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Return of Private Foundation

or Section 4947(a)(1) Trust Treated as Private Foundation

2016

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Do not enter social security numbers on this form as it may be made public.

Information about Form 990-PF and its separate instructions is at www.irs.gov/form990pf.

For calendar year 2016 or tax year beginning

, and ending

Name of foundation
THE CAPSTONE FOUNDATION

Number and street (or P O box number if mail is not delivered to street address) Room/suite
2716 OCEAN PARK BLVD., - STE 2014

City or town, state or province, country, and ZIP or foreign postal code
SANTA MONICA, CA 90405

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, col (c), line 16) **J** Accounting method: Cash Accrual
 Other (specify) _____
\$ **917,580.** (Part I, column (d) must be on cash basis)

A Employer identification number
95-4211410

B Telephone number
(310) 314-2421

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

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))		(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	656,468.		N/A	
	2 Check <input type="checkbox"/> if the foundation is not required to attach Sch. B				
	3 Interest on savings and temporary cash investments	218.	218.		STATEMENT 2
	4 Dividends and interest from securities	8,510.	8,510.		STATEMENT 3
	5a Gross rents				
	b Net rental income or (loss)				
	6a Net gain or (loss) from sale of assets not on line 10	1,890.			STATEMENT 1
	b Gross sales price for all assets on line 6a	907,565.			
	7 Capital gain net income (from Part IV, line 2)		429,426.		
	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)					
11 Other income	6,745.	0.		STATEMENT 4	
12 Total Add lines 1 through 11	673,831.	438,154.			
13 Compensation of officers, directors, trustees, etc	0.	0.		0.	
14 Other employee salaries and wages					
15 Pension plans, employee benefits					
16a Legal fees					
b Accounting fees					
c Other professional fees					
17 Interest					
18 Taxes STMT 5	85.	0.		0.	
19 Depreciation and depletion					
20 Occupancy					
21 Travel, conferences, and meetings					
22 Printing and publications					
23 Other expenses STMT 6	9,013.	4,112.		0.	
24 Total operating and administrative expenses Add lines 13 through 23	9,098.	4,112.		0.	
25 Contributions, gifts, grants paid	243,400.			243,400.	
26 Total expenses and disbursements Add lines 24 and 25	252,498.	4,112.		243,400.	
27 Subtract line 26 from line 12:					
a Excess of revenue over expenses and disbursements	421,333.				
b Net investment income (if negative, enter -0-)		434,042.			
c Adjusted net income (if negative, enter -0-)			N/A		

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Part II. Balance Sheets		Attached schedules and amounts in the description column should be for end-of-year amounts only		Beginning of year	End of year	
		(a) Book Value	(b) Book Value	(c) Fair Market Value		
Assets	1	Cash - non-interest-bearing		70,045.	101,878.	101,878.
	2	Savings and temporary cash investments				
	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				
	7	Other notes and loans receivable ▶				
		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				
	b	Investments - corporate stock				
	c	Investments - corporate bonds				
	11	Investments - land, buildings, and equipment basis ▶				
	Less: accumulated depreciation ▶					
12	Investments - mortgage loans					
13	Investments - other STMT 7			374,998.	764,498.	815,702.
14	Land, buildings, and equipment: basis ▶					
	Less: accumulated depreciation ▶					
15	Other assets (describe ▶ ORGANIZATION COSTS)			7,162.	7,162.	0.
16	Total assets (to be completed by all filers - see the instructions. Also, see page 1, item I)			452,205.	873,538.	917,580.
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				
	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 ▶ <input type="checkbox"/>					
	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 ▶ <input checked="" type="checkbox"/>					
	and complete lines 27 through 31.					
	27	Capital stock, trust principal, or current funds			0.	0.
28	Paid-in or capital surplus, or land, bldg., and equipment fund			0.	0.	
29	Retained earnings, accumulated income, endowment, or other funds			452,205.	873,538.	
30	Total net assets or fund balances			452,205.	873,538.	
31	Total liabilities and net assets/fund balances			452,205.	873,538.	

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	452,205.
2	Enter amount from Part I, line 27a	2	421,333.
3	Other increases not included in line 2 (itemize) ▶	3	0.
4	Add lines 1, 2, and 3	4	873,538.
5	Decreases not included in line 2 (itemize) ▶	5	0.
6	Total net assets or fund balances at end of year (line 4 minus line 5) - Part II, column (b), line 30	6	873,538.

Part IV Capital Gains and Losses for Tax on Investment Income

(a) List and describe the kind(s) of property sold (e.g., real estate, 2-story brick warehouse, or common stock, 200 shs MLC Co.)		(b) How acquired P - Purchase D - Donation	(c) Date acquired (mo., day, yr.)	(d) Date sold (mo., day, yr.)
1a				
b	SEE ATTACHED STATEMENTS			
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	907,565.	478,139.	429,426.	
Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69				(i) Gains (Col. (h) gain minus col. (k), but not less than -0-) or Losses (from col. (h))
(i) F.M.V. as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col. (j), if any		
a				
b				
c				
d				
e			429,426.	
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	429,426.
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) If (loss), enter -0- in Part I, line 8		3	N/A

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to the section 4940(a) tax on net investment income)

If section 4940(d)(2) applies, leave this part blank.

Was the foundation liable for the section 4942 tax on the distributable amount of any year in the base period?

Yes No

If "Yes," the foundation does not qualify under section 4940(e). Do not complete this part.

1 Enter the appropriate amount in each column for each year; see the instructions before making any entries.

(a) Base period years Calendar year (or tax year beginning in)	(b) Adjusted qualifying distributions	(c) Net value of noncharitable-use assets	(d) Distribution ratio (col. (b) divided by col. (c))
2015	233,895.	552,860.	.423064
2014	147,775.	413,709.	.357196
2013	15,000.	120,745.	.124229
2012	15,000.	133,150.	.112655
2011	19,980.	147,329.	.135615
2	Total of line 1, column (d)		1.152759
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		.230552
4	Enter the net value of noncharitable-use assets for 2016 from Part X, line 5		673,645.
5	Multiply line 4 by line 3		155,310.
6	Enter 1% of net investment income (1% of Part I, line 27b)		4,340.
7	Add lines 5 and 6		159,650.
8	Enter qualifying distributions from Part XII, line 4		243,400.

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)

1a Exempt operating foundations described in section 4940(d)(2), check here <input type="checkbox"/> and enter "N/A" on line 1. Date of ruling or determination letter: _____ (attach copy of letter if necessary-see instructions)			
b Domestic foundations that meet the section 4940(e) requirements in Part V, check here <input checked="" type="checkbox"/> and enter 1% of Part I, line 27b		1	4,340.
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	4,340.
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	4,340.
6 Credits/Payments:			
a 2016 estimated tax payments and 2015 overpayment credited to 2016	6a	1,621.	
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	1,621.	
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	2,719.	
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 2017 estimated tax <input type="checkbox"/> Refunded <input checked="" type="checkbox"/>	11		

Part VII-A Statements Regarding Activities

	Yes	No
1a During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?		X
1b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see instructions for the definition)? If the answer is "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities		X
1c 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. \$ 0. (2) On foundation managers. \$ 0.		
e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers. \$ 0.		
2 Has the foundation engaged in any activities that have not previously been reported to the IRS? If "Yes," attach a detailed description of the activities		X
3 Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? If "Yes," attach a conformed copy of the changes		X
4a Did the foundation have unrelated business gross income of \$1,000 or more during the year?		X
b If "Yes," has it filed a tax return on Form 990-T for this year?		
5 Was there a liquidation, termination, dissolution, or substantial contraction during the year? If "Yes," attach the statement required by General Instruction T		X
6 Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either: • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	X	
7 Did the foundation have at least \$5,000 in assets at any time during the year? If "Yes," complete Part II, col (c), and Part XV	X	
8a Enter the states to which the foundation reports or with which it is registered (see instructions) <input type="checkbox"/> 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 General Instruction G? If "No," attach explanation	X	
9 Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2016 or the taxable year beginning in 2016 (see instructions for Part XIV)? If "Yes," complete Part XIV		X
10 Did any persons become substantial contributors during the tax year? If "Yes," attach a schedule listing their names and addresses	X	

N/A

STMT 8

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 instructions)		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)		X
13 Did the foundation comply with the public inspection requirements for its annual returns and exemption application? Website address ▶ N/A	X	
14 The books are in care of ▶ NADINE I. WATT Telephone no ▶ (310) 314-2413 Located at ▶ 2716 OCEAN PARK BLVD., SUITE 2025, SANTA MONICA, ZIP+4 ▶ 90405		
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 N/A		
16 At any time during calendar year 2016, 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 FinCEN Form 114. If "Yes," enter the name of the foreign country ▶		X

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

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

	Yes	No
1a During the year did the foundation (either directly or indirectly):		
(1) Engage in the sale or exchange, or leasing of property with a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(6) Agree to pay money or property to a government official? (Exception. Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
b If any answer is "Yes" to 1a(1)-(6), did any of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance (see instructions)? Organizations relying on a current notice regarding disaster assistance check here N/A ▶ <input type="checkbox"/>	1b	
c Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2016?	1c	X
2 Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5)):		
a At the end of tax year 2016, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2016? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," list the years ▶		
b Are there any years listed in 2a for which the foundation is not applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to all years listed, answer "No" and attach statement - see instructions) N/A	2b	
c If the provisions of section 4942(a)(2) are being applied to any of the years listed in 2a, list the years here. ▶		
3a Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
b If "Yes," did it have excess business holdings in 2016 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 2016) N/A	3b	
4a Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?	4a	X
b Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2016?	4b	X

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

5a During the year did the foundation pay or incur any amount to:

- (1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))? Yes No
- (2) Influence the outcome of any specific public election (see section 4955), or to carry on, directly or indirectly, any voter registration drive? Yes No
- (3) Provide a grant to an individual for travel, study, or other similar purposes? Yes No
- (4) Provide a grant to an organization other than a charitable, etc., organization described in section 4945(d)(4)(A)? (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)? Yes No
 Organizations relying on a current notice regarding disaster assistance check here N/A

c If the answer is "Yes" to question 5a(4), does the foundation claim exemption from the tax because it maintained expenditure responsibility for the grant? Yes No
 If "Yes," attach the statement required by Regulations section 53.4945-5(d) N/A

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? Yes No
 If "Yes" to 6b, file Form 8870 6b X

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

b If "Yes," did the foundation receive any proceeds or have any net income attributable to the transaction? Yes No
 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.

(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
SEE STATEMENT 9		0.	0.	0.

2 Compensation of five highest-paid employees (other than those included on line 1). 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. 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	0.
3	
4	

Part IX-B Summary of Program-Related Investments

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2.

	Amount
1 NONE	
2	0.
3 NONE	
All other program-related investments. See instructions.	
	0.
Total. Add lines 1 through 3 ▶	0.

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

1 Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes:			
a	Average monthly fair market value of securities	1a	605,037.
b	Average of monthly cash balances	1b	78,867.
c	Fair market value of all other assets	1c	
d	Total (add lines 1a, b, and c)	1d	683,904.
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1e	0.
2	Acquisition indebtedness applicable to line 1 assets	2	0.
3	Subtract line 2 from line 1d	3	683,904.
4	Cash deemed held for charitable activities. Enter 1 1/2% of line 3 (for greater amount, see instructions)	4	10,259.
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	673,645.
6	Minimum investment return. Enter 5% of line 5	6	33,682.

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	33,682.
2a	Tax on investment income for 2016 from Part VI, line 5	2a	4,340.
b	Income tax for 2016. (This does not include the tax from Part VI.)	2b	
c	Add lines 2a and 2b	2c	4,340.
3	Distributable amount before adjustments. Subtract line 2c from line 1	3	29,342.
4	Recoveries of amounts treated as qualifying distributions	4	0.
5	Add lines 3 and 4	5	29,342.
6	Deduction from distributable amount (see instructions)	6	0.
7	Distributable amount as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1	7	29,342.

Part XII. Qualifying Distributions (see instructions)

1 Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes:			
a	Expenses, contributions, gifts, etc. - total from Part I, column (d), line 26	1a	243,400.
b	Program-related investments - total from Part IX-B	1b	0.
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	2	
3 Amounts set aside for specific charitable projects that satisfy the:			
a	Suitability test (prior IRS approval required)	3a	
b	Cash distribution test (attach the required schedule)	3b	
4	Qualifying distributions. Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	4	243,400.
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	5	4,340.
6	Adjusted qualifying distributions Subtract line 5 from line 4	6	239,060.

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

Part XIII Undistributed Income (see instructions)

	(a) Corpus	(b) Years prior to 2015	(c) 2015	(d) 2016
1 Distributable amount for 2016 from Part XI, line 7				29,342.
2 Undistributed income, if any, as of the end of 2016				
a Enter amount for 2015 only			0.	
b Total for prior years:		0.		
3 Excess distributions carryover, if any, to 2016:				
a From 2011	12,654.			
b From 2012	8,380.			
c From 2013	9,019.			
d From 2014	130,540.			
e From 2015	209,338.			
f Total of lines 3a through e	369,931.			
4 Qualifying distributions for 2016 from Part XII, line 4 ▶ \$	243,400.			
a Applied to 2015, but not more than line 2a			0.	
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 2016 distributable amount				29,342.
e Remaining amount distributed out of corpus	214,058.			
5 Excess distributions carryover applied to 2016 (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	583,989.			
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 2015. Subtract line 4a from line 2a. Taxable amount - see instr			0.	
f Undistributed income for 2016. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2017				0.
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (Election may be required - see instructions)	0.			
8 Excess distributions carryover from 2011 not applied on line 5 or line 7	12,654.			
9 Excess distributions carryover to 2017 Subtract lines 7 and 8 from line 6a	571,335.			
10 Analysis of line 9:				
a Excess from 2012	8,380.			
b Excess from 2013	9,019.			
c Excess from 2014	130,540.			
d Excess from 2015	209,338.			
e Excess from 2016	214,058.			

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

N/A

1 a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2016, 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				(e) Total
	(a) 2016	(b) 2015	(c) 2014	(d) 2013	
2 a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed					
b 85% of line 2a					
c Qualifying distributions from Part XII, line 4 for each year listed					
d Amounts included in line 2c not used directly for active conduct of exempt activities					
e Qualifying distributions made directly for active conduct of exempt activities. Subtract line 2d from line 2c					
3 Complete 3a, b, or c for the alternative test relied upon.					
a "Assets" alternative test - enter:					
(1) Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b "Endowment" alternative test - enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed					
c "Support" alternative test - enter:					
(1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii)					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income					

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

1 Information Regarding Foundation Managers:

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

NONE

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

NONE

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

Check here if the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds. If the foundation makes gifts, grants, etc. (see 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 address of the person to whom applications should be addressed:

NADINE I. WATT, (310) 314-2413
2716 OCEAN PARK BLVD., STE 2014, SANTA MONICA, CA 90405

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

SEE ATTACHED THREE PAGE APPLICATION

c Any submission deadlines.

NONE

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

NONE

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				
ACTION 4001 MISSION OAKS BLVD STE S CAMARILLO, CA 93012	NONE	PUBLIC	CHRISTIAN MINISTRIES	7,500.
AMERICAN LUNG ASSOCIATION IN CALIFORNIA 3325 WILSHIRE BLVD. #900 LOS ANGELES, CA 90010	NONE	PUBLIC	CURE FOR DISEASE	1,000.
AVIVA FAMILY AND CHILDREN'S SERVICES 7120 FRANKLIN AVE LOS ANGELES, CA 90046	NONE	PUBLIC	FAMILY AND CHILDREN'S SERVICES	1,000.
BAJA CHRISTIAN MINISTRIES 4195 CHINO HILLS PARKWAY CHINO HILLS, CA 91709	NONE	PUBLIC	CHRISTIAN MINISTRIES	5,000.
BEVERLY HILLS PRESBYTERIAN CHURCH 505 NORTH RODEO DRIVE BEVERLY HILLS, CA 90210	NONE	PUBLIC	CHRISTIAN MINISTRIES	10,000.
Total SEE CONTINUATION SHEET(S)				3a 243,400.
b Approved for future payment				
NONE				
Total				3b 0.

Schedule of Contributors

▶ Attach to Form 990, Form 990-EZ, or Form 990-PF.
▶ Information about Schedule B (Form 990, 990-EZ, or 990-PF) and
its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2016

Name of the organization

Employer identification number

THE CAPSTONE FOUNDATION

95-4211410

Organization type (check one)

Filers of:

Section:

Form 990 or 990-EZ

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, contributions totaling \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II. See instructions for determining a contributor's total contributions.

Special Rules

- For an organization described in section 501(c)(3) 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), that checked Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b, and that received from any one contributor, during the year, total contributions 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 an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 *exclusively* for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Complete Parts I, II, and III.

- For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions *exclusively* for religious, charitable, etc., purposes, but no such contributions totaled 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. Don't complete any of the parts unless the **General Rule** applies to this organization because it received *nonexclusively* religious, charitable, etc., contributions totaling \$5,000 or more during the year. ▶ \$ _____

Caution: An organization that isn't covered by the General Rule and/or the Special Rules doesn't 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 its Form 990-PF, Part I, line 2, to certify that it doesn't meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990, 990-EZ, or 990-PF. Schedule B (Form 990, 990-EZ, or 990-PF) (2016)

Name of organization THE CAPSTONE FOUNDATION	Employer identification number 95-4211410
--	---

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

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1	JAMES SCOTT WATT 2716 OCEAN PARK BLVD STE 2025 SANTA MONICA, CA 90405	\$ 172,935.	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" type="checkbox"/> (Complete Part II for noncash contributions)
2	JAMES SCOTT WATT 2716 OCEAN PARK BLVD STE 2025 SANTA MONICA, CA 90405	\$ 278,700.	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" type="checkbox"/> (Complete Part II for noncash contributions)
3	JAMES SCOTT WATT 2716 OCEAN PARK BLVD STE 2025 SANTA MONICA, CA 90405	\$ 28,905.	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" type="checkbox"/> (Complete Part II for noncash contributions)
4	JAMES SCOTT WATT 2716 OCEAN PARK BLVD STE 2025 SANTA MONICA, CA 90405	\$ 175,928.	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" type="checkbox"/> (Complete Part II for noncash contributions)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions)

Name of organization THE CAPSTONE FOUNDATION	Employer identification number 95-4211410
--	---

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
1	15750 SHRS. OF FIRST CENTURY BANCSHARES, INC.	\$ 172,935.	03/29/16
2	7500 SHRS. OF CALIFORNIA REPUBLIC BANK	\$ 278,700.	09/27/16
3	500 SHRS. OF STARBUCKS CORP.	\$ 28,905.	12/20/16
4	15750 SHRS. OF FIRST CENTURY BANKSHARES, INC.	\$ 175,928.	06/03/16
		\$	
		\$	

Name of organization THE CAPSTONE FOUNDATION	Employer identification number 95-4211410
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Part III Exclusively religious, charitable, etc., contributions to organizations described in section 501(c)(7), (8), or (10) that total more than \$1,000 for the year from any one contributor. Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of exclusively religious, charitable, etc., contributions of \$1,000 or less for the year. (Enter this info once) ▶ \$ _____
 Use duplicate copies of Part III if additional space is needed

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

THE CAPSTONE FOUNDATION

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 50 SHS TESLA MOTORS INC	D	07/13/12	09/12/16
b 700 SHS APPLE INC	D	01/28/14	04/28/16
c 7500 SHS CALIFORNIA REPUBLIC BANK	D	06/09/10	10/04/16
d 15750 SHS FIRST CENTURY BANCSHARES	D		07/05/16
e 752 SHS FIRST CENTURY BANCSHARES	D	04/17/09	07/05/16
f 975 SHS FIRST CENTURY BANCSHARES	D	04/21/09	07/05/16
g 4023 SHS FIRST CENTURY BANCSHARES	D	04/23/09	07/05/16
h 5500 SHS FIRST CENTURY BANCSHARES	D	10/20/09	07/05/16
i 2500 SHS FIRST CENTURY BANCSHARES	D	10/21/09	07/05/16
j 1100 SHS FIRST CENTURY BANCSHARES	D	10/22/09	07/05/16
k 900 SHS FIRST CENTURY BANCSHARES	D	10/23/09	07/05/16
l 300 SHS GILEAD SCIENCES	P	04/02/14	06/15/16
m 200 SHS GILEAD SCIENCES	P	05/14/14	06/06/16
n 500 SHS IMAX CORP	P	02/17/15	06/15/16
o 1500 SHS NORTHSTAR REALITY FIN	P	06/06/16	11/30/16

(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 9,903.		1,697.	8,206.
b 67,204.		51,286.	15,918.
c 278,925.		75,000.	203,925.
d 176,715.		109,847.	66,868.
e 8,437.		3,063.	5,374.
f 10,940.		3,931.	7,009.
g 45,138.		16,201.	28,937.
h 61,710.		22,255.	39,455.
i 28,050.		10,156.	17,894.
j 12,342.		4,541.	7,801.
k 10,098.		3,676.	6,422.
l 25,885.		22,133.	3,752.
m 16,710.		16,227.	483.
n 15,182.		16,938.	-1,756.
o 22,573.		19,748.	2,825.

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(l) Losses (from col. (h)) Gains (excess of col. (h) gain over col. (k), but not less than "-0-")
(i) F.M.V. as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col. (j), if any	
a			8,206.
b			15,918.
c			203,925.
d			66,868.
e			5,374.
f			7,009.
g			28,937.
h			39,455.
i			17,894.
j			7,801.
k			6,422.
l			3,752.
m			483.
n			-1,756.
o			2,825.

2 Capital gain net income or (net capital loss) { If gain, also enter in Part I, line 7 If (loss), enter "-0-" in Part I, line 7 }	2
3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6): If gain, also enter in Part I, line 8, column (c). If (loss), enter "-0-" in Part I, line 8	3

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 3500 SHS NORTHSTAR REALTY FIN	P	07/06/16	11/30/16
b 500 SHS OAKTREE CAPITAL	P	06/06/16	06/15/16
c 100 SHS WALT DISNEY CO	P	01/08/15	06/15/16
d 494.315 SHS JAPANESE SM CO PORTFOLIO	P	01/01/99	06/14/16
e 722.622 SHS JAPANESE SM CO PORTFOLIO	P	01/01/99	11/23/16
f 170.634 SHS JAPANESE SM CO PORTFOLIO	P	01/01/99	11/23/16
g CAPITAL GAINS DIVIDENDS			
h			
i			
j			
k			
l			
m			
n			
o			

(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 52,671.		38,565.	14,106.
b 22,717.		23,502.	-785.
c 9,870.		9,379.	491.
d 10,000.		11,546.	-1,546.
e 16,180.		16,878.	-698.
f 3,820.		1,570.	2,250.
g 2,495.			2,495.
h			
i			
j			
k			
l			
m			
n			
o			

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(l) Losses (from col. (h)) Gains (excess of col. (h) gain over col. (k), but not less than "-0-")
(i) F.M.V. as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col. (j), if any	
a			14,106.
b			-785.
c			491.
d			-1,546.
e			-698.
f			2,250.
g			2,495.
h			
i			
j			
k			
l			
m			
n			
o			

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	429,426.
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) If (loss), enter "-0-" in Part I, line 8	3	N/A

Part XV Supplementary Information**3 Grants and Contributions Paid During the Year (Continuation)**

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
CALIFORNIA CUMMUNITY FOUNDATION 221 S FIGUEROA ST #400 LOS ANGELES, CA 90012	NONE	PUBLIC	HISTORICAL PRESERVATION	20,000.
CALTHORP SCHOOL 438 SAN VICENTE BLVD LOS ANGELES, CA 90402	NONE	PUBLIC	SCHOOL NEEDS	12,500.
CAPITOL MINISTRIES PO BOX 30994 PHOENIX, AZ 85046	NONE	PUBLIC	CHRISTIAN MINISTRIES	10,000.
CASSIDY SCHOOL LLC 2122 WILSHIRE BLVD LOS ANGELES, CA 90010	NONE	PUBLIC	EDUCATION	10,000.
CEDARS-SINAI MEDICAL CENTER 8700 BEVERLY BLVD #2416 LOS ANGELES, CA 90048	NONE	PUBLIC	MEDICAL RESEARCH	6,000.
CHRISTIAN ASSOCIATION INTERNATIONAL P.O. BOX 2489 MONUMENT, CO 80132	NONE	PUBLIC	MINISTRY OF KINGDOM ADVANCEMENT	21,500.
FIRST PRESBYTERIAN CHURCH OF SANTA MONICA 1220 2ND ST. SANTA MONICA, CA 90401	NONE	PUBLIC	CHRISTIAN MINISTRIES	10,000.
FREEDOM X 11500 OLYMPIC BLVD.#400 LOS ANGELES, CA 90064	NONE	PUBLIC	HISTORICAL PRESERVATION	1,000.
FULLER YOUTH INSTITUTE 135 NORTH OAKLAND AVE PASADENA, CA 91182	NONE	PUBLIC	CHRISTIAN MINISTRY	16,000.
GLOBAL TRAINING NETWORK 7558 THUNDERBIRD RD STE 1 PEORIA, AZ 85381	NONE	PUBLIC	CHRISTIAN MINISTRY	15,000.
Total from continuation sheets				218,900.

Part XV Supplementary Information**3 Grants and Contributions Paid During the Year (Continuation)**

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
HALFTIME INSTITUTE 1431 GREENWAY DR #230 IRVING, TX 75038	NONE	PUBLIC	CHRUSTIAN MINISTRY	25,000.
HARVESTIME CHURCH MISSION SOCIETY 425 NW 19TH COURT POMPANO BEACH, FL 33060	NONE	PUBLIC	CHRISTIAN MINISTRY	2,900.
INTERNATIONAL MEDICAL CORPS 12400 WILSHIRE BLVD. #1500 LOS ANGELES, CA 90025	NONE	PUBLIC	EMERGENGY HEALTH SERVICES	1,000.
SALVATION ARMY 180 EAST OCEAN BLVD. #500 LONG BEACH, CA 90802	NONE	PUBLIC	HOMELESS SERVICES	15,000.
SEAL-NSW FAMILY FOUNDATION 300 CARLSBAD VILLAGE DR. #108A-361 CARLSBAD, CA 92008	NONE	PUBLIC	MILITARY ASSISTANCE PROGRAMS	5,000.
SERVING CALIFORNIA PO BOX 369 MALIBU, CA 90265	NONE	PUBLIC	COMMUNITY SERVICES	3,000.
UNION RESCUE MISSION 545 S SAN PEDRO ST LOS ANGELES, CA 90013	NONE	PUBLIC	HOMELESS SHELTER	25,000.
WORLD SPORTS, INC. PO BOX 2607 BONITA SPRINGS, FL 34133	NONE	PUBLIC	CHRISTIAN MINISTRY	15,000.
WORLD VISION PO BOX 70102 TACOMA, WA 98481	NONE	PUBLIC	CHRISTIAN MINISTRY	5,000.
Total from continuation sheets				

(A) DESCRIPTION OF PROPERTY	(B) GROSS SALES PRICE	(C) VALUE AT TIME OF ACQ.	(D) EXPENSE OF SALE	(E) DEPREC.	(F) GAIN OR LOSS
15750 SHS FIRST CENTURY BANCSHARES	176,715.	172,935.	0.	0.	3,780.

MANNER ACQUIRED	DATE ACQUIRED	DATE SOLD
DONATED		07/05/16

(A) DESCRIPTION OF PROPERTY	(B) GROSS SALES PRICE	(C) VALUE AT TIME OF ACQ.	(D) EXPENSE OF SALE	(E) DEPREC.	(F) GAIN OR LOSS
752 SHS FIRST CENTURY BANCSHARES	8,437.	8,400.	0.	0.	37.

MANNER ACQUIRED	DATE ACQUIRED	DATE SOLD
DONATED	04/17/09	07/05/16

(A) DESCRIPTION OF PROPERTY	(B) GROSS SALES PRICE	(C) VALUE AT TIME OF ACQ.	(D) EXPENSE OF SALE	(E) DEPREC.	(F) GAIN OR LOSS
975 SHS FIRST CENTURY BANCSHARES	10,940.	10,891.	0.	0.	49.

MANNER ACQUIRED	DATE ACQUIRED	DATE SOLD
DONATED	04/21/09	07/05/16

(A) DESCRIPTION OF PROPERTY	(B) GROSS SALES PRICE	(C) VALUE AT TIME OF ACQ.	(D) EXPENSE OF SALE	(E) DEPREC.	(F) GAIN OR LOSS
4023 SHS FIRST CENTURY BANCSHARES	45,138.	44,937.	0.	0.	201.

MANNER ACQUIRED	DATE ACQUIRED	DATE SOLD
DONATED	04/23/09	07/05/16

(A) DESCRIPTION OF PROPERTY	(B) GROSS SALES PRICE	(C) VALUE AT TIME OF ACQ.	(D) EXPENSE OF SALE	(E) MANNER ACQUIRED DEPREC.	(F) DATE ACQUIRED GAIN OR LOSS	DATE SOLD
5500 SHS FIRST CENTURY BANCSHARES	61,710.	61,435.	0.	DONATED	10/20/09	07/05/16
						275.

(A) DESCRIPTION OF PROPERTY	(B) GROSS SALES PRICE	(C) VALUE AT TIME OF ACQ.	(D) EXPENSE OF SALE	(E) MANNER ACQUIRED DEPREC.	(F) DATE ACQUIRED GAIN OR LOSS	DATE SOLD
2500 SHS FIRST CENTURY BANCSHARES	28,050.	27,925.	0.	DONATED	10/21/09	07/05/16
						125.

(A) DESCRIPTION OF PROPERTY	(B) GROSS SALES PRICE	(C) VALUE AT TIME OF ACQ.	(D) EXPENSE OF SALE	(E) MANNER ACQUIRED DEPREC.	(F) DATE ACQUIRED GAIN OR LOSS	DATE SOLD
1100 SHS FIRST CENTURY BANCSHARES	12,342.	12,287.	0.	DONATED	10/22/09	07/05/16
						55.

(A) DESCRIPTION OF PROPERTY	(B) GROSS SALES PRICE	(C) VALUE AT TIME OF ACQ.	(D) EXPENSE OF SALE	(E) MANNER ACQUIRED DEPREC.	(F) DATE ACQUIRED GAIN OR LOSS	DATE SOLD
900 SHS FIRST CENTURY BANCSHARES	10,098.	10,053.	0.	DONATED	10/23/09	07/05/16
						45.

(A) DESCRIPTION OF PROPERTY	(B) GROSS SALES PRICE	(C) COST OR OTHER BASIS	(D) EXPENSE OF SALE	(E) MANNER ACQUIRED DEPREC.	(F) DATE ACQUIRED GAIN OR LOSS	DATE SOLD
300 SHS GILEAD SCIENCES	25,885.	22,133.	0.	PURCHASED	04/02/14	06/15/16

(A) DESCRIPTION OF PROPERTY	(B) GROSS SALES PRICE	(C) COST OR OTHER BASIS	(D) EXPENSE OF SALE	(E) MANNER ACQUIRED DEPREC.	(F) DATE ACQUIRED GAIN OR LOSS	DATE SOLD
200 SHS GILEAD SCIENCES	16,710.	16,227.	0.	PURCHASED	05/14/14	06/06/16

(A) DESCRIPTION OF PROPERTY	(B) GROSS SALES PRICE	(C) COST OR OTHER BASIS	(D) EXPENSE OF SALE	(E) MANNER ACQUIRED DEPREC.	(F) DATE ACQUIRED GAIN OR LOSS	DATE SOLD
500 SHS IMAX CORP	15,182.	16,938.	0.	PURCHASED	02/17/15	06/15/16

(A) DESCRIPTION OF PROPERTY	(B) GROSS SALES PRICE	(C) COST OR OTHER BASIS	(D) EXPENSE OF SALE	(E) MANNER ACQUIRED DEPREC.	(F) DATE ACQUIRED GAIN OR LOSS	DATE SOLD
1500 SHS NORTHSTAR REALITY FIN	22,573.	19,748.	0.	PURCHASED	06/06/16	11/30/16

(A) DESCRIPTION OF PROPERTY	MANNER ACQUIRED	DATE ACQUIRED	DATE SOLD
722.622 SHS JAPANESE SM CO PORTFOLIO	PURCHASED	01/01/99	11/23/16
(B) GROSS SALES PRICE	(C) COST OR OTHER BASIS	(D) EXPENSE OF SALE	(E) DEPREC.
16,180.	16,878.	0.	0.
(F) GAIN OR LOSS	-698.		

(A) DESCRIPTION OF PROPERTY	MANNER ACQUIRED	DATE ACQUIRED	DATE SOLD
170.634 SHS JAPANESE SM CO PORTFOLIO	PURCHASED	01/01/99	11/23/16
(B) GROSS SALES PRICE	(C) COST OR OTHER BASIS	(D) EXPENSE OF SALE	(E) DEPREC.
3,820.	1,570.	0.	0.
(F) GAIN OR LOSS	2,250.		

CAPITAL GAINS DIVIDENDS FROM PART IV	2,495.
TOTAL TO FORM 990-PF, PART I, LINE 6A	1,890.

FORM 990-PF INTEREST ON SAVINGS AND TEMPORARY CASH INVESTMENTS STATEMENT 2

SOURCE	(A) REVENUE PER BOOKS	(B) NET INVESTMENT INCOME	(C) ADJUSTED NET INCOME
BANK OF AMERICA	5.	5.	
CALIFORNIA REPUBLIC BANK	213.	213.	
TOTAL TO PART I, LINE 3	218.	218.	

FORM 990-PF DIVIDENDS AND INTEREST FROM SECURITIES STATEMENT 3

SOURCE	GROSS AMOUNT	CAPITAL GAINS DIVIDENDS	(A) REVENUE PER BOOKS	(B) NET INVESTMENT INCOME	(C) ADJUSTED NET INCOME
DIMENSIONS GROUP INC	767.	1.	766.	766.	
LPL FINANCIAL	10,238.	2,494.	7,744.	7,744.	
TO PART I, LINE 4	11,005.	2,495.	8,510.	8,510.	

FORM 990-PF OTHER INCOME STATEMENT 4

DESCRIPTION	(A) REVENUE PER BOOKS	(B) NET INVESTMENT INCOME	(C) ADJUSTED NET INCOME
TAX-EXEMPT INTEREST	5.	0.	
NON TAXABLE DIVIDEND	6,740.	0.	
TOTAL TO FORM 990-PF, PART I, LINE 11	6,745.	0.	

FORM 990-PF TAXES STATEMENT 5

DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVESTMENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
FRANCHISE TAX BOARD REGISTRY OF CHARITABLE TRUSTS	10.	0.		0.
TO FORM 990-PF, PG 1, LN 18	75.	0.		0.
	85.	0.		0.

FORM 990-PF	OTHER EXPENSES			STATEMENT 6
DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
BROKERAGE FEES	4,112.	4,112.		0.
PROFESSIONAL FEES	4,000.	0.		0.
FEDERAL INCOME TAXES	900.	0.		0.
BANK CHARGES	1.	0.		0.
TO FORM 990-PF, PG 1, LN 23	9,013.	4,112.		0.

FORM 990-PF	OTHER INVESTMENTS		STATEMENT 7
DESCRIPTION	VALUATION METHOD	BOOK VALUE	FAIR MARKET VALUE
DFA ONE-YEAR FIXED INCOME PORTFOLIO	COST	16,869.	16,986.
DFA JAPANESE SMAL CO. PORTFOLIO	COST	22,413.	33,302.
LPL FINANCIAL	COST	725,216.	765,414.
TOTAL TO FORM 990-PF, PART II, LINE 13		764,498.	815,702.

FORM 990-PF LIST OF SUBSTANTIAL CONTRIBUTORS STATEMENT 8
PART VII-A, LINE 10

NAME OF CONTRIBUTOR	ADDRESS
JAMES SCOTT WATT	2716 OCEAN PARK BLVD STE 2025 SANTA MONICA, CA 90405

FORM 990-PF

PART VIII - LIST OF OFFICERS, DIRECTORS
TRUSTEES AND FOUNDATION MANAGERS

STATEMENT 9

NAME AND ADDRESS	TITLE AND AVRG HRS/WK	COMPEN- SATION	EMPLOYEE BEN PLAN CONTRIB	EXPENSE ACCOUNT
NADINE I. WATT 2716 OCEAN PARK BLVD., SUITE 2025 SANTA MONICA, CA 90405	PRESIDENT 0.75	0.	0.	0.
RAYMOND WATT II 2716 OCEAN PARK BLVD., SUITE 2014 SANTA MONICA, CA 90405	VICE PRESIDET 0.75	0.	0.	0.
J. SCOTT WATT 2716 OCEAN PARK BLVD., SUITE 2025 SANTA MONICA, CA 90405	SECRETARY 0.75	0.	0.	0.
KATHLEEN M. WATT 2716 OCEAN PARK BLVD., SUITE 2014 SANTA MONICA, CA 90405	TREASURER 0.75	0.	0.	0.
BAMBI A. WATT 2716 OCEAN PARK BLVD., SUITE 2014 SANTA MONICA, CA 90405	BOARD MEMBER 0.75	0.	0.	0.
ANDREW JAMESON 2716 OCEAN PARK BLVD., SUITE 2014 SANTA MONICA, CA 90405	BOARD MEMBER 0.75	0.	0.	0.
TOTALS INCLUDED ON 990-PF, PAGE 6, PART VIII		0.	0.	0.

The Capstone Foundation
2716 Ocean Park Blvd., #2014
Santa Monica, California 90405

Organization's Application for Grant From Private Foundation
(Not for use by Individuals)

To: The Capstone Foundation
Nadine I. Watt
2716 Ocean Park Blvd., #2025
Santa Monica, CA 90405

From: _____
(Name of Applicant)

(Street Address)

(City, State, ZipCode)

PART I. Information about the Applicant

1. Is the applicant organized as a nonprofit organization under state laws governing charitable organizations? Yes No
If yes, what State or Commonwealth governs?
If no, please explain:

-
2. Has the applicant received a ruling or determination letter from the Internal Revenue Service about any of the following:
- (a) Exempt status Yes No
 - (b) Private foundation status Yes No
 - (c) Grant-making procedures Yes No
- Attach a photocopy of each such letter. (a) copy of letter attached.
If any item is marked no, explain:

-
3. (a) Attach a copy of the applicant's proposed project for the year in which the grant funds are to be used.
(b) If this grant will be a substantial and material part of the total budget, attach a copy of the latest information return (Form 990 or 990PF) filed by the applicant with the Internal Revenue Service.
(c) Describe the applicant's purposes and activities in general.
Please respond to these questions on a separate sheet.

-
4. Is the applicant controlled by, related to, connected with, or sponsored by another organization? Yes No
If yes, identify the organization (including its purpose and activities) and explain the relationship:
-

5. List the name, address, and title of each member of the applicant's governing board.

_____	_____
(Name)	(Title or Office)
_____	_____
(Street Address)	(City, State and ZIP Code)
_____	_____
(Name)	(Title or Office)
_____	_____
(Street Address)	(City, State and ZIP Code)
_____	_____
(Name)	(Title or Office)
_____	_____
(Street Address)	(City, State and ZIP Code)

6. Has the applicant (or any organization listed in 4) ever applied for or received a grant from this foundation? Yes No
If yes, give details:

PART II. Use of the Proposed Grant

7. Show the amount requested and explain in detail how it will be used. State whether the Grant is to be earmarked for the use or benefit of any one person, group, or class of people. If so, for whom?

If the Grant is to be used other than for tax exempt purposes provide details.

8. Person to contact who will be administering the proposed Grant.

_____	_____
(Name)	(Title)
_____	_____
(Street Address)	(City, State and ZIP Code)
_____	_____
(Area Code and Telephone Number)	(E-Mail Address)

From my own knowledge, I state that the information given in Parts I and II is correct. The applicant organization has authorized me to make this application.

_____	_____
(Name)	(Date)

(Title or Office)	

The information in Parts I and II is to help the grantor foundation meet the requirements of Section 4945 (h) of the Internal Revenue Code.

Part III. To be filled in by The Capstone Foundation

9. Evaluation:

10. Special supervisory or follow-up requirements, if any:

11. Remarks:

(Date)

(Foundation Officer)

12. Action taken. (Person to approve action must initial and date)

- a) Approved as requested ()
- b) Approved as modified, see Remarks ()
- c) Denied ()
- d) Date of grant agreement ()
- e) Amount of grant \$ ()
- f) Date of grant ()
- g) Date of interim report ()
- h) Date of final report ()
- i) Date file closed ()