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**Return of Private Foundation
or Section 4947(a)(1) Nonexempt Charitable Trust
Treated as a Private Foundation****2012**

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

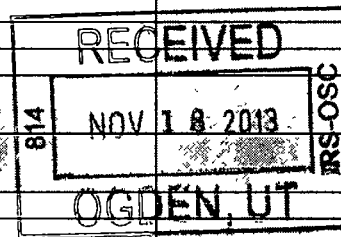
For calendar year 2012, or tax year beginning , 2012, and ending ,

THE KAO FAMILY FOUNDATION
C/O FAVOR & FAVOR, CPAS
24422 AVENIDA DE LA CARLOTA #275
LAGUNA HILLS, CA 92653-4615**A** Employer identification number
45-3859531**B** Telephone number (see the instructions)
(949) 829-8299**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: ☐ Initial return ☐ Initial return of a former public charity
☐ Final return ☐ Amended return
☐ Address change ☐ Name change**H** Check type of organization ☒ Section 501(c)(3) exempt private foundation
☐ Section 4947(a)(1) nonexempt charitable trust ☐ Other taxable private foundation**I** Fair market value of all assets at end of year (from Part II, column (c), line 16)
\$ 2,217,482.
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 (att sch)	1,000,000.			
	2 Ck <input type="checkbox"/> if the foundn is not req to att Sch B				
	3 Interest on savings and temporary cash investments	9,604.	9,604.		
	4 Dividends and interest from securities	19,986.	19,986.		
	5a Gross rents				
	b Net rental income or (loss)				
	6a Net gain/(loss) from sale of assets not on line 10	3,736.			
	b Gross sales price for all assets on line 6a	430,009.			
	7 Capital gain net income (from Part IV, line 2)		3,736.		
	8 Net short-term capital gain				
	9 Income modifications				
	10a Gross sales less returns and allowances				
b Less Cost of goods sold					
c Gross profit/(loss) (att sch)					
11 Other income (attach schedule)					
12 Total. Add lines 1 through 11	1,033,326.	33,326.	0.		
ADMINISTRATIVE EXPENSES	13 Compensation of officers, directors, trustees, etc	0.			
	14 Other employee salaries and wages				
	15 Pension plans, employee benefits				
	16a Legal fees (attach schedule)				
	b Accounting fees (attach sch) SEE ST 1	3,275.			
	c Other prof fees (attach sch) SEE ST 2	6,516.			
	17 Interest				
	18 Taxes (attach schedule)(see instrs.) SEE STM 3	200.			
	19 Depreciation (attach sch) and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings				
	22 Printing and publications				
23 Other expenses (attach schedule) SEE STATEMENT 4	7,379.	7,349.			
24 Total operating and administrative expenses. Add lines 13 through 23	17,370.	7,349.			
25 Contributions, gifts, grants paid PART XV	311,845.			311,845.	
26 Total expenses and disbursements. Add lines 24 and 25	329,215.	7,349.	0.	311,845.	
27 Subtract line 26 from line 12:					
a Excess of revenue over expenses and disbursements	704,111.				
b Net investment income (if negative, enter -0-)		25,977.			
c Adjusted net income (if negative, enter -0-)			0.		



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Part II Balance Sheets

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

Beginning of year

End of year

(a) Book Value

(b) Book Value

(c) Fair Market Value

ASSETS	1	Cash — non-interest-bearing			
	2	Savings and temporary cash investments	1,500,022.	395,615.	395,615.
	3	Accounts receivable			
		Less: allowance for doubtful accounts			
	4	Pledges receivable	3,288.		
		Less: allowance for doubtful accounts		3,288.	3,288.
	5	Grants receivable			
	6	Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see instructions)			
	7	Other notes and loans receivable (attach sch)			
		Less: allowance for doubtful accounts			
	8	Inventories for sale or use			
	9	Prepaid expenses and deferred charges			
	10a	Investments — U.S. and state government obligations (attach schedule)		937,844.	951,083.
	b	Investments — corporate stock (attach schedule) STATEMENT 5		867,386.	867,496.
	c	Investments — corporate bonds (attach schedule)			
	LIABILITIES	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).	1,500,022.	2,204,133.	2,217,482.
17		Accounts payable and accrued expenses			
18		Grants payable			
19	Deferred revenue				
20	Loans from officers, directors, trustees, & other disqualified persons				
21	Mortgages and other notes payable (attach schedule)				
22	Other liabilities (describe)				
23	Total liabilities (add lines 17 through 22)	0.	0.		
NET ASSETS OR FUND BALANCES	Foundations that follow SFAS 117, check here and complete lines 24 through 26 and lines 30 and 31.				
	24	Unrestricted			
	25	Temporarily restricted			
	26	Permanently restricted			
	Foundations that do not follow SFAS 117, check here and complete lines 27 through 31.		<input checked="" type="checkbox"/>		
	27	Capital stock, trust principal, or current funds			
	28	Paid-in or capital surplus, or land, building, and equipment fund			
	29	Retained earnings, accumulated income, endowment, or other funds	1,500,022.	2,204,133.	
	30	Total net assets or fund balances (see instructions)	1,500,022.	2,204,133.	
31	Total liabilities and net assets/fund balances (see instructions)	1,500,022.	2,204,133.		

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	1,500,022.
2	Enter amount from Part I, line 27a	2	704,111.
3	Other increases not included in line 2 (itemize)	3	
4	Add lines 1, 2, and 3	4	2,204,133.
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	2,204,133.

Part IV Capital Gains and Losses for Tax on Investment Income

(a) List and describe the kind(s) of property sold (e.g., real estate, 2-story brick warehouse, or common stock, 200 shares MLC Company)		(b) How acquired P — Purchase D — Donation	(c) Date acquired (month, day, year)	(d) Date sold (month, day, year)
1 a	ST GAIN-SEE ATTACHED STMT ML#74003	P	VARIOUS	VARIOUS
b	ST GAIN-SEE ATTACHED STMT ML#74003	P	VARIOUS	VARIOUS
c	ST LOSS-SEE ATTACHED STMT ML#74003	P	VARIOUS	VARIOUS
d	CAPITAL GAIN DIVIDENDS			
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 227,125.		224,622.	2,503.
b 83,685.		83,685.	0.
c 117,342.		117,966.	-624.
d			
e			

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(i) Gains (Column (h) gain minus column (k), but not less than -0-) or Losses (from column (h))
(j) Fair Market Value as of 12/31/69	(i) Adjusted basis as of 12/31/69	(k) Excess of column (i) over column (j), if any	
a			2,503.
b			0.
c			-624.
d			1,857.
e			

2 Capital gain net income or (net capital loss)	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> If gain, also enter in Part I, line 7 If (loss), enter -0- in Part I, line 7 </div>		2	3,736.
3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6)	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> If gain, also enter in Part I, line 8, column (c) (see instructions). If (loss), enter -0- in Part I, line 8 </div>		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 (column (b) divided by column (c))
2011		1,477,522.	
2010			
2009			
2008			
2007			

2 Total of line 1, column (d)	2	
3 Average distribution ratio for the 5-year base period — divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years	3	
4 Enter the net value of noncharitable-use assets for 2012 from Part X, line 5	4	1,444,209.
5 Multiply line 4 by line 3	5	
6 Enter 1% of net investment income (1% of Part I, line 27b)	6	260.
7 Add lines 5 and 6	7	260.
8 Enter qualifying distributions from Part XII, line 4	8	311,845.

If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate. See the Part VI instructions.

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

1 a Exempt operating foundations described in section 4940(d)(2), check here <input type="checkbox"/> and enter 'N/A' on line 1. Date of ruling or determination letter. _____ (attach copy of letter if necessary — see instrs)			
b Domestic foundations that meet the section 4940(e) requirements in Part V, check here <input checked="" type="checkbox"/> and enter 1% of Part I, line 27b		1	260.
c All other domestic foundations enter 2% of line 27b. Exempt foreign organizations enter 4% of Part I, line 12, column (b)			
2 Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)		2	0.
3 Add lines 1 and 2		3	260.
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	260.
6 Credits/Payments:			
a 2012 estimated tax pmts and 2011 overpayment credited to 2012	6 a	200.	
b Exempt foreign organizations — tax withheld at source	6 b		
c Tax paid with application for extension of time to file (Form 8868)	6 c		
d Backup withholding erroneously withheld	6 d		
7 Total credits and payments. Add lines 6a through 6d	7	200.	
8 Enter any penalty for underpayment of estimated tax. Check here <input type="checkbox"/> if Form 2220 is attached	8		
9 Tax due. If the total of lines 5 and 8 is more than line 7, enter amount owed	9	60.	
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 <input type="checkbox"/> Refunded <input type="checkbox"/>	11		

Part VII-A Statements Regarding Activities

	Yes	No
1 a During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?		X
b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see the instructions for definition)? <i>If the answer is 'Yes' to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities</i>		X
c Did the foundation file Form 1120-POL for this year?		X
d Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year: (1) On the foundation <input type="checkbox"/> \$ 0. (2) On foundation managers <input type="checkbox"/> \$ 0.		
e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers <input type="checkbox"/> \$ 0.		
2 Has the foundation engaged in any activities that have not previously been reported to the IRS? <i>If 'Yes,' attach a detailed description of the activities</i>		X
3 Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? <i>If 'Yes,' attach a conformed copy of the changes</i>		X
4 a Did the foundation have unrelated business gross income of \$1,000 or more during the year?		X
b If 'Yes,' has it filed a tax return on Form 990-T for this year?	N/A	
5 Was there a liquidation, termination, dissolution, or substantial contraction during the year? <i>If 'Yes,' attach the statement required by General Instruction T.</i>		X
6 Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either: • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	X	
7 Did the foundation have at least \$5,000 in assets at any time during the year? <i>If 'Yes,' complete Part II, column (c), and Part XV</i>	X	
8 a Enter the states to which the foundation reports or with which it is registered (see instructions) CA		
b If the answer is 'Yes' to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by <i>General Instruction G</i> ? <i>If 'No,' attach explanation</i>	X	
9 Is the foundation claiming status as a private operating foundation within the meaning of section 4942(i)(3) or 4942(i)(5) for calendar year 2012 or the taxable year beginning in 2012 (see instructions for Part XIV)? <i>If 'Yes,' complete Part XIV</i>		X
10 Did any persons become substantial contributors during the tax year? <i>If 'Yes,' attach a schedule listing their names and addresses</i>		X

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Part VII-A Statements Regarding Activities (continued)

11	At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If 'Yes', attach schedule (see instructions)	11		X
12	Did the foundation make a distribution to a donor advised fund over which the foundation or a disqualified person had advisory privileges? If 'Yes,' attach statement (see instructions)	12		X
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application? Website address N/A	13	X	
14	The books are in care of FAVOR & FAVOR, CPAS Telephone no (949) 829-8299 Located at 24422 AVENIDA DE LA CARLOTA #275 LAGUNA HILL ZIP + 4 92653-4615			
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 N/A	15		N/A
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? See the instructions for exceptions and filing requirements for Form TD F 90-22.1 If 'Yes,' enter the name of the foreign country	16		X

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

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

	Yes	No
1 a During the year did the foundation (either directly or indirectly)		
(1) Engage in the sale or exchange, or leasing of property with a disqualified person?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
(5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
(6) Agree to pay money or property to a government official? (Exception. Check 'No' if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
1 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 <input type="checkbox"/>	1 b	N/A
1 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?	1 c	X
2 Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5)):		
a At the end of tax year 2012, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2012? If 'Yes,' list the years 20__ , 20__ , 20__ , 20__	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
b Are there any years listed in 2a for which the foundation is not applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to all years listed, answer 'No' and attach statement - see instructions)	2 b	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__		
3 a Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
b If 'Yes,' did it have excess business holdings in 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)	3 b	N/A
4 a Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?	4 a	X
b Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2012?	4 b	X

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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 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?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 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?

N/A

7b

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors**1** List all officers, directors, trustees, foundation managers and their compensation (see instructions).

(a) Name and address	(b) Title, and average hours per week devoted to position	(c) Compensation (If not paid, enter -0-)	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
JOHN E. KAO 24422 AVENIDA CARLOTA, #275 LAGUNA HILLS, CA 92653	PRESIDENT 1.00	0.	0.	0.
SUSAN S. KAO 24422 AVENIDA CARLOTA, #275 LAGUNA HILLS, CA 92653	SECRETARY 1.00	0.	0.	0.

2 Compensation of five highest-paid employees (other than those included on line 1 - see instructions). If none, enter 'NONE.'

(a) Name and address of each employee paid more than \$50,000	(b) Title, and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
NONE				

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

0

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors (continued)**3** Five highest-paid independent contractors for professional services (see instructions). If none, enter 'NONE.'

(a) Name and address of each person paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		
Total number of others receiving over \$50,000 for professional services		0

Part IX-A Summary of Direct Charitable Activities

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

	Expenses
1 N/A	
2	
3	
4	

Part IX-B Summary of Program-Related Investments (see instructions)

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2.	Amount
1 N/A	
2	
All other program-related investments. See instructions.	
3	
Total. Add lines 1 through 3	0.

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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	1 a	742,816.
b	Average of monthly cash balances	1 b	723,386.
c	Fair market value of all other assets (see instructions)	1 c	
d	Total (add lines 1a, b, and c)	1 d	1,466,202.
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1 e	0.
2	Acquisition indebtedness applicable to line 1 assets	2	0.
3	Subtract line 2 from line 1d	3	1,466,202.
4	Cash deemed held for charitable activities. Enter 1-1/2% of line 3 (for greater amount, see instructions)	4	21,993.
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	1,444,209.
6	Minimum investment return. Enter 5% of line 5	6	72,210.

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	72,210.
2 a	Tax on investment income for 2012 from Part VI, line 5	2 a	260.
b	Income tax for 2012. (This does not include the tax from Part VI.)	2 b	
c	Add lines 2a and 2b	2 c	260.
3	Distributable amount before adjustments. Subtract line 2c from line 1	3	71,950.
4	Recoveries of amounts treated as qualifying distributions	4	
5	Add lines 3 and 4	5	71,950.
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	71,950.

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	1 a	311,845.
b	Program-related investments — total from Part IX-B	1 b	
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)	3 a	
b	Cash distribution test (attach the required schedule)	3 b	
4	Qualifying distributions. Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	4	311,845.
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	260.
6	Adjusted qualifying distributions. Subtract line 5 from line 4	6	311,585.

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

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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				71,950.
2 Undistributed income, if any, as of the end of 2012.				
a Enter amount for 2011 only			11,941.	
b Total for prior years: 20____, 20____, 20____		0.		
3 Excess distributions carryover, if any, to 2012.				
a From 2007				
b From 2008				
c From 2009				
d From 2010				
e From 2011				
f Total of lines 3a through e	0.			
4 Qualifying distributions for 2012 from Part XII, line 4. ► \$ 311,845.				
a Applied to 2011, but not more than line 2a			11,941.	
b Applied to undistributed income of prior years (Election required — see instructions)		0.		
c Treated as distributions out of corpus (Election required — see instructions)	0.			
d Applied to 2012 distributable amount				71,950.
e Remaining amount distributed out of corpus	227,954.			
5 Excess distributions carryover applied to 2012 (If an amount appears in column (d), the same amount must be shown in column (a))	0.			0.
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	227,954.			
b Prior years' undistributed income. Subtract line 4b from line 2b		0.		
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed		0.		
d Subtract line 6c from line 6b. Taxable amount — see instructions		0.		
e Undistributed income for 2011. Subtract line 4a from line 2a. Taxable amount — see instructions . .			0.	
f Undistributed income for 2012. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2013				0.
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see instructions)	0.			
8 Excess distributions carryover from 2007 not applied on line 5 or line 7 (see instructions)	0.			
9 Excess distributions carryover to 2013. Subtract lines 7 and 8 from line 6a	227,954.			
10 Analysis of line 9:				
a Excess from 2008				
b Excess from 2009				
c Excess from 2010				
d Excess from 2011				
e Excess from 2012	227,954.			

N/A

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

- b 85% of line 2a**

- 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(i)(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).)

SEE STATEMENT 6

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

NONE

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

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

- a** The name, address, and telephone number 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	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
Name and address (home or business)				
a Paid during the year SEE STATEMENT 7				
Total			3 a	311,845.
b Approved for future payment				
Total			3 b	

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) Exclu- sion 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	9,604.	
4	Dividends and interest from securities			14	19,986.	
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				1,857.	1,879.
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)				31,447.	1,879.
13	Total. Add line 12, columns (b), (d), and (e)				13	33,326.

(See worksheet in line 13 instructions to verify calculations.)

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

[illegible]

Schedule B
(Form 990, 990-EZ,
or 990-PF)

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

► **Attach to Form 990, Form 990-EZ, or Form 990-PF**

OMB No 1545-0047

2012

Name of the organization **THE KAO FAMILY FOUNDATION**
C/O FAVOR & FAVOR, CPAS

Employer identification number
45-3859531

Organization type (check one)

Filers of:

Form 990 or 990-EZ

Section:

- ☐ 501(c)(____) (enter number) organization
☐ 4947(a)(1) nonexempt charitable trust **not** treated as a private foundation
☐ 527 political organization

Form 990-PF

- ☒ 501(c)(3) exempt private foundation
☐ 4947(a)(1) nonexempt charitable trust treated as a private foundation
☐ 501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**

Note. Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

General Rule

- ☒ For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, \$5,000 or more (in money or property) from any one contributor. (Complete Parts I and II.)

Special Rules

- ☐ For a section 501(c)(3) organization filing Form 990 or 990-EZ that met the 33-1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi) and received from any one contributor, during the year, a contribution of the greater of (1) \$5,000 or (2) 2% of the amount on (i) Form 990, Part VIII, line 1h or (ii) Form 990-EZ, line 1. Complete Parts I and II.
- ☐ For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. Complete Parts I, II, and III
- ☐ For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions for use *exclusively* for religious, charitable, etc, purposes, but these contributions did not total to more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc, purpose. Do not complete any of the parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc, contributions of \$5,000 or more during the year ► \$ _____

Caution: An organization that is not covered by the General Rule and/or the Special Rules does not file Schedule B (Form 990, 990-EZ, or 990-PF) but it **must** answer 'No' on Part IV, line 2, of its Form 990, or check the box on line H of its Form 990-EZ or on Part I, line 2, of its Form 990-PF, to certify that it does not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF)

BAA For Paperwork Reduction Act Notice, see the Instructions for Form 990, 990EZ,

Schedule B (Form 990, 990-EZ, or 990-PF) (2012)

Name of organization

Employer identification number

THE KAO FAMILY FOUNDATION

45-3859531

Part I Contributors (see instructions) Use duplicate copies of Part I if additional space is needed.

(a) Number	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1	JOHN E. & SUSAN S. KAO 24422 AVENIDA CARLOTA, #275 LAGUNA HILLS, CA 92653	\$ 1,000,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
			Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
			Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
			Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
			Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
			Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
			Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)

Name of organization

Employer identification number

THE KAO FAMILY FOUNDATION

45-3859531

Part II **Noncash Property** (see instructions). Use duplicate copies of Part II if additional space is needed

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
	N/A		
		\$	
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		\$	
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		\$	
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		\$	
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		\$	
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		\$	

BAA

Schedule B (Form 990, 990-EZ, or 990-PF) (2012)

Name of organization

Employer identification number

Part III Exclusively religious, charitable, etc, individual contributions to section 501(c)(7), (8) or (10)

For organizations completing Part III, enter total of *exclusively* religious, charitable, etc., contributions of **\$1,000 or less** for the year. (Enter this information once See instructions.) Use duplicate copies of Part III if additional space is needed.

► \$ N/A

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
	N/A		
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee

2012

FEDERAL STATEMENTS

PAGE 1

CLIENT E-105

THE KAO FAMILY FOUNDATION
C/O FAVOR & FAVOR, CPAS

45-3859531

11/11/13

11 19AM

STATEMENT 1
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 PREPARATION FEE	\$ 3,275.			
TOTAL	\$ 3,275.	\$ 0.	\$ 0.	\$ 0.

STATEMENT 2
FORM 990-PF, PART I, LINE 16C
OTHER PROFESSIONAL FEES

	(A) EXPENSES PER BOOKS	(B) NET INVESTMENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
TRUSTEE FEES	\$ 6,516.			
TOTAL	\$ 6,516.	\$ 0.	\$ 0.	\$ 0.

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
2012 ESTIMATED TAXES	\$ 200.			
TOTAL	\$ 200.	\$ 0.	\$ 0.	\$ 0.

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
BROKERAGE FEES	\$ 150.	\$ 150.		
INVESTMENT FEES	7,199.	7,199.		
WIRE TRANSFER FEE	30.			
TOTAL	\$ 7,379.	\$ 7,349.	\$ 0.	\$ 0.

2012

FEDERAL STATEMENTS

PAGE 2

CLIENT E-105

THE KAO FAMILY FOUNDATION
C/O FAVOR & FAVOR, CPAS

45-3859531

11/11/13

11 19AM

STATEMENT 5
FORM 990-PF, PART II, LINE 10B
INVESTMENTS - CORPORATE STOCKS

CORPORATE STOCKS	VALUATION METHOD	BOOK VALUE	FAIR MARKET VALUE
EQUITIES - SEE STMT ATTACHED-ACCT#74003	COST	\$ 867,386.	\$ 867,496.
	TOTAL	\$ 867,386.	\$ 867,496.

STATEMENT 6
FORM 990-PF, PART XV, LINE 1A
FOUNDATION MANAGERS - 2% OR MORE CONTRIBUTORSJOHN E. KAO
SUSAN S. KAOSTATEMENT 7
FORM 990-PF, PART XV, LINE 3A
RECIPIENT PAID DURING THE YEAR

NAME AND ADDRESS	DONEE RELATIONSHIP	FOUND- ATION STATUS	PURPOSE OF GRANT	AMOUNT
AMERICAN DIABETES ASSOCIATIO 1701 NORTH BEAUREGARD ST ALEXANDRIA, VA 22311		501 (C) (3)	TO AID IN THE PREVENTION AND CURE OF DIABETES AND IMPROVE THE LIVES OF PEOPLE AFFECTED BY DIABETES.	\$ 25,000.
ST MARGARET'S EPISCOPAL SCHOOL 31641 LA NOVIA SAN JUAN CAPISTRANO, CA 92675		501 (C) (3)	TO BENEFIT FINANCIAL AID ASSISTANCE PROGRAMS FOR NEEDY STUDENTS.	108,712.
LINKS PLAYER INTERNATIONAL 755 N PEACH AVENUE, SUITE E11 CLOVIS , CA 93611		501 (C) (3)	BRINGS GOLFERS TOGETHER IN SERVICE PROJECTS AND MISSIONARY WORK.	30,000.

2012

FEDERAL STATEMENTS

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CLIENT E-105

THE KAO FAMILY FOUNDATION
C/O FAVOR & FAVOR, CPAS

45-3859531

11/11/13

11 19AM

STATEMENT 7 (CONTINUED)
FORM 990-PF, PART XV, LINE 3A
RECIPIENT PAID DURING THE YEAR

NAME AND ADDRESS	DONEE RELATIONSHIP	FOUND- ATION STATUS	PURPOSE OF GRANT	AMOUNT
MARINERS CHURCH 5001 NEWPORT COAST DRIVE IRVINE, CA 92603		501 (C) (3)	TO TRANSFORM ORDINARY PEOPLE INTO PASSIONATE FOLLOWERS OF JESUS, CHANGING THE WORLD BY HELPING & SERVING PEOPLE IN & OUTSIDE OF THE COMMUNITY.	\$ 140,000.
MARINERS CHURCH 5001 NEWPORT COAST DR. IRVINE, CA 92603		501 (C) (3)	SPECIAL CAMPAIGN TO FEED THE IMPOVERISHED PEOPLE IN KENYA.	7,133.
MARINERS CHURCH 5001 NEWPORT COAST DR. IRVINE, CA 92603		501 (C) (3)	SPECIAL CAMPAIGN FOR HOUSING PROJECT FOR THE NEEDY ELDERLY PEOPLE.	1,000.
TOTAL \$				<u>311,845.</u>

Account Number: 2J9-74003

December 01, 2012 - December 31, 2012

THE KAO FAMILY FOUNDATION

MERRILL LYNCH CONSULTS SERVICE

YOUR INVESTMENT MANAGER - PIMCO/ALZ MLTI TX TR

We encourage you to contact your Financial Advisor whenever there are changes in your particular situation or objectives. These changes can then be discussed directly with your Investment Manager. We also encourage you to discuss your portfolio at least annually with your Investment Manager. Your Financial Advisor would be pleased to arrange such discussions

YOUR TRUST MANAGEMENT ACCOUNT STATEMENT OF PRINCIPAL INVESTMENTS

CASH/MONEY ACCOUNTS	Description	Quantity	Total Cost Basis	Estimated Market Price	Estimated Market Value	Estimated Annual Income	Est Annual Yield%
CASH		0.48	0.48		.48		
ISA BA RI N A		110,113.00	110,113.00	1.0000	110,113.00	66	06
ISA BANK OF AMERICA		228,814.00	228,814.00	1.0000	228,814.00	137	06
TOTAL			338,927.48		338,927.48	203	06

GOVERNMENT AND AGENCY SECURITIES	Description	Acquired	Quantity	Adjusted/Total Cost Basis	Estimated Market Price	Estimated Market Value	Unrealized Gain/(Loss)	Estimated Accrued Interest	Estimated Annual Income	Estimated Current Yield%
U.S. TREASURY NOTE	11/23/12	70,000	70,000	70,237.73	100.3280	70,229.60	(8.13)	88.47	525	74
MOODY'S: AAA S&P: *** CUSIP: 912828TWO										
ORIGINAL UNIT/TOTAL COST	100.3465/70,242.55									
U.S. TREASURY NOTE	12/13/12	71,000	71,000	71,280.05	100.3280	71,232.88	(47.17)	89.73	533	74
ORIGINAL UNIT/TOTAL COST	100.3984/71,282.89									
U.S. TREASURY NOTE	12/21/12	120,000	120,000	120,210.00	100.3280	120,393.60	183.60	151.66	900	74
ORIGINAL UNIT/TOTAL COST	100.1757/120,210.94									
Subtotal		261,000	261,000	261,727.78		261,856.08	128.30	329.86	1,958	74
U.S. TREASURY NOTE	03/01/12	23,000	23,000	22,910.16	102.4770	23,569.71	659.55	106.58	317	134
1.375% FEB 28 2019										
MOODY'S: AAA S&P: *** CUSIP: 912828SH4										
U.S. TREASURY NOTE	11/15/12	9,000	9,000	9,274.30	102.4770	9,222.93	(51.37)	41.71	124	134
ORIGINAL UNIT/TOTAL COST	103.1090/9,279.81									

Cash \$363,960



THE KAO FAMILY FOUNDATION

Account Number: 2J9-74003

YOUR TRUST MANAGEMENT ACCOUNT STATEMENT OF PRINCIPAL INVESTMENTS

December 01, 2012 - December 31, 2012

GOVERNMENT AND AGENCY SECURITIES (continued)	Acquired	Quantity	Adjusted/Total Cost Basis	Estimated Market Price	Estimated Market Value	Unrealized Gain/(Loss)	Estimated Accrued Interest	Estimated Current Annual Income	Current Yield%
DESCRIPTION									
Δ U.S. TREASURY NOTE	12/21/12	30,000	30,677.33	102.4770	30,743.10	65.77	139.02	413	1.34
ORIGINAL UNIT/TOTAL COST	102.2656/30,679.69								
Subtotal		62,000	62,861.79		63,535.74	673.95	287.31	854	1.34
Δ U.S. TRSY INFLATION NTE	07/24/12	21,000	22,836.85	108.5550	22,931.05	94.20	12.05	27	1.1
0.125% JUL 15 2022 INFL ADJ PRIN	21,123								
MOODY'S AAA S&P *** CUSIP 912828TE0									
ORIGINAL UNIT/TOTAL COST	108.4650/22,777.66								
Δ U.S. TRSY INFLATION NTE	11/15/12	11,000	12,117.73	108.5550	12,011.50	(106.23)	6.31	14	1.1
INFL ADJ PRIN	11,064								
ORIGINAL UNIT/TOTAL COST	110.1070/12,111.78								
Δ U.S. TRSY INFLATION NTE	11/28/12	24,000	26,386.28	108.5550	26,206.91	(179.37)	13.78	31	1.1
INFL ADJ PRIN	24,141								
ORIGINAL UNIT/TOTAL COST	110.0432/26,410.39								
Δ U.S. TRSY INFLATION NTE	12/21/12	48,000	52,592.00	108.5550	52,413.83	(178.17)	27.55	61	1.1
INFL ADJ PRIN	48,283								
ORIGINAL UNIT/TOTAL COST	109.5978/52,606.99								
Subtotal		104,000	113,932.86		113,563.29	(369.57)	59.69	133	1.1
Δ U.S. TRSY INFLATION BOND	12/07/12	14,000	23,602.54	134.8980	23,176.18	(426.36)	152.70	409	1.76
2.375% JAN 15 2025 INFL ADJ PRIN	17,180								
MOODY'S AAA S&P *** CUSIP 912810FR4									
ORIGINAL UNIT/TOTAL COST	168.8593/23,640.31								
Δ U.S. TRSY INFLATION BOND	12/21/12	12,000	19,997.39	134.8980	19,865.30	(132.09)	130.88	350	1.76
INFL ADJ PRIN	14,726								
ORIGINAL UNIT/TOTAL COST	166.7389/20,008.67								
Subtotal		26,000	43,599.93		43,041.48	(558.45)	283.58	759	1.76

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THE KAO FAMILY FOUNDATION

Account Number: 2J9-74003

YOUR TRUST MANAGEMENT ACCOUNT STATEMENT OF PRINCIPAL INVESTMENTS

December 01, 2012 - December 31, 2012

GOVERNMENT AND AGENCY SECURITIES (continued)	Acquired	Quantity	Adjusted/Total Cost Basis	Estimated Market Price	Estimated Market Value	Unrealized Gain/(Loss)	Estimated Accrued Interest	Estimated Current Annual Income	Current Yield%
Δ U.S. TRSRY INFLATION BON 2 500% JAN 15 2029 INFL ADJ PRIN 4,309 MOODY'S: AAA S&P: *** CUSIP: 912810PZ5 ORIGINAL UNIT/TOTAL COST: 153,166.7/6,126.67	07/11/12	4,000	6,098.60	142.6250	6,146.62	48.02	45.92	108	1.75
Δ U.S. TRSRY INFLATION BON INFL ADJ PRIN 1,077 ORIGINAL UNIT/TOTAL COST: 153,065.0/1,530.65	07/17/12	1,000	1,524.36	142.6250	1,536.66	12.30	11.48	27	1.75
Δ U.S. TRSRY INFLATION BON INFL ADJ PRIN 1,077 ORIGINAL UNIT/TOTAL COST: 156,314.0/1,563.14	11/15/12	1,000	1,561.27	142.6250	1,536.66	(24.61)	11.48	27	1.75
Δ U.S. TRSRY INFLATION BON INFL ADJ PRIN 24,780 ORIGINAL UNIT/TOTAL COST: 157,883.0/36,313.10	12/07/12	23,000	36,262.42	142.6250	35,343.09	(919.33)	264.06	620	1.75
Δ U.S. TRSRY INFLATION BON INFL ADJ PRIN 28,012 ORIGINAL UNIT/TOTAL COST: 154,967.8/40,291.63	12/21/12	26,000	40,271.97	142.6250	39,953.06	(318.91)	298.51	701	1.75
Subtotal		55,000	85,718.62		84,516.09	(1,202.53)	631.45	1,483	1.75
FNMA P735402 05%2035 AMORTIZED FACTOR 0.216124050 AMORTIZED VALUE 1,080 MOODY'S: *** S&P: *** CUSIP: 31402RAB5	04/02/12	5,000	1,173.57	109.1455	1,179.45	5.88	7.26	55	4.58
FNMA P995094 04 50%2035 AMORTIZED FACTOR 0.300340550 AMORTIZED VALUE 12,313 MOODY'S: *** S&P: *** CUSIP: 31416BNK0	11/15/12	41,000	13,275.99	108.3689	13,344.51	68.52	59.06	555	4.15
FNMA P745275 05%2036 AMORTIZED FACTOR 0.227935780 AMORTIZED VALUE 13,220 MOODY'S: *** S&P: *** CUSIP: 31403C6L0	02/06/12	58,000	14,306.82	108.7572	14,378.00	71.18	92.75	661	4.59



THE KAO FAMILY FOUNDATION

Account Number: 2J9-74003

YOUR TRUST MANAGEMENT ACCOUNT STATEMENT OF PRINCIPAL INVESTMENTS

December 01, 2012 - December 31, 2012

GOVERNMENT AND AGENCY SECURITIES ¹ (continued)	Acquired	Quantity	Adjusted/Total Cost Basis	Estimated Market Price	Estimated Market Value	Unrealized Gain/(Loss)	Estimated Accrued Interest	Estimated Current Annual Income	Yield%
FNMA P256635 05%2037	11/20/12	1,000	218.11	108.3248	217.39	(0.72)	1.74	11	4.61
AMORTIZED FACTOR 0.200681560 AMORTIZED VALUE 200									
MOODY'S *** S&P: *** CUSIP: 31371NBC8									
FHLMC GO 8347 04 50%2039	02/16/12	79,000	36,443.18	107.3091	36,757.80	314.62		1,542	4.19
AMORTIZED FACTOR 0.433596540 AMORTIZED VALUE 34,254									
MOODY'S *** S&P: *** CUSIP: 3128MJL57									
FNMA PAH1559 04%2040	04/13/12	41,000	27,570.55	107.3058	27,957.58	387.03	127.86	1,043	3.72
AMORTIZED FACTOR 0.635466400 AMORTIZED VALUE 26,054									
MOODY'S *** S&P: *** CUSIP: 3138A2WV7									
FHLMC A9 6409 03 50%2041	06/07/12	25,000	20,747.72	106.4221	21,064.78	317.06	68.91	693	3.28
AMORTIZED FACTOR 0.791744490 AMORTIZED VALUE 19,793									
MOODY'S *** S&P: *** CUSIP: 312945DN5									
FNMA PAH3394 04%2041	11/20/12	41,000	31,706.42	107.3058	31,695.21	(11.21)	128.75	1,182	3.72
AMORTIZED FACTOR 0.720421420 AMORTIZED VALUE 29,537									
MOODY'S *** S&P: *** CUSIP: 3138A4XY6									
FHLMC A9 6807 04%2041	08/14/12	31,000	23,399.74	106.8494	23,404.40	4.66	72.91	877	3.74
AMORTIZED FACTOR 0.706584000 AMORTIZED VALUE 21,904									
MOODY'S *** S&P: *** CUSIP: 312945SR42									
FHLMC Q0 4649 03 50%2041	03/12/12	22,000	17,338.43	106.4221	17,830.99	492.56	58.90	587	3.28
AMORTIZED FACTOR 0.761589300 AMORTIZED VALUE 16,754									
MOODY'S *** S&P: *** CUSIP: 3132GKZN9									
FNMA PA09925 03 50%2042	10/05/12	41,000	41,735.11	106.9182	41,709.29	(25.82)	113.78	1,366	3.27
AMORTIZED FACTOR 0.951474850 AMORTIZED VALUE 39,010									
MOODY'S *** S&P: *** CUSIP: 3138M2A30									

Account Number: 2J9-74003

December 01, 2012 December 31, 2012

YOUR TRUST MANAGEMENT ACCOUNT STATEMENT OF PRINCIPAL INVESTMENTS

GOVERNMENT AND AGENCY SECURITIES (continued)									
Description	Acquired	Quantity	Adjusted/Total Cost Basis	Estimated Market Price	Estimated Market Value	Unrealized Gain/(Loss)	Estimated Accrued Interest	Estimated Annual Income	Estimated Current Yield%
FNMA PA09926 03 50%2042	12/05/12	35,000	36,140.59	106.9182	36,086.61	(53.98)	98.44	1,182	3.27
AMORTIZED FACTOR 0.964331580 AMORTIZED VALUE 33,751									
MOODY'S: *** S&P: *** CUSIP: 3138M2A48									
FNMA PAP7553 03%2042	11/07/12	23,000	23,986.30	104.8875	23,893.05	(93.25)	56.95	684	2.86
AMORTIZED FACTOR 0.990421330 AMORTIZED VALUE 22,779									
MOODY'S: *** S&P: *** CUSIP: 3138MBMB9									
FNMA PMA1235 03%2042	11/29/12	11,000	11,502.59	104.8875	11,464.68	(37.91)		328	2.86
AMORTIZED FACTOR 0.993677680 AMORTIZED VALUE 10,930									
MOODY'S: *** S&P: *** CUSIP: 31418ALR7									
TOTAL		962,000	867,386.10		867,496.42	110.32	2,479.20	15,953	1.84

PLEASE REFER TO NOTES BELOW FOR INFORMATION REGARDING CREDIT RATINGS.

MUTUAL FUNDS/CLOSED END FUNDS/UIT									
Description	Quantity	Total Cost Basis	Estimated Market Price	Estimated Market Value	Unrealized Gain/(Loss)	Total Client Investment	Cumulative Investment Return (\$)	Estimated Annual Income	Estimated Current Yield%
FIXED INCOME SHARES	35,071	468,123.65	13.5000	473,458.50	5,334.85	468,123	5,334	21,780	4.60
SERIES C F CL INSTL									
SYMBOL: FXCX Initial Purchase: 02/06/12									
Fixed Income 100%									
FIXED INCOME SHARES	42,569	469,720.45	11.2200	477,624.18	7,903.73	469,720	7,903	22,941	4.80
SERIES-M F CL INSTL									
SYMBOL: FXMX Initial Purchase: 02/06/12									
Fixed Income 100%									
Subtotal (Fixed Income)							951,082.68		

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2539

8 of 27

THE KAO FAMILY FOUNDATION

Account Number: 2J9-74003

YOUR TRUST MANAGEMENT ACCOUNT STATEMENT OF PRINCIPAL INVESTMENTS

December 01, 2012 - December 31, 2012

MUTUAL FUNDS/CLOSED END FUNDS/UIT (continued)	Quantity	Total Cost Basis	Estimated Market Price	Estimated Market Value	Unrealized Gain/(Loss)	Total Client Investment	Cumulative Investment Return (\$)	Estimated Annual Current Income Yield%
TOTAL		937,844.10		951,082.68	13,238.58		13,237	44,721 470
TOTAL PRINCIPAL INVESTMENTS		2,144,157.68		2,157,506.58	13,348.90			60,877 282

Total Client Investment: Cost of shares directly purchased and still held. Does not include shares purchased through reinvestment.

Cumulative Investment Return: Estimated Market Value minus Total Client Investment.

Cumulative Investment Return is the dollar value of the capital appreciation (depreciation) of all shares purchased and still held, including shares acquired through reinvestment of dividends and distributions, which may be greater or less than the actual income distributed.

Market Timing: Merrill Lynch's policies prohibit mutual fund market timing, which involves the purchase and sale of mutual fund shares within short periods of time with the intention of capturing short-term profits resulting from market volatility. Market timing may result in lower returns for long-term fund shareholders because market timers capture short-term gains that would otherwise pass to all shareholders and due to increased transaction costs and fewer assets for investment due to the need to retain cash to satisfy redemptions.

Notes

Δ Debt Instruments purchased at a premium show amortization

θ Debt Instruments purchased at a discount show accretion

* Some agency securities are not backed by the full faith and credit of the United States government.

For Credit Ratings: S&P and Moody's provide credit ratings on the credit quality of certain bonds and preferred stocks. For a credit enhanced security, Moody's and S&P publish and provide third party vendors the higher of the rating on the credit enhancer (guarantor) or the stand alone rating on the underlying security

YOUR TRUST MANAGEMENT ACCOUNT STATEMENT OF INCOME INVESTMENTS

CASH/MONEY ACCOUNTS	Quantity	Total Cost Basis	Estimated Market Price	Estimated Market Value	Estimated Annual Income	Est Annual Yield%
CASH	2,218.01	2,218.01		2,218.01		
ISA BA RI N/A	5,115.00	5,115.00	1.0000	5,115.00	3	06
ISA BANK OF AMERICA	17,700.00	17,700.00	1.0000	17,700.00	11	06
TOTAL		25,033.01		25,033.01	14	06

THE KAO FAMILY FOUNDATION

Account Number: 2J9-74003

YOUR TRUST MANAGEMENT ACCOUNT STATEMENT OF INCOME INVESTMENTS December 01, 2012- December 31, 2012

CASH/MONEY ACCOUNTS(continued)		Estimated		Estimated		Estimated		Estimated		Est Annual	
Description	Quantity	Total Cost Basis	Market Price	Market Value	Annual Income	Estimated Annual Income	Yield%				
TOTAL INCOME INVESTMENTS		25,033.01		25,033.01	13		.05				

LONG PORTFOLIO		Adjusted/Total Cost Basis		Estimated Market Value		Unrealized Gain/(Loss)		Estimated Accrued Interest		Estimated Annual Income		Current Yield%	
		2,169,190.69		2,182,539.59		13,348.90		2,479.20		60,891		2.79	
TOTAL PRINCIPAL/INCOME INVESTMENTS													

YOUR TRUST MANAGEMENT ACCOUNT TRANSACTIONS

DIVIDENDS/INTEREST-INCOME TRANSACTIONS				Income		Principal		Income	
Date	Transaction Type	Quantity	Description	Cash	Year To Date	Cash	Year To Date	Cash	Year To Date
12/10	Accrued Int		U.S. TRSY INFLATION BOND	(164.15)					
			2.375% JAN 15 2025						
			02.375% JAN 15 2025						
			BUY ACCRUED INT						
			PER ADVISORY AGREEMENT.						
			YLD TO MATURITY -0.61%						
			MATURITY DATE 1/15/25						
			148 DAYS INTEREST						
			REF CPI @ PUR: 231.38087						
			REF CPI @ ISS: 188.49677						
			INDEX RATIO: 1.22751						
			INFL ADJ PRIN. 17185.14						
			PRICE 137.562500						
			CUSIP NUM: 912810FR4						
			U.S. TRSY INFLATION BON						
			2.500% JAN 15 2029						
			BUY ACCRUED INT						
			PER ADVISORY AGREEMENT						
			YLD TO MATURITY -0.31%						
12/10	Accrued Int			(249.22)					



Form **8868**

(Rev. January 2013)

Department of the Treasury
Internal Revenue Service**Application for Extension of Time To File an
Exempt Organization Return**

OMB No. 1545-1709

► **File a separate application for each return.**

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box ☒
- If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form).

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868

Electronic filing (e-file). You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time. You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit www.irs.gov/efile and click on *e-file for Charities & Nonprofits*

Part I Automatic 3-Month Extension of Time. Only submit original (no copies needed).A corporation required to file Form 990-T and requesting an automatic 6-month extension – check this box and complete Part I only ☐*All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.***Enter filer's identifying number, see instructions**

Type or print	Name of exempt organization or other filer, see instructions		Employer identification number (EIN) or
	THE KAO FAMILY FOUNDATION C/O FAVOR & FAVOR, CPAS		45-3859531
	Number, street, and room or suite number. If a P.O. box, see instructions		Social security number (SSN)
	24422 AVENIDA DE LA CARLOTA #275		
File by the due date for filing your return. See instructions	City, town or post office, state, and ZIP code. For a foreign address, see instructions		
	LAGUNA HILLS, CA 92653-4615		

Enter the Return code for the return that this application is for (file a separate application for each return)

04

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (section 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

- The books are in the care of ► FAVOR & FAVOR, CPAS

Telephone No ► (949) 829-8299 FAX No ► (949) 829-8298

- If the organization does not have an office or place of business in the United States, check this box ☐
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ☐. If it is for part of the group, check this box ☐ and attach a list with the names and EINs of all members the extension is for.

- 1** I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until 8/15, 20 13, to file the exempt organization return for the organization named above. The extension is for the organization's return for

- ☒ calendar year 20 12 or
- ☐ tax year beginning _____, 20 _____, and ending _____, 20 _____

- 2** If the tax year entered in line 1 is for less than 12 months, check reason ☐ Initial return ☐ Final return ☐ Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	\$	260.
b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	\$	200.
c Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	\$	60.

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.**BAA For Privacy Act and Paperwork Reduction Act Notice, see instructions.**Form **8868** (Rev 1-2013)

FIFZ0501L 01/21/13

- If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete only **Part II** and check this box ☒

Note. Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** (on page 1)

Part II Additional (Not Automatic) 3-Month Extension of Time. Only file the original (no copies needed).

		Enter filer's identifying number, see instructions
Type or print File by the extended due date for filing your return. See instructions	Name of exempt organization or other filer, see instructions	Employer identification number (EIN) or
	THE KAO FAMILY FOUNDATION C/O FAVOR & FAVOR, CPAS	45-3859531
	Number, street, and room or suite number. If a P.O. box, see instructions	Social security number (SSN)
	FAVOR & FAVOR, CPAS 24422 AVENIDA DE LA CARLOTA STE 275	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions	
	LAGUNA HILLS, CA 92653	

Enter the Return code for the return that this application is for (file a separate application for each return)

04

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01		
Form 990-BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (section 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- The books are in care of FAVOR & FAVOR, CPAS
Telephone No. (949) 829-8299 FAX No. (949) 829-8298
- If the organization does not have an office or place of business in the United States, check this box. ☐
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____ If this is for the whole group, check this box ☐. If it is for part of the group, check this box ☐ and attach a list with the names and EINs of all members the extension is for.

4 I request an additional 3-month extension of time until 11/15, 2013.

5 For calendar year 2012, or other tax year beginning _____, 20____, and ending _____, 20____.

6 If the tax year entered in line 5 is for less than 12 months, check reason. ☐ Initial return ☐ Final return
☐ Change in accounting period

7 State in detail why you need the extension WE RESPECTFULLY REQUEST ADDITIONAL TIME TO GATHER INFORMATION NECESSARY TO FILE A COMPLETE AND ACCURATE RETURN. THANK YOU FOR YOUR CONSIDERATION.

8a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions	8a \$	260.
8b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	8b \$	200.
8c Balance due. Subtract line 8b from line 8a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System) See instructions	8c \$	60.

Signature and Verification must be completed for Part II only.

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form

Signature ▶

Title ▶ CPA

Date ▶

BAA

FIFZ0502L 01/21/13

Form 8868 (Rev 1-2013)