) and its separate instructions is at www.irs.gov/form1041.

Name of estate or trust

RICHARD T. & JUDITH B. WATSON FOUNDATION

Employer identification number

34-1488717

Part I Short-Term Capital Gains and Losses - Assets Held One Year or Less

[illegible]

1b Total. Combine the amounts in column (f) Enter here and on Schedule D, line 1b 5,823.

For Paperwork Reduction Act Notice, see the Instructions for Form 1041.

Schedule D-1 (Form 1041) 2012

JSA
2F1221 2 000

5PQ0CN M075

V 12-4.6F

Name of estate or trust as shown on Form 1041 Do not enter name and employer identification number if shown on the other side

Employer identification number

Part II Long-Term Capital Gains and Losses - Assets Held More Than One Year

(a) Description of property (Example 100 sh 7% preferred of "Z" Co)	(b) Date acquired (mo, day, yr)	(c) Date sold (mo, day, yr)	(d) Sales price	(e) Cost or other basis (see instructions)	(f) Gain or (loss) Subtract (e) from (d)
6a					
375 SHS AMPHENOL CORP	04/28/2010	08/06/2012	21,966.	13,351.	8,615.
225 SHS ANSYS INC	04/28/2010	08/06/2012	18,012.	13,710.	4,302.
145 SHS RALPH LAUREN CORP	04/08/2008	08/06/2012	15,889.	6,633.	9,256.
42 SHS APPLE INC	09/10/2010	08/08/2012	25,894.	10,431.	15,463.
325 SHS YUM BRANDS INC	04/14/2011	08/06/2012	21,154.	13,131.	8,023.
20 SHS GOOGLE INC	07/16/2010	08/08/2012	12,834.	7,609.	5,225.
45 SHS MASTERCARD INC	09/09/2008	08/08/2012	19,235.	11,725.	7,510.
225 SHS URBAN OUTFITTERS INC	07/27/2011	08/08/2012	6,725.	7,298.	-573.
205 SHS PROCTER & GAMBLE	03/15/2005	08/10/2012	13,565.	11,111.	2,454.
150 SHS UNITED TECHNOLOGIE S CORP	04/01/2008	08/10/2012	11,614.	10,706.	908.
250 SHS VERISK ANALYTICS INC	12/03/2010	08/10/2012	11,674.	7,716.	3,958.
925 SHS SCHWAB CHARLES CORP	06/17/2010	08/06/2012	11,397.	11,700.	-303.
110 SHS INTERCONTINENTAL	09/10/2010	08/08/2012	14,510.	11,611.	2,899.
225 SHS NETAPP INC	08/05/2011	08/10/2012	7,433.	10,740.	-3,307.
160 SHS PRAXAIR INC	04/27/2011	08/10/2012	16,842.	10,722.	6,120.
WP STEWART ACCOUNT (ATTACHMENT 11)	VARIOUS	VARIOUS	40,559.	32,286.	8,273.
WP STEWART SECURITIES RESIDUAL BASIS	12/31/2008	08/08/2012	27.		27.
6b Total. Combine the amounts in column (f) Enter here and on Schedule D, line 6b					78,850.

Schedule D-1 (Form 1041) 2012