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Return of Private Foundation

2004

or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation
 Note: The organization may be able to use a copy of this return to satisfy state reporting requirements

For calendar year 2004, or tax year beginning , 2004, and ending

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

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

Name of organization: **THE KAPHAN FOUNDATION**
C/O QUELLOS GROUP LLC

Employer identification number: **65-1211107**

Number and street (or P.O. box number if mail is not delivered to street address): **601 UNION STREET**

Room/suite: **() -**

City or town, state, and ZIP code: **SEATTLE, WA 98101**

Telephone number (see page 10 of the instructions): **() -**

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) ▶ \$ **4,566,833.**

J Accounting method Cash Accrual
 Other (specify) _____
 (Part I, column (d) must be on cash basis)

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) (see page 11 of the instructions).)

	(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
1 Contributions, gifts, grants, etc., received (attach schedule)	390,040.	STMT 1		
2 Check <input type="checkbox"/> if the foundation is not required to attach Sch B				
3 Interest on savings and temporary cash investments	5,456.	5,456.		
4 Dividends and interest from securities	4,582.	4,582.		
5 a Gross rents				
b Net rental income or (loss)				
6 a Net gain (or loss) from sale of assets not on line 10 or gross sales price for all assets on line 6a	38,667.			
7 Capital gain net income (from Part IV, line 2)		1,520,665.		
8 Net short-term capital gain				
9 Income modification				
10 a Gross sales less returns and discounts				
b Less: Cost of goods sold				
c Gross profit or (loss) (attach schedule)				
11 Other income (attach schedule)				
12 Total. Add lines 1 through 11	438,745.	1,530,703.		
13 Compensation of officers, directors, trustees, etc	NONE			
14 Other employee salaries and wages				
15 Pension plans, employee benefits				
16 a Legal fees (attach schedule) STMT 2	5,601.	NONE	NONE	5,601.
b Accounting fees (attach schedule) STMT 3	1,792.	896.	NONE	896.
c Other professional fees (attach schedule) STMT 4	1,875.			1,875.
17 Interest				
Taxes (attach schedule) (see page 14 of the instructions)	15,600.			
Depreciation (attach schedule) and depletion				
Occupancy				
Travel, conferences, and meetings				
Printing and publications				
Other expenses (attach schedule) STMT 5	14,235.			14,235.
24 Total operating and administrative expenses. Add lines 13 through 23	39,103.	896.	NONE	22,607.
25 Contributions, gifts, grants paid	NONE			NONE
26 Total expenses and disbursements. Add lines 24 and 25	39,103.	896.	NONE	22,607.
27 Subtract line 26 from line 12				
a Excess of revenue over expenses and disbursements	399,642.			
b Net investment income (if negative, enter -0-)		1,529,807.		
c Adjusted net income (if negative, enter -0-)			-0-	

142 Revenue RECEIVED MAY 16 2005 ORIGINAL

Operating and Administrative Expenses MAY 16 2005

7

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			16,000.	16,000.
2 Savings and temporary cash investments			21,020.	21,020.
3 Accounts receivable ▶ Less: allowance for doubtful accounts ▶				
4 Pledges receivable ▶ Less: allowance for doubtful accounts ▶				
5 Grants receivable				
6 Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see page 15 of the instructions)				
7 Other notes and loans receivable (attach schedule) ▶ Less: allowance for doubtful accounts ▶				
8 Inventories for sale or use				
9 Prepaid expenses and deferred charges				
10 a Investments - U S and state government obligations (attach schedule)				
b Investments - corporate stock (attach schedule) STMT 6	4,446,000.	4,805,558.		4,526,749.
c Investments - corporate bonds (attach schedule)				
11 Investments - land, buildings, and equipment basis Less: accumulated depreciation (attach schedule) ▶				
12 Investments - mortgage loans				
13 Investments - other (attach schedule)				
14 Land, buildings, and equipment basis Less: accumulated depreciation (attach schedule) ▶				
15 Other assets (describe ▶ STMT 7)	NONE	3,064.		3,064.
16 Total assets (to be completed by all filers - see page 16 of the instructions. Also, see page 1, item I)	4,446,000.	4,845,642.		4,566,833.
Liabilities				
17 Accounts payable and accrued expenses				
18 Grants payable				
19 Deferred revenue				
20 Loans from officers, directors, trustees, and other disqualified persons				
21 Mortgages and other notes payable (attach schedule)				
22 Other liabilities (describe ▶)				
23 Total liabilities (add lines 17 through 22)				
Net Assets or Fund Balances				
Organizations 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				
Organizations 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	4,446,000.	4,845,642.		
28 Paid-in or capital surplus, or land, bldg, and equipment fund				
29 Retained earnings, accumulated income, endowment, or other funds				
30 Total net assets or fund balances (see page 17 of the instructions)	4,446,000.	4,845,642.		
31 Total liabilities and net assets/fund balances (see page 17 of the instructions)	4,446,000.	4,845,642.		

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	4,446,000.
2 Enter amount from Part I, line 27a	2	399,642.
3 Other increases not included in line 2 (itemize) ▶	3	
4 Add lines 1, 2, and 3	4	4,845,642.
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	4,845,642.

Part IV Capital Gains and Losses for Tax on Investment Income

(a) List and describe the kind(s) of property sold (e.g., real estate, 2-story brick warehouse, or common stock, 200 shs MLC Co)			(b) How acquired P-Purchase D-Donation	(c) Date acquired (mo, day, yr)	(d) Date sold (mo, day, yr)
1a SEE PART IV SCHEDULE					
b					
c					
d					
e					
(e) Gross sales price	(f) Depreciation allowed (or allowable)	(g) Cost or other basis plus expense of sale	(h) Gain or (loss) (e) plus (f) minus (g)		
a					
b					
c					
d					
e					
Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(l) 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					
2 Capital gain net income or (net capital loss)			2	1,520,665.	
{ If gain, also enter in Part I, line 7 If (loss), enter -0- in Part I, line 7 }					
3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6)			3		
{ If gain, also enter in Part I, line 8, column (c) (see pages 13 and 17 of the instructions). If (loss), enter -0- in Part I, line 8 }					

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 organization liable for the section 4942 tax on the distributable amount of any year in the base period? . . . Yes No
 If "Yes," the organization does not qualify under section 4940(e). Do not complete this part.

1 Enter the appropriate amount in each column for each year, see page 18 of the instructions before making any entries

(a) Base period years Calendar year (or tax year beginning in)	(b) Adjusted qualifying distributions	(c) Net value of noncharitable-use assets	(d) Distribution ratio (col (b) divided by col (c))
2003	NONE	2,826,827.	NONE
2002			
2001			
2000			
1999			
2 Total of line 1, column (d)			NONE
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			NONE
4 Enter the net value of noncharitable-use assets for 2004 from Part X, line 5			4,019,518.
5 Multiply line 4 by line 3			NONE
6 Enter 1% of net investment income (1% of Part I, line 27b)			15,298.
7 Add lines 5 and 6			15,298.
8 Enter qualifying distributions from Part XII, line 4			22,607.

If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate See the Part VI instructions on page 18

Part VI Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948 - see page 18 of the instructions)

Table with 11 rows for excise tax calculations. Includes items like 'Exempt operating foundations', 'Domestic organizations that meet the section 4940(e) requirements', and 'Total credits and payments'. Total tax due is 302.

Part VII-A Statements Regarding Activities

Table with 11 rows for activity statements. Includes questions about political influence, political expenditures, and state registration. Includes 'WASHINGTON' as the state and 'KING & OLIASON, P. S.' as the books in care of.

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.

Table with columns for question text, Yes/No checkboxes, and a grid for Yes/No responses. Rows include questions 1a through 6b regarding disqualifying activities, taxes, and business interests.

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors

1 List all officers, directors, trustees, foundation managers and their compensation (see page 20 of the instructions).

(a) Name and address	(b) Title, and average hours per week devoted to position	(c) Compensation (If not paid, enter -0-)	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
SEE STATEMENT 8		NONE	NONE	NONE

2 Compensation of five highest-paid employees (other than those included on line 1 - see page 21 of the instructions). If none, enter "NONE."

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

Total number of other employees paid over \$50,000 ► NONE

3 Five highest-paid independent contractors for professional services - (see page 21 of the instructions). If none, enter "NONE."

(a) Name and address of each person paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		

Total number of others receiving over \$50,000 for professional services ► NONE

Part IX-A Summary of Direct Charitable Activities

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

	Expenses
1 DEVELOPMENT OF TECHNOLOGY THAT PROMOTES AND ENHANCES OPEN, PUBLIC DISCOURSE IN NEW AND INNOVATIVE WAYS.	22,067.
2	
3	
4	

Part IX-B Summary of Program-Related Investments (see page 22 of the instructions)

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2	Amount
1 NONE	
2	
All other program-related investments See page 22 of the instructions	
3 NONE	
Total. Add lines 1 through 3	

Part X Minimum Investment Return (All domestic foundations must complete this part. Foreign foundations, see page 22 of the instructions.)

1 Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes.		
a Average monthly fair market value of securities	1a	3,489,838.
b Average of monthly cash balances	1b	590,655.
c Fair market value of all other assets (see page 22 of the instructions)	1c	236.
d Total (add lines 1a, b, and c)	1d	4,080,729.
e Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1e	
2 Acquisition indebtedness applicable to line 1 assets	2	NONE
3 Subtract line 2 from line 1d	3	4,080,729.
4 Cash deemed held for charitable activities Enter 1 1/2 % of line 3 (for greater amount, see page 23 of the instructions)	4	61,211.
5 Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	4,019,518.
6 Minimum investment return. Enter 5% of line 5	6	200,976.

Part XI Distributable Amount (see page 23 of the instructions) (Section 4942(j)(3) and (j)(5) private operating foundations and certain foreign organizations check here and do not complete this part)

1 Minimum investment return from Part X, line 6	1	200,976.
2a Tax on investment income for 2004 from Part VI, line 5	2a	15,298.
b Income tax for 2004. (This does not include the tax from Part VI.)	2b	
c Add lines 2a and 2b	2c	15,298.
3 Distributable amount before adjustments Subtract line 2c from line 1	3	185,678.
4 Recoveries of amounts treated as qualifying distributions	4	NONE
5 Add lines 3 and 4	5	185,678.
6 Deduction from distributable amount (see page 23 of the instructions)	6	NONE
7 Distributable amount as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1	7	185,678.

Part XII Qualifying Distributions (see page 23 of the instructions)

1 Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes		
a Expenses, contributions, gifts, etc. - total from Part I, column (d), line 26	1a	22,607.
b Program-related investments - total from Part IX-B	1b	NONE
2 Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	2	NONE
3 Amounts set aside for specific charitable projects that satisfy the:		
a Suitability test (prior IRS approval required)	3a	NONE
b Cash distribution test (attach the required schedule)	3b	NONE
4 Qualifying distributions. Add lines 1a through 3b Enter here and on Part V, line 8, and Part XIII, line 4	4	22,607.
5 Organizations that qualify under section 4940(e) for the reduced rate of tax on net investment income Enter 1% of Part I, line 27b (see page 24 of the instructions)	5	15,298.
6 Adjusted qualifying distributions. Subtract line 5 from line 4	6	7,309.

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

Part XIII Undistributed Income (see page 24 of the instructions)

	(a) Corpus	(b) Years prior to 2003	(c) 2003	(d) 2004
1 Distributable amount for 2004 from Part XI, line 7				185,678.
2 Undistributed income, if any, as of the end of 2003				
a Enter amount for 2003 only			6,196.	
b Total for prior years <u>2002</u>		NONE		
3 Excess distributions carryover, if any, to 2004				
a From 1999	NONE			
b From 2000	NONE			
c From 2001	NONE			
d From 2002	NONE			
e From 2003	NONE			
f Total of lines 3a through e	NONE			
4 Qualifying distributions for 2004 from Part XII, line 4 ▶ \$ <u>22,607.</u>				
a Applied to 2003, but not more than line 2a			6,196.	
b Applied to undistributed income of prior years (Election required - see page 24 of the instructions)		NONE		
c Treated as distributions out of corpus (Election required - see page 24 of the instructions)	NONE			
d Applied to 2004 distributable amount				16,411.
e Remaining amount distributed out of corpus	NONE			
5 Excess distributions carryover applied to 2004 (If an amount appears in column (d), the same amount must be shown in column (a))	NONE			NONE
6 Enter the net total of each column as indicated below:				
a Corpus Add lines 3f, 4c, and 4e Subtract line 5	NONE			
b Prior years' undistributed income. Subtract line 4b from line 2b		NONE		
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		NONE		
d Subtract line 6c from line 6b Taxable amount - see page 25 of the instructions		NONE		
e Undistributed income for 2003 Subtract line 4a from line 2a Taxable amount - see page 25 of the instructions				
f Undistributed income for 2004. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2005				169,267.
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(E) or 4942(g)(3) (see page 25 of the instructions)	NONE			
8 Excess distributions carryover from 1999 not applied on line 5 or line 7 (see page 25 of the instructions)	NONE			
9 Excess distributions carryover to 2005. Subtract lines 7 and 8 from line 6a	NONE			
10 Analysis of line 9				
a Excess from 2000	NONE			
b Excess from 2001	NONE			
c Excess from 2002	NONE			
d Excess from 2003	NONE			
e Excess from 2004	NONE			

Part XIV Private Operating Foundations (see page 25 of the instructions and Part VII-A, question 9) **NOT APPLICABLE**

1 a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2004, enter the date of the ruling

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

	Tax year	Prior 3 years			(e) Total
	(a) 2004	(b) 2003	(c) 2002	(d) 2001	
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 organization had \$5,000 or more in assets at any time during the year - see page 26 of the instructions.)

1 Information Regarding Foundation Managers:

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

SHELDON J KAPHAN

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

N/A

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

Check here if the organization only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds If the organization makes gifts, grants, etc (see page 26 of the instructions) to individuals or organizations under other conditions, complete items 2a, b, c, and d

a The name, address, and telephone number of the person to whom applications should be addressed

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

c Any submission deadlines

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

Part XV Supplementary Information (continued)

3 Grants and Contributions Paid During the Year or Approved for Future Payment

Recipient Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
a <i>Paid during the year</i> NONE				NONE
Total ▶ 3 a				NONE
b <i>Approved for future payment</i> NONE				NONE
Total ▶ 3 b				NONE

Schedule B

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

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

Supplementary Information for
line 1 of Form 990, 990-EZ, and 990-PF (see instructions)

OMB No 1545-0047

2004

Name of organization

**THE KAPHAN FOUNDATION
C/O QUELLOS GROUP LLC**

Employer identification number

65-1211107

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 organizations 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 Form 990-EZ, that met the 33 1/3% support test of the regulations under sections 509(a)(1)/170(b)(1)(A)(vi) and received from any one contributor, during the year, a contribution of the greater of \$5,000 or 2% of the amount on line 1 of these forms (Complete Parts I and II)

For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, aggregate contributions or bequests 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 Form 990-EZ, that received from any one contributor, during the year, some contributions for use *exclusively* for religious, charitable, etc , purposes, but these contributions did not aggregate 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: Organizations that are not covered by the General Rule and/or the Special Rules do not file Schedule B (Form 990, 990-EZ, or 990-PF), but they **must** check the box in the heading of their Form 990, Form 990-EZ, or on line 2 of their Form 990-PF, to certify that they do not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF)

For Paperwork Reduction Act Notice, see the Instructions for Form 990, Form 990-EZ, and Form 990-PF.

Schedule B (Form 990, 990-EZ, or 990-PF) (2004)

Name of organization **THE KAPHAN FOUNDATION**
C/O QUELLOS GROUP LLC

Employer identification number
65-1211107

Part I Contributors (See Specific Instructions.)

(a) No.	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
1	SHELDON J KAPHAN 1629 9TH AVENUE WEST SEATTLE, WA 98119	390,040.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input checked="" 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 THE KAPHAN FOUNDATION C/O QUELLOS GROUP LLC	Employer identification number 65-1211107
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Part II Noncash Property (See Specific Instructions.)

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
<u>1</u>	<u>9,467 SHS AMAZON.COM INC</u> _____ _____	<u>390,040.</u>	<u>12/27/2004</u>
_____	_____ _____ _____	_____	_____
_____	_____ _____ _____	_____	_____
_____	_____ _____ _____	_____	_____
_____	_____ _____ _____	_____	_____
_____	_____ _____ _____	_____	_____
_____	_____ _____ _____	_____	_____

THE KAPHAN FOUNDATION

65-1211107

FORM 990PF, PART I - CONTRIBUTIONS, GIFTS AND GRANTS RECEIVED

NAME AND ADDRESS	DATE	DIRECT PUBLIC SUPPORT
SHELDON J KAPHAN 1629 9TH AVENUE WEST SEATTLE, WA 98119	12/27/2004	390,040.
TOTAL CONTRIBUTION AMOUNTS		390,040.

FORM 990PF, PART I - LEGAL FEES

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME	ADJUSTED NET INCOME	CHARITABLE PURPOSES
LEGAL FEES	5,601.			5,601.
TOTALS	5,601.	NONE	NONE	5,601.

FORM 990PF, PART I - ACCOUNTING FEES

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME	ADJUSTED NET INCOME	CHARITABLE PURPOSES
ACCOUNTING FEES	1,792.	896.		896.
TOTALS	1,792.	896.	NONE	896.

FORM 990PF, PART I - OTHER PROFESSIONAL FEES

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	CHARITABLE PURPOSES
CONSULTING FEES	1,875.	1,875.
TOTALS	1,875.	1,875.

FORM 990PF, PART I - OTHER EXPENSES

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	CHARITABLE PURPOSES
DUES & SUBSCRIPTIONS	60.	60.
OFFICE SUPPLIES	350.	350.
OTHER PROGRAM EXPENSES	13,825.	13,825.
TOTALS	14,235.	14,235.

FORM 990PF, PART II - CORPORATE STOCK

DESCRIPTION	ENDING BOOK VALUE	ENDING FMV
90,000 SHS AMAZON.COM	4,805,558.	4,526,749.
TOTALS	4,805,558.	4,526,749.

FORM 990PF, PART II - OTHER ASSETS

DESCRIPTION	ENDING BOOK VALUE	ENDING FMV
DIVIDEND RECEIVABLE	3,064.	3,064.
TOTALS	3,064.	3,064.

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

Kind of Property		Description				P or D	Date acquired	Date sold
Gross sale price less expenses of sale	Depreciation allowed/ allowable	Cost or other basis	FMV as of 12/31/69	Adj basis as of 12/31/69	Excess of FMV over adj basis		Gain or (loss)	
1,520,667.		DETAILS AVAILABLE AT TAXPAYER'S OFFICE PROPERTY TYPE: SECURITIES 2.				D	VAR	06/09/2004
							1,520,665.	
TOTAL GAIN(LOSS)							1,520,665.	

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

NAME AND ADDRESS	TITLE AND TIME DEVOTED TO POSITION	COMPENSATION	CONTRIBUTIONS TO EMPLOYEE BENEFIT PLANS	EXPENSE ACCT AND OTHER ALLOWANCES
SHELDON J KAPHAN 1629 9TH AVENUE WEST SEATTLE, WA 98119	PRES, VP, TREAS PART-TIME	NONE	NONE	NONE
MATTHEW B. MCCUTCHEM 1629 9TH AVENUE WEST SEATTLE, WA 98119	SECRETARY PART-TIME	NONE	NONE	NONE
GRAND TOTALS				
		NONE	NONE	NONE