Form **990-PF**

Department of the Treasury
Internal Revenue Service

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

2008

For calendar year 2008, or tax year beginning October 1, 2008, and ending September 30, 20 09

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

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

Name of foundation: KELLY FOUNDATION

Number and street (or P O box number if mail is not delivered to street address): 3610 American River Dr. Room/suite: 190

City or town, state, and ZIP code: Sacramento, CA 95864

A Employer identification number: 68 0175739

B Telephone number (see page 10 of the instructions): (916) 978-4892

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)* ▶ $ 6396687

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	7729	7729		
	4 Dividends and interest from securities	230606	230606		
	5a Gross rents				
	b Net rental income or (loss)				
	6a Net gain or (loss) from sale of assets not on line 10	150			
	b Gross sales price for all assets on line 6a 2000				
	7 Capital gain net income (from Part IV, line 2)		150		
	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)				
	11 Other income (attach schedule)				
	12 **Total.** Add lines 1 through 11	238485	238485		
Operating and Administrative Expenses	13 Compensation of officers, directors, trustees, etc.	NONE			
	14 Other employee salaries and wages				
	15 Pension plans, employee benefits				
	16a Legal fees (attach schedule) Stmt 1	1746			1746
	b Accounting fees (attach schedule) Stmt 2	950			950
	c Other professional fees (attach schedule)				
	17 Interest				
	18 Taxes (attach schedule) (see page 14 of the instructions) Stmt 3	1955			
	19 Depreciation (attach schedule) and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings				
	22 Printing and publications				
	23 Other expenses (attach schedule) Stmt 4	1995			1995
	24 **Total operating and administrative expenses.** Add lines 13 through 23	6646			4691
	25 Contributions, gifts, grants paid	306213			306213
	26 **Total expenses and disbursements.** Add lines 24 and 25	312859			310904
	27 Subtract line 26 from line 12:				
	a **Excess of revenue over expenses and disbursements**	-74374			
	b **Net investment income** (if negative, enter -0-)		238485		
	c **Adjusted net income** (if negative, enter -0-)				

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23 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 (a) Book Value	End of year (b) Book Value	(c) Fair Market Value
Assets	1 Cash—non-interest-bearing	15037	6711	6711
	2 Savings and temporary cash investments	0	525000	525000
	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 ▶			
	Less: accumulated depreciation (attach schedule) ▶			
	12 Investments—mortgage loans			
	13 Investments—other (attach schedule) Stmt 5	5766171	6389316	6396687
	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)	5781208	6921027	6928398
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)			
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	5781208	6921027	
	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)	5781208	6921027	
	31 **Total liabilities and net assets/fund balances** (see page 17 of the instructions)	5781208	6921027	

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	5781208
2 Enter amount from Part I, line 27a	2	-74374
3 Other increases not included in line 2 (itemize) ▶ STMT6	3	1214193
4 Add lines 1, 2, and 3	4	6921027
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	6921027

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	STMT 7			
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	150
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))
2007	360909	6621181	.05450825162
2006	305509	7056582	.04329418974
2005	331451	6513238	.05088882058
2004	278367	6141396	.04532633948
2003	288490	5931295	.04863861939

2 **Total** of line 1, column (d)	2	.24265622082
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	.048531244
4 Enter the net value of noncharitable-use assets for 2008 from Part X, line 5	4	5885971
5 Multiply line 4 by line 3	5	285653
6 Enter 1% of net investment income (1% of Part I, line 27b)	6	2385
7 Add lines 5 and 6	7	288038
8 Enter qualifying distributions from Part XII, line 4	8	310904

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 letter: .... **(attach copy of ruling letter if necessary—see instructions)**			
b Domestic foundations that meet the section 4940(e) requirements in Part V, check here ▶ ☑ and enter 1% of Part I, line 27b	1	2385	
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	2385	
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	2385	
6 Credits/Payments.			
a 2008 estimated tax payments and 2007 overpayment credited to 2008 — 6a: 5200			
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	5200	
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		
10 **Overpayment.** If line 7 is more than the total of lines 5 and 8, enter the **amount overpaid** ▶	10	2815	
11 Enter the amount of line 10 to be: **Credited to 2009 estimated tax** ▶ 2815 **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		✓
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		✓
*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		✓
d Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year: **(1)** On the foundation. ▶ $ None **(2)** On foundation managers. ▶ $ None			
e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers ▶ $ None			
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		✓
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	✓	
4a Did the foundation have unrelated business gross income of $1,000 or more during the year?	4a		✓
b If "Yes," has it filed a tax return on **Form 990-T** for this year?	4b	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.*	5		✓
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	✓	
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	✓	
8a Enter the states to which the foundation reports or with which it is registered (see page 19 of the instructions) ▶ California			
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	✓	
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 2008 or the taxable year beginning in 2008 (see instructions for Part XIV on page 27)? *If "Yes," complete Part XIV*	9		✓
10 Did any persons become substantial contributors during the tax year? *If "Yes," attach a schedule listing their names and addresses*	10		✓

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

			Yes	No
11	At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," attach schedule (see page 20 of the instructions)	11		✓
12	Did the foundation acquire a direct or indirect interest in any applicable insurance contract before August 17, 2008?	12	N/A	
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application?	13	✓	

Website address ▶

14 The books are in care of ▶ Bea Barbee Telephone no. ▶ 978-4892

Located at ▶ 3610 American River Dr. #190, Sacramento, CA ZIP+4 ▶ 95864-5999

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

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 page 20 of the instructions)?	1b	N/A	
	Organizations relying on a current notice regarding disaster assistance check here ▶ ☐			
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 2008?	1c		✓
2	Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5)):			
a	At the end of tax year 2008, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2008? ☐ 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	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....			
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 2008 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 2008.)*	3b	N/A	
4a	Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?	4a		✓
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 2008?	4b		✓

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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)? **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? 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 you answered "Yes" to 6b, also file Form 8870.

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

b If yes, did the foundation receive any proceeds or have any net income attributable to the transaction? **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 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
STMT 8		0	NONE	NONE

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 ▶ NONE

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 . . . . ▶ NONE

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 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	
All other program-related investments See page 24 of the instructions 3	
Total. Add lines 1 through 3 . . . . ▶	NONE

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	5668295
b	Average of monthly cash balances	1b	289310
c	Fair market value of all other assets (see page 24 of the instructions)	1c	NONE
d	**Total** (add lines 1a, b, and c)	1d	5957605
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	NONE
3	Subtract line 2 from line 1d	3	5957605
4	Cash deemed held for charitable activities Enter 1½ % of line 3 (for greater amount, see page 25 of the instructions)	4	89364
5	**Net value of noncharitable-use assets.** Subtract line 4 from line 3 Enter here and on Part V, line 4	5	5868241
6	**Minimum investment return.** Enter 5% of line 5	6	293412

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	293412
2a	Tax on investment income for 2008 from Part VI, line 5	2a	2385		
b	Income tax for 2008 (This does not include the tax from Part VI.)	2b	0		
c	Add lines 2a and 2b			2c	2385
3	Distributable amount before adjustments. Subtract line 2c from line 1			3	291027
4	Recoveries of amounts treated as qualifying distributions			4	NONE
5	Add lines 3 and 4			5	291027
6	Deduction from distributable amount (see page 25 of the instructions)			6	NONE
7	**Distributable amount** as adjusted Subtract line 6 from line 5 Enter here and on Part XIII, line 1			7	291027

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	310904
b	Program-related investments—total from Part IX-B	1b	NONE
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc, purposes	2	NONE
3	Amounts set aside for specific charitable projects that satisfy the:		
a	Suitability test (prior IRS approval required)	3a	NONE
b	Cash distribution test (attach the required schedule)	3b	NONE
4	**Qualifying distributions.** Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	4	310904
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	2385
6	**Adjusted qualifying distributions.** Subtract line 5 from line 4	6	308519

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 2007	(c) 2007	(d) 2008
1 Distributable amount for 2008 from Part XI, line 7				291027
2 Undistributed income, if any, as of the end of 2007:				
a Enter amount for 2007 only			291502	
b Total for prior years 20____,20____,20____				
3 Excess distributions carryover, if any, to 2008				
a From 2003				
b From 2004				
c From 2005				
d From 2006				
e From 2007				
f **Total** of lines 3a through e				
4 Qualifying distributions for 2008 from Part XII, line 4: ▶ $ 308519				
a Applied to 2007, but not more than line 2a			291502	
b Applied to undistributed income of prior years (Election required—see page 26 of the instructions)				
c Treated as distributions out of corpus (Election required—see page 26 of the instructions)				
d Applied to 2008 distributable amount				17017
e Remaining amount distributed out of corpus				
5 Excess distributions carryover applied to 2008 *(If an amount appears in column (d), the same amount must be shown in column (a).)*				NONE
6 **Enter the net total of each column as indicated below:**				
a Corpus Add lines 3f, 4c, and 4e Subtract line 5				
b Prior years' undistributed income. Subtract line 4b from line 2b				
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed				
d Subtract line 6c from line 6b Taxable amount—see page 27 of the instructions				
e Undistributed income for 2007 Subtract line 4a from line 2a Taxable amount—see page 27 of the instructions				
f Undistributed income for 2008. Subtract lines 4d and 5 from line 1 This amount must be distributed in 2009				274010
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)				
8 Excess distributions carryover from 2003 not applied on line 5 or line 7 (see page 27 of the instructions)				
9 **Excess distributions carryover to 2009.** Subtract lines 7 and 8 from line 6a				
10 Analysis of line 9				
a Excess from 2004				
b Excess from 2005				
c Excess from 2006				
d Excess from 2007				
e Excess from 2008				

Part XIV Private Operating Foundations (see page 27 of the instructions and Part VII-A, question 9) N/A

1a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2008 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			
	(a) 2008	(b) 2007	(c) 2006	(d) 2005	(e) Total
2a 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 ⅔ 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 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))

Jon S. Kelly and Gregory G. Kelly, members of J.S. Kelly, LLC and G.G. Kelly, LLC

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 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:

STMT 9-10

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

STMT 9-10

c Any submission deadlines:

STMT 9-10

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

STMT 9-10

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*				
STATEMENT 11				
Total . . . . ▶ 3a				306213
b *Approved for future payment*				
Total . . . . ▶ 3b				NONE

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) Related or exempt function income (See page 28 of the 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			14	7729	
4 Dividends and interest from securities			14	230606	
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	150	
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)				238485	

13 **Total.** Add line 12, columns (b), (d), and (e) 13 238485

(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.)
	N/A

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

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 noncharitable 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

Scott H. Nichols — Signature of officer or trustee

1-15-10 — Date

Treasurer — Title

Paid Preparer's Use Only

Preparer's signature: Alfl a Pereira	Date: 1/11/10	Check if self-employed ▶ ☐	Preparer's identifying number (see **Signature** on page 30 of the instructions): P00286106
Firm's name (or yours if self-employed), address, and ZIP code: PRICEWATERHOUSECOOPERS 400 CAPITOL MALL, SUITE 600 SACRAMENTO, CA 95814-4602		EIN ▶ 13 : 4008324	Phone no. (916)930-8100

Statement 1
Form 990-PF, Part I, Line 16a
Legal Fees

	(a) Expenses per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
Legal fees	$ 1,746			$ 1,746
Total	$ 1,746	$ -	$ -	$ 1,746

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

	(a) Expenses per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
Tax return fees	$ 950			$ 950
Total	$ 950	$ -	$ -	$ 950

Statement 3
Form 990-PF, Part I, Line 18
Taxes

	(a) Expenses per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
Excise Tax	$ 1,995			
Total	$ 1,995	$ -	$ -	$ -

Statement 4
Form 990-PF, Part I, Line 23
Other Expenses

	(a) Expenses per Books	(b) Net Investment Income	(c) Adjusted Net Income	(d) Charitable Purposes
Association Dues	$ 495			$ 495
Insurance-Liability/D&O	1,285			1,285
Office Expense	215			215
	-			-
Total	$ 1,995	$ -	$ -	$ 1,995

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

	Valuation Method	Book Value	Fair Market Value
Mutual Fund Investment-Dodge & Cox	Mkt Value	$ 3,511,634	$ 3,518,266
Mutual Fund Investment-Paydenfunds	Mkt Value	397,572	397,572
Mutual Fund Investment-DFA	Mkt Value	2,480,110	2,480,849
	Total	$ 6,389,316	$ 6,396,687

Statement 6
Form 990-PF, Part III, Line 3
Other Increases

FMV Adjustment of Investments	$ 94,389
Cash and CD from RCB Foundation	1,119,804
Total	$ 1,214,193

2008 KELLY FOUNDATION Capital Gains - 2009

10/1/2008 through 9/30/2009

Account	Security	Shares	Bought	Sold	Gross Proceeds	Cost Basis	Realized Gain/L...
LONG TERM							
Dodge & Cox Income Fund	Dodge & Cox Income Fund	155.763	2/14/1997	9/8/2009	2,000.00	1,850.46	149.54
TOTAL LONG TERM					**2,000.00**	**1,850.46**	**149.54**
OVERALL TOTAL					**2,000.00**	**1,850.46**	**149.54**

Statement 8
Form 990-PF, Part VIII, Line 1
List of Officers, Directors and Trustees

Name and Address	Title	Avg hours/wk	Compensation	Contrib to EBP & DC	Expense Account
Jon S. Kelly 3610 American River Drive, #190 Sacramento, CA 95864	Director	0.15	NONE	NONE	NONE
Gregory G. Kelly 3610 American River Drive, #190 Sacramento, CA 95864	Dir/Pres	0.25	NONE	NONE	NONE
Scott G. Nichols 3610 American River Drive, #190 Sacramento, CA 95864	Dir/Treasurer	0.50	NONE	NONE	NONE
Bea Ann Barbee 3610 American River Drive, #190 Sacramento, CA 95864	Asst. Treas.	0.50	NONE	NONE	NONE
Shawn L. Devlin 3610 American River Drive, #190 Sacramento, CA 95864	Dir/Secretary	0.50	NONE	NONE	NONE
Keiko Jean Kashiwada 3610 American River Drive, #190 Sacramento, CA 95864	Asst. Sec	2.50	NONE	NONE	NONE
Jeanne Reeves 3610 American River Drive, #190 Sacramento, CA 95864	Director	0.15	NONE	NONE	NONE
Bob Woods 3610 American River Drive, #190 Sacramento, CA 95864	Director	0.15	NONE	NONE	NONE
Anker Christensen 3610 American River Drive, #190 Sacramento, CA 95864	Director	0.15	NONE	NONE	NONE
Wendy Duer 3610 American River Drive, #190 Sacramento, CA 95864	Director	0.15	NONE	NONE	NONE
Mike Newell 3610 American River Drive, #190 Sacramento, CA 95864	Director	0.15	NONE	NONE	NONE
Stephen H. Johanson 3610 American River Drive, #190 Sacramento, CA 95864	Director	0.15	NONE	NONE	NONE

KELLY FOUNDATION 68-0175739

FORM 990PF, PART XV, SUPPLEMENTARY INFORMATION
LINE 2a, b, c, and d.

LINE 2a

Kelly Foundation
PO Box 255868
Sacramento, CA 95865-5868

LINE 2b

See attached Application Form

LINE 2c

Quarterly deadlines as follows:
- October 15
- January 15
- April 15
- July 15

An organization may apply only once a year, regardless of what action is taken.

LINE 2d

Kelly Foundation considers grant requests in the following categories:
- Health and human services
- Education and
- Culture and civic improvement

The Kelly Foundation will not consider grants to the following types of organizations or for the following purposes:
- Religious organizations for explicit religious activities, as distinguished from social or educational activities
- Political organizations or political campaigns
- Fraternal organizations, labor, societies or orders
- Telephone solicitations
- National fundraising efforts.

The Foundation directors may also, from time to time, identify areas for special emphasis when emerging needs require extraordinary attention.

Grants are generally made up for one (1) year only, through a limited number of multi-year grants may be made available.

KELLY FOUNDATION

APPLICATION FORM

KELLY FOUNDATION APPLICATION FORM

Please read carefully:

We would like to give your organization every opportunity to "shine" which is part of the reason for this somewhat lengthy application procedure. Unfortunately, our funds are much more limited than are the needs in the community, so we have to ask detailed questions to distinguish carefully among the projects and organizations. Please be assured that the time and effort you spend on this application is very much appreciated.

Before filling out this form, please review the "Grant Distribution Guidelines" for the Kelly Foundation to be sure your proposal qualifies for consideration. You are strongly encouraged to send a preliminary letter of inquiry, though a binding determination will not be made until the full application is submitted.

Please type your answer to each question as concisely as possible, using "not applicable" as your response to those questions you feel are not germane to your proposal. You are welcome to use extra sheets if necessary. Submit original and (1) copy of the application form prior to the quarterly deadline.

All applications must be accompanied by one (1) copy of an IRS 501 (c) (3) Tax Exemption Letter. A detailed project budget must also be attached, as well as a current annual budget and audited financial statement of the organization, if available. Finally, one (1) copy of the roster of the Board of Directors should also be included. A checklist is at the end of this form for your convenience.

I. ORGANIZATION

Name ______________________________

Address ______________________________

____

Contact ______________________________
Name Title Telephone

rev. 3/98

CHECKLIST

Please attach one (1) copy of each of the following documents to each of the two (2) Application forms you submit:

A. Total agency budget ____________________

B. Detailed project budget ____________________

C. Descriptive brochures, if available ____________________

Please submit one (1) copy of each of the following documents with your application package:

D. Audited financial statement, if available ____________________

E. List of officers and board members, including addresses and occupations ____________________

F. Copy of IRS 501 (c) (3) Tax Exemption Determination Letter ____________________

When your application packet is complete, please send it according to the schedule describes on the information sheet to:

KELLY FOUNDATION
PO Box 255868
Sacramento, CA 95865-5868

KELLY FOUNDATION APPLICATION FORM

1. What are the major goals of your organization?

2. When was it founded? ______________________________

3. What were the major accomplishments of the organization last year?

4. Describe the characteristics and geographical area of the population you serve.

5- Annual income: ______________________________

Sources of income:	Percent to total
a. Ticket sales or other fees (specify):	____________
b. Membership and individual contributions:	____________
c. United Way or other public charities:	____________
d. Corporate donations (specify):	____________
e. Government (specify):	____________
f. Foundations:	____________
g. Other:	____________

6. Please list previous grant applications to the Kelly Foundation:

Date	Purpose	Amount Requested	Amount Approved	Kelly Contact

7. Does or will your organization engage in activities intending to influence legislation or intervene in any way in political campaigns?

Yes ____________ No ____________

PROJECT

8 Amount requested from the Kelly Foundation? ____________

9. When is the funding needed from us? ____________

10. Indicate whether request is for:

Special Program ____________

One-time capital expenditure ____________

Operating support ____________

Other ____________

11. List the primary objectives of the project:

12. List the primary methods by which you intend to achieve these objectives:

13. Briefly describe what you intend to do with the money requested, including starting date, benchmarks or milestones, completion date, and public or private organizations you will work with in carrying out your plan. (If this is a capital request, please describe briefly the item(s) needed and the itemized costs. If it is a campaign, describe the components of the drive and the separate dollar goals.)

14. How did you determine that this project would fill an important need in the community?

15. What evidence do you have of community support for your proposal?

16 List other organizations involved in similar projects and indicate the extent of coordination with each, if applicable. (To the extent that your program duplicates others in the area, what distinguishes it from the others?)

17. How will the project be monitored and the results evaluated?

18. Total proposal budget: ______________________

Percent requested from Kelly Foundation: ______________________

19 Amount requested from other sources:

Name	Amount	Present Status

20. Is there anything else you would like to tell us?

The preceding information is correct to the best of my knowledge and belief.

Signature ______________________

Title ______________________

Date ______________________

Please have the Chairman of the Board sign below:

Name ______________________

Date ______________________

Kelly Foundation #68-0175739
2007 Form 990-PF
Part XV Line 3a

Supplementary Information/Grants and Contributions Paid During the Year

Recipient/Address	Status	Purpose	Amount
UC Davis, School of Veterinary Medicine One Shields Avenue, Davis, CA 95616 / Gregory Ferraro	Non-profit #13-1930701	Research fellowship - Carrie Finno 501(c)	$ 50,000
Ronald McDonald House Charities 2555 49th Street, Sacramento, CA 95817 Ms Chelsea White	Non-profit #68-0147193	Adopt a Family program	$ 10,000
Aerospace Museum 3200 Freedom Park Drive, McClelland, CA 95652 Mr William Hegland	#94-2831253	Flight Simulation Education program	$ 5,000
Cystic Fibrosis Foundation 9820 Willow Creek Road, #245, San Diego, CA 92131	Non-profit #13-1930701	Research 509(c)	$ 5,000
Special Olympics of No. California 3841 No Freeway Blvd #280, Sacramento, CA 95834 Ms Laurie Espinoza	Non-profit #68-0363121	2009 basketball program	$ 5,000
American Heart Association 2007 - O Street, Sacramento, CA 95814 Ms Suzanne Bartlett	Non-profit #13-5613797	Training & workshops	$ 5,000
VSA Arts Califoria 4660 Natomas Blvd, #120-225, Sacramento, CA 95835 Ms Alice Parente	Non-profit #95-40550664	"I Can Do That" program for children with disabilities	$ 5,000
Discovery Museum 3615 Auburn Blvd, Sacramento, CA 95821 Ms Beth Callahan	Non-profit #680321106	Outreach Programs - underserved schools	$ 5,000
Sacramento Theatre Co 1419 H Street, Sacramento, CA 95814	Non-profit #94-1347081	Kids Write Plays - instructors & mateials	$ 5,000
Cristo Rey High School 6200 McMahon Drive, Sacramento, CA 95824-3153 Joan Evans	Non-profit #04-3832927	Corporate Work-Study Program	$ 5,000
		Total paid Nov '08 for Q1	**$ 100,000**
Asian Pacific Rim Foundation 936 Sunwood Way, Sacramento, CA 95831 Ms Bernadette Chiang	Non-profit 31-1583818	Scholarships	$ 5,000
Sacramento Tree Foundation 191 Lathrop Way, Suite D, Sacramento, CA 95815 Ray Tretheway	Non-profit 94-2825234	General Operating Support	$ 10,000
Jesuit High School 1200 Jacob Lane, Carmichael, CA 95608 Rev Gregory R Bonfiglio	Non-profit 94-1525873	Capital Expense - building fund	$ 10,000
Sacramento Youth Symphony 3443 Ramona Avenue, #22, Sacramento, CA 95826 Cathy Taylor, Past President	Non-profit 68-0233148	Student Scholarships	$ 5,000
		Total paid Feb '09 for Q2	**$ 30,000**
KVIE Public Television 2030 W El Camino Avenue, Sacramento, CA 95833 Kevin Smith-Fagan	Non-profit 94-1421463	Purchase & install HD cameras & equipment	$ 5,000

Kelly Foundation #68-0175739
2007 Form 990-PF
Part XV Line 3a

Supplementary Information/Grants and Contributions Paid During the Year

Recipient/Address	Status	Purpose		Amount
Salvation Army 3755 No Freeway Blvd, Sacramento, CA 95834 Valerie Reynoso-Piotrowski	Non-profit 94-1156347	Child Development Center	$	10,000
Loaves & Fishes PO Box 2161, Sacramento, CA 95812-2161 Bernadette O'Keefe	Non-profit 68-0189897	To be used towards food & shelter	$	5,000
Stanford Home 8912 Volunteer Lane, Sacramento, CA 95826 Keith Diederich	Non-profit 68-0065690	Foster care program	$	10,000
Senior Gleaners 1951 Bell Avenue, Sacramento, CA 95838 #51-0183481	Non-profit	Elderly Needs Program	$	10,000
Sierra Adoption Services 8928 Volunteer Lane, #240, Sacramento, CA 95826 Bobby Cobbs	Non-profit	Destiny Family Youth Permanancy project Preparing youth for placement in homes	$	5,000
Ronald McDonald House Charities 2555 - 49th Street, Sacramento, CA 95817 Chelsea White / ID #68-0147193	Non-profit	Adopt-a-Family Program	$	20,000
Food For Families PO Box 15618, Sacramento, CA 95852-1618 Ken Mueller / ID #68-0195082	Non-profit	Money for local food banks	$	61,213
Yolo Literacy Council 250 First Street, Woodland, CA 95695 Sue Bigelow / ID #94-3036487	Non-profit	Literacy, GED & job skills for- homeless	$	10,000
Explorit Science Center PO Box 1288, Davis, CA 95617-1288 Lindsay Poss / ID #68-0010584	Non-profit	Free Fridays admissions for 2400 people	$	10,000
Alzheimer's Association 530 Bercut Drive, Suite A, Sacramento, CA 95811 Mary Gillon / ID #13-3039601	Non-profit	Living With Memory Loss Program	$	10,000
Sacramento Rotary Club - Golf 4 Kids 355 Commerce Circle, Sacramento, CA 95815 Mr Chris Winger / ID #23-7117223	Non-profit	Golf for handicapped kids	$	10,000
Pride Foundation 10030 Foothills Blvd, Roseville, CA 95747-7102 Jennifer Palchak / ID #90-3914325	Non-profit	Career Readiness internships for 10 youth	$	10,000
	Granted during Oct 2008 - Sept 2009 year		**$**	**306,213**

Kelly Foundation 68-0175739

STATEMENT OF FACTS

RE: Agreement and Plan of Merger

Per the attached acknowledgment from the Secretary of State sealed and recorded on October 20, 2008 along with a copy of the Agreement and Plan of Merger, the Kelly Foundation and the RCB Foundation were merged together with the Kelly Foundation being the surviving corporation.

A0683624

SMS

State of California
Secretary of State

I, DEBRA BOWEN, Secretary of State of the State of California, hereby certify:

That the attached transcript of 6 page(s) has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

OCT 2 0 2008

DEBRA BOWEN
Secretary of State

A0683624

RECEIVED
Attorney General's Office

SEP 09 2008

Registry of
Charitable Trusts

AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger ("Agreement") dated as of September 8, 2008, is entered into by and between the Kelly Foundation, a California nonprofit public benefit corporation ("Kelly") and the RCB Foundation, a California non-profit public benefit corporation ("RCB") with reference to the following:

RECITALS

A. Kelly is a nonprofit public benefit corporation organized and existing under the laws of the state of California

B RCB is a nonprofit public benefit corporation organized and existing under the law of the state of California

C Kelly and RCB are each private foundations as defined under Internal Revenue Code §509(a) and are each exempt from federal tax under Internal Revenue Code §501(c)(3)

D The Boards of Directors of Kelly and RCB have determined that it is advisable and in the best interests of both Kelly and RCB that RCB merge with Kelly pursuant to the provisions of California Corporations Code § 6010 et seq and subject to the approvals required by law and the articles and bylaws of Kelly and RCB

NOW THEREFORE, the parties to this Agreement, in consideration of the mutual covenants, agreements and provisions contained herein, agree as follows:

ARTICLE I
MERGER

1.1 Surviving Corporation Kelly shall be the surviving corporation Kelly has no members and any action by Kelly requires the approval of the Kelly Board of Directors

1.2 Disappearing Corporation. RCB shall be the disappearing corporation. RCB has no members and any action by RCB requires the approval of the RCB Board of Directors

1.3 Effective Date The "Effective Date" of this merger shall be the date when all of the following have occurred (i) all applicable laws have been complied with; (ii) all necessary authorizations, approvals, or consents have been received; and (iii) a copy of this Agreement, together with an officer's certificate of Kelly and RCB, have been submitted and accepted by the California Secretary of State for filing. In no event shall the Effective Date occur prior to October 1, 2008

ENDORSED - FILED
In the office of the Secretary of State
of the State of California

OCT 16 2008

1.4 Approvals and Consents. The merger is subject to receipt of the approval of any person or persons required by law or by the articles or bylaws of Kelly or RCB or which approval or consent is required to maintain Kelly's tax exempt status. If such approvals or consents are not obtained, this Agreement shall be terminated, as provided in paragraph 3.1

1.5 Statement of Merger. It is agreed by the parties that on the Effective Date, RCB shall be merged into Kelly, the corporate existence of Kelly shall continue and the separate corporate existence of RCB shall cease. The corporate identity, existence, purposes, powers, rights, and immunities of RCB shall be merged into and vested in Kelly and, except as otherwise provided in this Agreement, the corporate identity, existence, purposes, powers, rights, and immunities of Kelly shall continue unaffected and unimpaired by the merger. Kelly shall be subject to all RCB's debts, liabilities, and trust obligations in the same manner as if Kelly had itself incurred them, and all rights of creditors and all liens and trust obligations on or arising from the property of each constituent corporation shall be preserved unimpaired

ARTICLE II
ARTICLES, BYLAWS, DIRECTORS AND OFFICERS

2.1 Articles and Bylaws. Kelly's Articles of Incorporation and Bylaws in effect immediately preceding the Effective Date shall be and remain its Articles of Incorporation and Bylaws until amended or repealed as provided by law

2.2 Directors and Officers: The directors and officers of Kelly from and after the Effective Date until changed in accordance with law or Kelly's Articles of Incorporation and Bylaws shall be as follows:

2.2.1 Directors

Jon S. Kelly	Shawn L. Devlin
Gregory G. Kelly	Anker Christensen
Scott G. Nichols	Wendy Duer
Jeanne Reaves	Mike Nowell
Bob Woods	Stephen H. Johanson

2.2.2 Officers:

President: Gregory G. Kelly
Secretary: Shawn L. Devlin
Assistant Secretary: Keiko Jean Kashiwada
Treasurer: Scott G. Nichols
Assistant Treasurer: Bea Ann Barbee

ARTICLE III
TERMINATION OR ABANDONMENT

3.1 Termination or Abandonment The Agreement my be terminated and the merger abandoned at any time before the Effective Date (i) by the mutual consent of the respective boards of directors of Kelly and RCB, or (ii) if in the opinion of the board of directors of either Kelly or RCB, evidenced by a certified copy of resolution of that board filed with the other party that the merger is impractical or undesirable because of any of the following facts or circumstances:

(a) The occurrence of a material adverse change in the other party's activities, holdings or financial position,

(b) The opinion of counsel for a party that the merger would not be a tax-free reorganization or that the effect of the merger would jeopardize the continued tax exempt status of Kelly under Internal Revenue Code § 501(c)(3), or

(c) The inability to obtain the necessary approvals or consents required by law to consummated the merger contemplated by this Agreement.

In the event termination of this Agreement occurs as provided in this paragraph 3.1, neither Kelly nor RCB or their respective boards of directors or officers shall be liable to the other

ARTICLE IV
MISCELLANEOUS

4.1 Activities Prohibited. Between the date of this Agreement and the Effective Date or date of termination, neither Kelly nor RCB shall, without the prior written consent of the other (i) engage in any activity or transaction other than in the ordinary course of its affairs, (ii) amend it articles or bylaws, or (iii) do any act which would jeopardize its continued tax exempt status or non-profit status under any applicable law.

4.2 Amendments. This Agreement may be amended only by a writing signed by both Kelly and RCB and which has been approved by each of the respective boards of directors of Kelly and RCB.

4.3 Governing Law. This Agreement and any disputes arising hereunder shall be governed by the laws of the State of California

4.4 Entire Agreement. This Agreement constitutes the entire Agreement of the parties hereto, superseding any prior written or oral agreements between them concerning the subject matter hereof.

4.5 Counterparts. This Agreement my be executed in counterparts and each such counterpart shall be deemed to be an original instrument, but all of them together shall constitute the Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written

KELLY FOUNDATION, a California non profit public benefit corporation

By [signature]
Its: President

By [signature]
Its: Secretary

RCH FOUNDATION, a California non-profit public benefit corporation

By [signature]
Its: President

By [signature]
Its: Secretary

CERTIFICATE OF APPROVAL
OF
AGREEMENT OF MERGER

Gregory G. Kelly and Scott G. Nichols certify that:

1. They are the President and the Assistant Secretary, respectively, of the Kelly Foundation, a California nonprofit public benefit corporation (the "Corporation").

2. The terms of the Agreement of Merger in the form attached were duly approved by the required vote of the board of directors of the Corporation

3. The Corporation has no members.

4. No other approvals are required.

5. The Attorney General of the State of California has been given prior notice of the merger.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge

Dated: September 8, 2008

Gregory G. Kelly, President

Scott G. Nichols, Assistant Secretary

CERTIFICATE OF APPROVAL
OF
AGREEMENT OF MERGER

Jeanne Reaves and Stephen H. Johanson certify that:

1. They are the President and the Secretary, respectively, of the RCB Foundation, a California nonprofit public benefit corporation (the "Corporation").

2. The terms of the Agreement of Merger in the form attached were duly approved by the required vote of the board of directors of the Corporation.

3. The Corporation has no members.

4. No other approvals are required.

5. The Attorney General of the State of California has been given prior notice of the merger.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Dated: October 7, 2008

Jeanne Reaves, President

Stephen H. Johanson., Secretary