

# Return of Private Foundation

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

## 2001

Department of the Treasury  
Internal Revenue Service

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

For the calendar year 2001, or tax year beginning **07/01, 2001**, and ending **06/30, 2002**

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

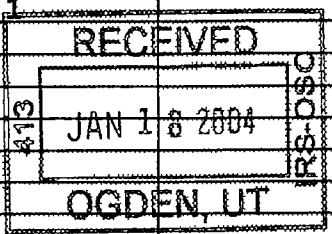
Use the IRS label. Otherwise, print or type. See Specific Instructions	Name of organization <p style="text-align: center;"><b>ADELLE DAVIS FOUNDATION</b></p>	A Employer identification number <p style="text-align: center;"><b>23-7262117</b></p>
	Number and street (or P.O. box number if mail is not delivered to street address) <p style="text-align: center;"><b>116 MIDDLE ROAD, SUITE K</b></p>	B Telephone number (see page 10 of the instructions) <p style="text-align: center;"><b>(805) 969-9076</b></p>
	City or town, state, and ZIP + 4 <p style="text-align: center;"><b>SANTA BARBARA, CA 93108</b></p>	C If exemption application is pending, check here <input type="checkbox"/> D 1. Foreign organizations, check here <input type="checkbox"/> 2. Foreign organizations meeting the 85% test, check here and attach computation <input type="checkbox"/> E If private foundation status was terminated under section 507(b)(1)(A), check here <input type="checkbox"/> F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here <input type="checkbox"/>

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) ▶ \$ **1,483,008.**

J Accounting method:  Cash  Accrual  
 Other (specify) \_\_\_\_\_  
 (Part I, column (d) must be on cash basis.)

	Part I Analysis of Revenue and Expenses (The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see page 10 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)
R e v e n u e	1 Contributions, gifts, grants, etc., received (att. sch.) Check <input type="checkbox"/> If the foundation is not required to attach Sch. B				
	2 Distributions from split-interest trusts				
	3 Interest on savings and temporary cash investments	1,544.	1,544.	1,544.	
	4 Dividends and interest from securities	9,540.	9,540.	9,540.	
	5 a Gross rents	49,814.	49,814.	49,814.	
	b (Net rental income or (loss)) <u>39,872.</u>				
	6 a Net gain or (loss) from sale of assets not on line 10	1,425.	SEE SCHEDULE 1		
	b Gross sales price for all assets on line 6a <u>208,239.</u>				
	7 Capital gain net income (from Part IV, line 2)		1,425.		
	8 Net short-term capital gain				
	9 Income modifications				
	10 a Gross sales less returns and allowances				
b Less: Cost of goods sold					
c Gross profit or (loss) (att. sch.)					
11 Other income (att. sch.)					
12 Total (add lines 1 through 11)	62,323.	62,323.	60,898.		
O p e r a t i n g  a n d  A d m i n i s t r a t i v e  E x p e n s e s	13 Compensation of officers, directors, trustees, etc.	29,181.			29,181.
	14 Other employee salaries and wages				
	15 Pension plans, employee benefits				
	16 a Legal fees (att. sch.) <b>SEE SCHEDULE 4</b>	70,936.			70,936.
	b Accounting fees (att. sch.)				
	c Other professional fees (att. sch.)				
	17 Interest	4.	4.		
	18 Taxes (att. sch.)				
	19 Depreciation (att. sch.) and depletion				
	20 Occupancy	1,500.			1,500.
21 Travel, conferences, and meetings					
22 Printing and publications					
23 Other expenses (att. sch.) <b>SEE SCHEDULE 5</b>	38,371.	3,025.		5,710.	
24 Total operating and administrative expenses. Add lines 13 through 23	139,992.	3,029.		107,327.	
25 Contributions, gifts, grants paid	20,000.			20,000.	
26 Total expenses and disbursements. Add lines 24 and 25)	159,992.	3,029.		127,327.	
27 Subtract line 26 from line 12:					
a Excess of revenue over expenses and disbursements	<97,669.>				
b Net investment income (if negative, enter -0-)		59,294.			
c Adjusted net income (if negative, enter -0-)			60,898.		



SCANNED JAN 26 '04

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	
A s s e t s	1 Cash - non-interest-bearing		145,707.	145,707.	
	2 Savings and temporary cash investments	277,632.	95,794.	95,794.	
	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 sch.) (see page 16 of the Instr.)				
	7 Other notes and loans receivable (att. 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 (att. sch.)				
	b Investments-corporate stock (att. sch.)	SEE SCHEDULE 7	415,490.	358,244.	309,306.
	c Investments-corporate bonds (att. sch.)	SEE SCHEDULE 8	41,351.	41,351.	1.
	11 Investments - land, buildings, and equipment: basis	894,394.			
Less: accumulated depreciation (attach schedule)		894,394.	894,394.	880,000.	
12 Investments-mortgage loans					
13 Investments-other (att. sch.)	SEE SCHEDULE 9	65,000.	52,200.	52,200.	
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 page 16 of the instructions). Also, see page 1, item I)		1,693,867.	1,587,690.	1,483,008.	
L i a b i l i t i e s	17 Accounts payable and accrued expenses	17,314.	8,806.		
	18 Grants payable				
	19 Deferred revenue				
	20 Loans from officers, directors, trustees, and other disqualified persons				
	21 Mortgages and other notes payable (att. sch.)				
	22 Other liabilities (describe)				
23 Total liabilities (add lines 17 through 22)		17,314.	8,806.		
N e t A s s e t s O r F u n d B a l a n c e s	Organizations that follow SFAS 117, check here <input checked="" 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 type="checkbox"/>				
	27 Capital stock, trust principal, or current funds				
	28 Paid-in or capital surplus, or land, bldg., and equipment fund				
29 Retained earnings, accumulated income, endowment, or other funds		1,676,553.	1,578,884.		
30 Total net assets or fund balances (see page 17 of the instructions)		1,676,553.	1,578,884.		
31 Total liabilities and net assets/fund balances (see page 17 of the instructions)		1,693,867.	1,587,690.		

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	1,676,553.
2 Enter amount from Part I, line 27a	2	<97,669.>
3 Other increases not included in line 2 (itemize)	3	
4 Add lines 1, 2, and 3	4	1,578,884.
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	1,578,884.

**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.)
1 a PUBLICLY TRADED - MANAGED ACCOUNT, SALOMON SMITH BARNEY	P	VARIOUS	VARIOUS
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 208,239.		206,814.	1,425.
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			1,425.
b			
c			
d			
e			

2 Capital gain net income or (net capital loss).	If gain, also enter in Part I, line 7 If (loss), enter -0- in Part I, line 7	2	1,425.
3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6): If gain, also enter in Part I, line 8, column (c) (see pages 13 and 17 of the instructions). If (loss), enter -0- in Part I, line 8		3	

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

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

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

Was the 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))
2000			
1999			
1998			
1997			
1996			

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 2001 from Part X, line 5	4	
5 Multiply line 4 by line 3	5	
6 Enter 1% of net investment income (1% of Part I, line 27b)	6	
7 Add lines 5 and 6	7	
8 Enter qualifying distributions from Part XII, line 4 If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate. See the Part VI instructions on page 18.	8	

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

Table with 11 rows for excise tax calculations. Includes categories like 'Exempt operating foundations', 'Domestic organizations', 'Tax based on investment income', and 'Credits/Payments'. Total tax due is 492, refunded 492.

Part VII-A Statements Regarding Activities

Table with 13 rows for activity statements. Includes questions about political campaigns, political expenditures, unrelated business income, and charitable status. Includes 'CALIFORNIA' and 'ELOISE DILLINGS'.

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 descriptions, Yes/No checkboxes, and a grid for Yes/No responses. Includes questions 1a through 6b regarding disqualifying activities, taxes, and investments.

\* BUT SEE ATTACHED STATEMENT

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):

Table with 5 columns: (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. Row 1 contains 'SEE SCHEDULE 2'.

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

Table with 5 columns: (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. Row 1 contains 'NONE'.

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

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

Table with 3 columns: (a) Name and address of each person paid more than \$50,000, (b) Type of service, (c) Compensation. Row 1 contains 'NONE'.

Total number of others receiving over \$50,000 for professional services

Part IX-A Summary of Direct Charitable Activities

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

Table with 2 columns: Description of activity, Expenses. Row 1 contains 'N/A'.

**Part IX-B Summary of Program-Related Investments** (see page 21 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	
2	
All other program-related investments. See page 22 of the instructions.	
3	
<b>Total.</b> 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	365,412.
	b Average of monthly cash balances	1b	259,567.
	c Fair market value of all other assets (see page 22 of the instructions)	1c	932,200.
	d Total (add lines 1a, b, and c)	1d	1,557,179.
	e Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1e	
2	Acquisition indebtedness applicable to line 1 assets	2	
3	Subtract line 2 from line 1d	3	1,557,179.
4	Cash deemed held for charitable activities. Enter 1 1/2% of line 3 (for greater amount, see page 23 of the instructions)	4	23,358.
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	1,533,821.
6	Minimum investment return. Enter 5% of line 5	6	76,691.

**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	76,691.
2	a Tax on investment income for 2001 from Part VI, line 5	2a	1,186.
	b Income tax for 2001. (This does not include the tax from Part VI.)	2b	
	c Add lines 2a and 2b	2c	1,186.
3	Distributable amount before adjustments. Subtract line 2c from line 1	3	75,505.
4	a Recoveries of amounts treated as qualifying distributions	4a	
	b Income distributions from section 4947(a)(2) trusts	4b	
	c Add lines 4a and 4b	4c	
5	Add lines 3 and 4c	5	75,505.
6	Deduction from distributable amount (see page 23 of the instructions)	6	
7	Distributable amount as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1	7	75,505.

**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	127,327.
	b Program-related investments - Total from Part IX-B	1b	
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	2	
3	Amounts set aside for specific charitable projects that satisfy the:		
	a Suitability test (prior IRS approval required)	3a	
	b Cash distribution test (attach the required schedule)	3b	
4	Qualifying distributions. Add lines 1a through 3b. Enter here and on Part V, line 8 and Part XIII, line 4	4	127,327.
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	
6	Adjusted qualifying distributions. Subtract line 5 from line 4	6	127,327.

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 2000	(c) 2000	(d) 2001
1 Distributable amount for 2001 from Part XI, line 7				75,505.
2 Undistributed income, if any, as of the end of 2000:				
a Enter amount for 2000 only				
b Total for prior years:		0.		
3 Excess distributions carryover, if any, to 2001:				
a From 1996				
b From 1997				
c From 1998				
d From 1999				
e From 2000				28,970.
f Total of lines 3a through e	28,970.			
4 Qualifying distributions for 2001 from Part XII, line 4: ▶ \$ 127,327.				
a Applied to 2000, but not more than line 2a				
b Applied to undistributed income of prior years (Election required - see page 24 of the instructions)		0.		
c Treated as distributions out of corpus (Election required - see page 24 of the instructions)				
d Applied to 2001 distributable amount				75,505.
e Remaining amount distributed out of corpus	51,822.			
5 Excess distributions carryover applied to 2001 (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	80,792.			
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				
d Subtract line 6c from line 6b. Taxable amount - see page 25 of the instructions		0.		
e Undistributed income for 2000. Subtract line 4a from line 2a. Taxable amount - see page 25 of the instructions			0.	
f Undistributed income for 2001. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2002				0.
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)				
8 Excess distributions carryover from 1996 not applied on line 5 or line 7 (see page 25 of the instructions)	0.			
9 Excess distributions carryover to 2002. Subtract lines 7 and 8 from line 6a	80,792.			
10 Analysis of line 9:				
a Excess from 1997				
b Excess from 1998				
c Excess from 1999				
d Excess from 2000	28,970.			
e Excess from 2001	51,822.			



**Part XIV Private Operating Foundations** (see page 25 of the instructions and Part VII-A, question 9)

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 2001, 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) 2001	(b) 2000	(c) 1999	(d) 1998	
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).)

**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 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	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)				
<p>a Paid during the year</p> <p>SEE SCHEDULE 6</p>				20,000.
<b>Total</b>				20,000.
<p>b Approved for future payment</p>				
<b>Total</b>				



Part XVII

Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

1 Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

Table with 3 columns: Question, Yes, No. Rows include 1a(1) Cash, 1a(2) Other assets, 1b(1) Sales of assets, 1b(2) Purchases of assets, 1b(3) Rental of facilities, 1b(4) Reimbursement arrangements, 1b(5) Loans or loan guarantees, 1b(6) Performance of services, and 1c Sharing of facilities.

a Transfers from the reporting organization to a noncharitable exempt organization of:

(1) Cash

(2) Other assets

b Other Transactions:

(1) Sales of assets to a noncharitable exempt organization

(2) Purchases of assets from a noncharitable exempt organization

(3) Rental of facilities, equipment, or other assets

(4) Reimbursement arrangements

(5) Loans or loan guarantees

(6) Performance of services or membership or fundraising solicitations

c Sharing of facilities, equipment, mailing lists, or other assets, or paid employees

d If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received.

Table with 4 columns: (a) Line no., (b) Amount involved, (c) Name of noncharitable exempt organization, (d) Description of transfers, transactions, and sharing arrangements. Row 1 contains 'N/A'.

2 a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527?

Yes No [X]

b If "Yes," complete the following schedule.

Table with 3 columns: (a) Name of organization, (b) Type of organization, (c) Description of relationship. Row 1 contains 'N/A'.

Return, including accompanying schedules and statements, and to the best of my knowledge and belief (other than taxpayer or fiduciary) is based on all information of which preparer has

Handwritten signature: \* 1/12/04 \* President

Adelle Davis Foundation  
Tax I.D. # 23-7262117

Circumstances Leading to Missing Records

The Adelle Davis Foundation ("Foundation") and its tax preparer have made every effort to provide complete and accurate information in this tax return. However, litigation between the Foundation and its former president, Stephen E. Thurman, and the death of Mr. Thurman, have hindered the Foundation's efforts to obtain complete information about its funds. The Foundation has included a category of "unaccounted for funds" on its return because it has not been able to obtain all of the information necessary to account for all of its transactions and assets. Below is a summary of the litigation and other circumstances that have affected the Foundation's ability to complete its tax return.

In the summer of 2001, a dispute arose between two directors of the Foundation, Stephen E. Thurman and Kirkpatrick Dilling. Both Mr. Thurman and Mr. Dilling accused each other of misappropriating Foundation funds. The third director was Julia Irons. At that time, Mr. Thurman was president of the Foundation and the Foundation's accountant. The vast majority of the Foundation's books and records were in his possession.

In November, 2001, the Board of Directors fired Mr. Thurman as president. In January, 2002, the Board voted to remove Mr. Thurman as director and advised him that he no longer was the Foundation's accountant. Mr. Thurman disputed the legality of his removal as president, director and accountant for the Foundation. He also sent letters to financial institutions where the Foundation had investments, directing them not to cooperate with Kirkpatrick Dilling and Julia Irons.

On April 8, 2002, Mr. Thurman filed an action in Los Angeles County Superior Court, Case Number BC 271607 (the "Action") against Kirkpatrick Dilling. Shortly thereafter Mr. Thurman amended his complaint to name the Foundation as a defendant. The Foundation, in turn, filed a cross-complaint against Mr. Thurman.

After the Action was filed, the Attorney General of the State of California commenced an investigation of the alleged misconduct of both Mr. Thurman and Mr. Dilling. In light of that investigation and in order to conserve its resources,

the Foundation agreed to postpone the litigation. On March 24, 2003, Mr. Thurman and the Foundation dismissed their respective pleadings in the Action without prejudice.

On May 13, 2003, Stephen E. Thurman died. On June 19, 2003, Kirkpatrick Dilling died. Shortly thereafter, the Foundation elected a new Board of Directors and new officers.

At the time of his death, Mr. Thurman continued to maintain possession of the vast majority of the Foundation's books and records. To date, his Estate has failed to forward them to the Foundation. Although the new management team has been able assemble many relevant documents through a variety of sources, there are still missing records and unidentified transactions.

On October 10, 2003, the Foundation commenced a lawsuit against Citigroup Global Markets, Inc. ("Citigroup"), the trustee of the Estate of Stephen E. Thurman ("Estate") and others in Los Angeles County Superior Court, Case Number BC 304023. Among other things, the Foundation seeks an accounting from Citigroup and the Estate of Foundation.

For further information regarding the Attorney General's investigation, please contact:

Deputy Attorney General Sonja Berdnt  
Department of Justice  
Los Angeles, California 90013  
300 South Spring Street, Suite 1703  
(213) 897-2179

For further information regarding the above described litigation, please contact:

Armen Tamzarian  
Case, Knowlson, Jordan & Wright LLP  
2049 Century Park East, Suite 3350  
Los Angeles, CA 90067  
(310) 552-2766

# Underpayment of Estimated Tax by Corporations

**2001**

▶ See separate instructions  
 ▶ Attach to the corporation's tax return.

Name **ADELLE DAVIS FOUNDATION** Employer identification number **23-7262117**

**Note:** In most cases, the corporation does not need to file Form 2220. (See Part I below for exceptions.) The IRS will figure any penalty owed and bill the corporation. If the corporation does not need to file Form 2220, it may still use it to figure the penalty. Enter the amount from line 36 on the estimated tax penalty line of the corporation's income tax return, but do not attach Form 2220.

**PART I** **Reasons For Filing-** Check the boxes below that apply to the corporation. If any boxes are checked, the corporation must file Form 2220, even if it does not owe the penalty. If the box on line 1 or line 2 applies, the corporation may be able to lower or eliminate the penalty. See page 1 of the instructions.

- 1  The corporation is using the annualized income installment method.
- 2  The corporation is using the adjusted seasonal installment method.
- 3  The corporation is a "large corporation" figuring its first required installment based on the prior year's tax.

**Note:** The corporation must also file Form 2220 if it has a suspended research credit allowed for the current year (see the instructions for line 4) or it is an indirectly affected taxpayer (see instructions).

**PART II** **Figuring the Underpayment**

<b>4</b> Total tax (see instructions)					<b>4</b>	<b>1,186.</b>
<b>5 a</b> Personal holding company tax (Schedule PH (Form 1120), line 26) included on line 4.	<b>5a</b>					
<b>b</b> Look-back interest included on line 4 under section 460(b)(2) for completed long-term contracts or section 167(g) for depreciation under the income forecast method	<b>5b</b>					
<b>c</b> Credit for Federal tax paid on fuels (see instructions)	<b>5c</b>					
<b>d</b> Total. Add lines 5a through 5c					<b>5d</b>	
<b>6</b> Subtract line 5d from line 4. If the result is less than \$500, do not complete or file this form. The corporation does not owe the penalty					<b>6</b>	<b>1,186.</b>
<b>7</b> Enter the tax shown on the corporation's 2000 income tax return. (CAUTION: See instructions before completing this line.)					<b>7</b>	
<b>8</b> Enter the smaller of line 6 or line 7. If the corporation must skip line 7, enter the amount from line 6					<b>8</b>	<b>1,186.</b>
<b>9</b> <b>Installment due dates.</b> Enter in columns (a) through (d) the 15th day of the 4th (Form 990-PF filers: Use 5th month), 6th, 9th, and 12th months of the corporation's tax year. <b>Exception:</b> Enter Oct. 1, 2001, instead of Sept. 15, 2001 ▶	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>		
<b>9</b>	11/15/01	12/17/01	03/15/02	06/17/02		
<b>10</b> <b>Required installments.</b> If the box on line 1 and/or line 2 above is checked, enter the amounts from Schedule A, line 40. If the box on line 3 (but not 1 or 2) is checked, see instructions for the amounts to enter. If none of these boxes are checked, enter 25% of line 8 above in each column	<b>10</b>	297	296	297	296	
<b>11</b> Estimated tax paid or credited for each period (see instructions). For column (a) only, enter the amount from line 11 on line 15	<b>11</b>					
<b>Complete lines 12 through 18 of one column before going to the next column.</b>						
<b>12</b> Enter amount, if any, from line 18 of the preceding column	<b>12</b>					
<b>13</b> Add lines 11 and 12	<b>13</b>					
<b>14</b> Add amounts on lines 16 and 17 of the preceding col.	<b>14</b>		297	593	890	
<b>15</b> Subtract line 14 from line 13. If zero or less, enter -0-	<b>15</b>	0	0	0	0	
<b>16</b> If the amount on line 15 is zero, subtract line 13 from line 14. Otherwise, enter -0-	<b>16</b>		297	593		
<b>17</b> <b>Underpayment</b> If line 15 is less than or equal to line 10, subtract line 15 from line 10. Then go to line 12 of the next column. Otherwise, go to line 18	<b>17</b>	297	296	297	296	
<b>18</b> <b>Overpayment.</b> If line 10 is less than line 15, subtract line 10 from line 15. Then go to line 12 of the next col	<b>18</b>					

**Complete Part III on page 2 to figure the penalty. If there are no entries on line 17, no penalty is owed.**

**Part III Figuring the Penalty**

	(a)	(b)	(c)	(d)
<b>19</b> Enter the date of payment or the 15th day of the 3rd month after the close of the tax year, whichever is earlier (see instructions). (Form 990-PF and Form 990-T filers: Use 5th month instead of 3rd month)				
<b>20</b> Number of days from due date of installment on line 9 to the date shown on line 19				
<b>21</b> Number of days on line 20 after 4/15/2001 and before 7/1/2001				
<b>22</b> Underpayment on line 17 x $\frac{\text{Number of days on line 21}}{365}$ x 8%	\$	\$	\$	\$
<b>23</b> Number of days on line 20 after 6/30/2001 and before 1/1/2002				
<b>24</b> Underpayment on line 17 x $\frac{\text{Number of days on line 23}}{365}$ x 7%	\$	\$	\$	\$
<b>25</b> Number of days on line 20 after 12/31/2001 and before 4/1/2002				
<b>26</b> Underpayment on line 17 x $\frac{\text{Number of days on line 25}}{365}$ x 6%	\$	\$	\$	\$
<b>27</b> Number of days on line 20 after 3/31/2002 and before 7/1/2002				
<b>28</b> Underpayment on line 17 x $\frac{\text{Number of days on line 27}}{365}$ x **%	\$	\$	\$	\$
<b>29</b> Number of days on line 20 after 6/30/2002 and before 10/1/2002				
<b>30</b> Underpayment on line 17 x $\frac{\text{Number of days on line 29}}{365}$ x **%	\$	\$	\$	\$
<b>31</b> Number of days on line 20 after 9/30/2002 and before 1/1/2003				
<b>32</b> Underpayment on line 17 x $\frac{\text{Number of days on line 31}}{365}$ x **%	\$	\$	\$	\$
<b>33</b> Number of days on line 20 after 12/31/2002 and before 2/16/2003	\$	\$	\$	\$
<b>34</b> Underpayment on line 17 x $\frac{\text{Number of days on line 33}}{365}$ x **%				
<b>35</b> Add lines 22, 24, 26, 28, 30, 32, and 34	\$	\$	\$	\$
<b>36 Penalty.</b> Add columns (a) through (d), of line 35. Enter the total here and on Form 1120, line 33; Form 1120-A, line 29; or the comparable line for other income tax returns				36 \$ 42.

\* For underpayments paid after March 31, 2002: For lines 28, 30, 32, and 34, use the penalty interest rate for each calendar quarter, which the IRS will determine during the first month in the preceding quarter. These rates are published quarterly in an IRS News Release and in a revenue ruling in the Internal Revenue Bulletin. To obtain this information on the Internet, access the IRS's Web Site at [www.irs.gov](http://www.irs.gov). You can also call 1-800-829-1040 to get interest rate information.

DATE	DUE	PAYMENT	BALANCE	DAYS	RATE	PENALTY	Form 2220 (2001)
11/15/01	297	0	297	32	7	2	
12/17/01	296	0	593	14	7	2	
12/31/01	0	0	593	74	6	7	
3/15/02	297	0	890	16	6	2	
3/31/02	0	0	890	78	6	11	
6/17/02	296	0	1186	13	6	3	
6/30/02	0	0	1186	78	6	15	
9/16/02	0	0	0	0	0	0	
<b>TOTAL</b>						<b>42</b>	



SUPPLEMENTAL RENTAL SCHEDULE

ADELLE DAVIS FOUNDATION

23-7262117

KIND AND LOCATION :

-----

COMM. PROPERTY LA CANADA, CA

DESCRIPTION

-----

AMOUNT

-----

2. RENTS RECEIVED	22,900.
3. ADVERTISING	
4. AUTO AND TRAVEL	
5. CLEANING AND MAINTENANCE	
6. COMMISSIONS	
7. INSURANCE	
8. LEGAL & OTHER PROFESSIONAL FEES	
9. MORTGAGE INTEREST	
9. OTHER INTEREST	
10. REPAIRS	600.
11. TAXES	9,342.
12. UTILITIES	
13. WAGES AND SALARIES	
14. DEPRECIATION	
15. OTHER	
16. TOTAL EXPENSES	9,942.
21. NET INCOME OR LOSS	12,958.

SUPPLEMENTAL RENTAL SCHEDULE

ADELLE DAVIS FOUNDATION

23-7262117

KIND AND LOCATION :

-----  
ROYALTIES

DESCRIPTION

AMOUNT

-----	-----
2. RENTS RECEIVED	26,914.
3. ADVERTISING	
4. AUTO AND TRAVEL	
5. CLEANING AND MAINTENANCE	
6. COMMISSIONS	
7. INSURANCE	
8. LEGAL & OTHER PROFESSIONAL FEES	
9. MORTGAGE INTEREST	
9. OTHER INTEREST	
10. REPAIRS	
11. TAXES	
12. UTILITIES	
13. WAGES AND SALARIES	
14. DEPRECIATION	
15. OTHER	
16. TOTAL EXPENSES	
21. NET INCOME OR LOSS	26,914.

Federal Attachments

2001

Name(s) as shown on return ADELLE DAVIS FOUNDATION	Identification Number 23-7262117
---	-------------------------------------

FORM 990-PF PART I - SALE OF NON-INVENTORY ASSETS SCHEDULE 1

PUBLICLY TRADED SECURITIES

GROSS SALES PRICE: 208239.  
COST OR OTHER BASIS: 206814.  
EXPENSES OF SALE: 0.

NET GAIN/LOSS FROM SALE OF PUBLICLY TRADED SECURITIES 1425.  
TOTAL NET GAIN/LOSS TO FORM 990PF, PART I, LINE 6A 1425.

# Federal Attachments

2001

Name(s) as shown on return <b>ADELLE DAVIS FOUNDATION</b>	Identification Number <b>23-7262117</b>
--	--

<b>FORM 990-PF PART VIII - OFFICERS, DIRECTORS, TRUSTEES, KEY EMP'S SCHEDULE 2</b>
--

NAME AND ADDRESS	TITLE	HRS/WEEK
STEPHEN E. THURMAN 144 WEST LEMON AVENUE ARCADIA, CA 91007	PRESIDENT	

COMPENSATION	CONTRIBS TO BENFT PLANS	EXPENSE ACCT & OTH ALLOWS
29,182	0	0

NAME AND ADDRESS	TITLE	HRS/WEEK
KIRKPATRICK DILLING 1120 LEE ROAD NORTHBROOK, IL 60062	DIRECTOR	

COMPENSATION	CONTRIBS TO BENFT PLANS	EXPENSE ACCT & OTH ALLOWS
1,500	0	0

NAME AND ADDRESS	TITLE	HRS/WEEK
ELIZABETH DILLING 1120 LEE ROAD NORTHBROOK, IL 60062	DIRECTOR	

COMPENSATION	CONTRIBS TO BENFT PLANS	EXPENSE ACCT & OTH ALLOWS
2,250	0	0

NAME AND ADDRESS	TITLE	HRS/WEEK
ELOISE DILLINGS 116 MIDDLE ROAD SANTA BARBARA, CA 93108	DIRECTOR	

COMPENSATION	CONTRIBS TO BENFT PLANS	EXPENSE ACCT & OTH ALLOWS
0	0	0

NAME AND ADDRESS	TITLE	HRS/WEEK
JANE SORENSON 1205 MERCEDES LANE SANTA BARBARA, CA 93101	DIRECTOR	

COMPENSATION	CONTRIBS TO BENFT PLANS	EXPENSE ACCT & OTH ALLOWS



**Federal Attachments**

**2001**

Name(s) as shown on return <b>ADELLE DAVIS FOUNDATION</b>	Identification Number <b>23-7262117</b>
--	--

**FORM 990-PF PART XV - GRANTS AND CONTRIBUTIONS PAID DURING YEAR SCHEDULE 6**

AMOUNT

RECIPIENT NAME: BRIGHAM YOUNG UNIVERSITY  
 STREET ADDRESS: S221 EYRING SCI CTR, PO BOX 24  
 CITY, STATE, ZIP CODE: PROVO, UTAH 84402

PURPOSE OF GRANT OR CONTRIBUTION:  
 SCHOLARSHIP GRANT- FOOD SCIENCE & NURTRITION

AMOUNT PAID 10000.

RECIPIENT NAME: CALIF STATE UNIV-LOS ANGELES  
 STREET ADDRESS: 5151 STATE COLLEGE DRIVE  
 CITY, STATE, ZIP CODE: LOS ANGELES, CA

PURPOSE OF GRANT OR CONTRIBUTION:  
 SCHOLARSHIP GRANT-FOOD SCIENCE & NUTRITION

AMOUNT PAID 10000.

TOTAL GRANTS & CONTRIBUTIONS PAID DURING THE YEAR 20000.

**FORM 990-PF - INVESTMENTS IN CORPORATE STOCK SCHEDULE 7**

CORPORATE STOCK	METH VALUE	BOOK VALUE	FMV
SEE ATTACHED STATEMENT	MARKET	358244.	309306.
TOTAL TO PART II, LINE 10B		<u>358244.</u>	<u>309306.</u>

**FORM 990-PF - INVESTMENTS IN CORPORATE BONDS SCHEDULE 8**

CORPORATE BONDS	METH VALUE	BOOK VALUE	FMV
AMERICAN CONTINENTAL CORP. BOND	MARKET	41351.	1.
TOTAL TO PART II, LINE 10C		<u>41351.</u>	<u>1.</u>

Federal Attachments

2001

Name(s) as shown on return ADELLE DAVIS FOUNDATION	Identification Number 23-7262117
---	-------------------------------------

FORM 990-PF - INVESTMENTS OTHER	SCHEDULE 9
---------------------------------	------------

	<u>METH VALUE</u>	<u>BOOK VALUE</u>	<u>FMV</u>
<u>OTHER INVESTMENTS</u>			
NUTRADELL	MARKET	52200.	52200.
SUBTOTAL		52200.	52200.
TOTAL TO PART II, LINE 13		52200.	52200.

# SALOMON SMITH BARNEY

Member of Citigroup

## Preferred Client Statement June 1 - June 30, 2002

Page 1 of 9

Ref: 00001171 00028491

[Redacted]

SALOMON SMITH BARNEY INC.  
Your Financial Consultant

ADELLE DAVIS FOUNDATION

[Redacted]

Stock  
Funds

6/02

Salomon Smith Barney is a service mark of Salomon Smith Barney Inc.  
Salomon Smith Barney Inc. is a member of the Securities Investor Protection Corporation (SIPC).

Account value	Last period	This period
Cash balance	\$ 36.19	\$ 0.00
Money funds	2,902.54	4,241.38
Accrued money fund dividends	2.57	2.34
Stocks	176,845.62	157,227.79
<b>Net value</b>	<b>\$ 179,788.92</b>	<b>\$ 161,571.81</b>

	This year	
	taxable	Non-taxable
Dividends	\$ 232.84	\$ 1,082.28
Money funds earnings	4.10	68.66
<b>Total</b>	<b>\$ 236.94</b>	<b>\$ 1,150.94</b>

### Additional summary information

FRGN tax withheld	This period	This year
	\$ 13.74	\$ 66.41

### Cash, Money funds and Bank deposits

	This period	This year
Opening balance	\$ 2,940.73	
Securities bought and other subtractions	-2,457.27	
Securities sold and other additions	3,634.72	
Withdrawals	0.00	-1,948.78
Dividends credited	219.10	
Money funds earnings reinvested	4.10	
<b>Ending balance</b>	<b>\$ 4,241.38</b>	

A free credit balance in any securities account may be paid to you on demand. Although property accounted for on our books and records, these funds may be used for our business purposes.

ADF1417

ADLLE DAVIS FOUNDATION INVESTMENTS - PART II - LINE 10 INFORMATION 1 OF 2



### ADELLE DAVIS FOUNDATION

#### Portfolio details

The values of your holdings are as of 06/28/02. Dividend yield is the estimated annual income, assuming the current dividend, divided by the security's market price at the end of the statement period. Salomon Smith Barney Inc. does not guarantee the accuracy of prices reflected on the statement nor do these prices represent levels at which securities can be bought or sold.

Research ratings of Salomon Smith Barney Inc., Standard & Poor's and Moody's Investors Service may be shown for certain securities. All research ratings represent the "opinions" of the research provider and should not be construed as representations or guarantees of performance. Your Financial Consultant will be pleased to provide you with further information or assistance in interpreting research ratings.

#### Money funds

Description	No. of shares	Market value	Yield	Accrued dividends	Annualized Dividend Yield	Comment
SB MONEY FUNDS CASH PORT CL A	4,341.38	\$ 4,341.38		\$ 2.34	1.35%	
<b>Total money funds</b>		<b>\$ 4,341.38</b>		<b>\$ 2.34</b>		

#### Stocks

Common stocks	Exchange	No. of shares	Price	Yield	Anticipated Income (annualized)	U.S. Dollar Market value	Comment
1 AMDOCS LTD	NYSE	60	7.55	3.0%	10/01	453.00	Symbol: DOX
2 TRANSOCEAN INC	NYSE	50	31.15	3.85	2/02	1,557.50	Symbol: RIGRATED: B+
3 WEATHERFORD INTL LTD NEW (BERMUDA)	NYSE	80	43.20		10/01	3,456.00	Symbol: WFTURATED: B-
4 AOL TIME WARNER INC	NYSE	85	14.71	10/1/01	4/14/02	1,250.35	Symbol: AOLRATED: B-
5 ALCOA INC	NYSE	40	33.15	1.809	24.00	1,328.00	Symbol: AARATED: B+
6 ALKERMES INC	OTC	60	18.01		14/01	960.60	Symbol: ALKS
7 ALLIANZ AG ADR	NYSE	30	19.90	1.03	10.25	965.00	Symbol: AZ
8 ALLTEL CORP DELAWARE	NYSE	30	47.00	2.893	1/02	1,410.00	Symbol: ATRATED: A
9 AMERICAN ELECTRIC POWER CO INC	NYSE	20	40.02	5.997	2/02	800.40	Symbol: AEP RATED: B+
10 AMERICAN EXPRESS CO	NYSE	80	38.32	.881	25.60	2,905.60	Symbol: AXPR RATED: A-
11 AMERICAN INTL GROUP INC	NYSE	35	68.23	.275	6.58	2,388.05	Symbol: AIG RATED: A+
12 AMGEN INC	OTC	50	41.88		10/01	2,094.00	Symbol: AMGN RATED: B+
13 AXA S.A. SPONS ADR	NYSE	50	18.17	2.368	21.50	908.50	Symbol: AXA
14 BASF AG SPONS ADR	NYSE	30	48.50	1.984	27.69	1,385.00	Symbol: BF
15 BP AMOCO PLC SPONS ADR	NYSE	20	50.49	2.873	27.00	1,009.80	Symbol: BPC RATED: B+
16 BMC SOFTWARE INC	NYSE	15	18.60		63.00	249.00	Symbol: BMC RATED: B+
17 BANK ONE CORP COM	NYSE	75	38.48	2.182		2,886.00	Symbol: ONE RATED: A-
18 BERKSHIRE HATHAWAY INC CLASS B	NYSE	2	2,234.00			4,468.00	Symbol: BRKB
19 BRISTOL MYERS SQUIBB CO	NYSE	25	25.70	4.537	28.00	642.50	Symbol: BMY RATED: A
20 CRH PLC ADR-USD	OTC	60	16.57	.885	8.90	994.20	Symbol: CRHCY
21 CABLEVISION SYSTEMS CORP	NYSE	65	9.46	10/01		614.80	Symbol: CVCR RATED: B-
22 CABLEVISION NY GROUP CL A	OTC	30	43.16			1,294.80	Symbol: CCMP

## Preferred Client Statement June 1 - June 30, 2002

Ref: 00001171 00028493

### ADELLE DAVIS FOUNDATION

Stocks  
continued

Common stocks	Exchange	No of shares	Price	Yield	Anticipated Income (annualized)	U S Dollar Market value	Comment	
24 CANON INC ADR	NYSE	30	37.83	4.87%	\$ 5.31	\$ 1,134.90	Symbol: CAJ	
25 CARNIVAL CORP	NYSE	100	27.89	1.51%	42.00	2,789.00	Symbol: CCLR:Rated: A +	
26 CANDANT CORP	NYSE	10	15.88	1.07		1,111.60	Symbol: CDR:Rated: B-	
27 CHEVRONTXACO CORP	NYSE	15	88.50	3.16%	42.00	1,327.50	Symbol: CVX:Rated: B +	
28 CHIRON CORP DELAWARE	OTC	60	35.35			2,121.00	Symbol: CHIR:Rated: B-	
29 CHUBB CORP	NYSE	15	70.80	1.97%	21.00	1,062.00	Symbol: CBI:Rated: B +	
30 CISCO SYS INC	OTC	300	13.85			4,185.00	Symbol: CSCQ:Rated: B +	
31 COCA-COLA CO	NYSE	50	56.00	1.42%	40.00	2,800.00	Symbol: KOA:Rated: A-	
32 COMCAST CORP CL A-SPL	OTC	80	23.84			1,930.40	Symbol: CMCSK:Rated: B-	
33 CONOCO INC	NYSE	30	27.80	2.73%	22.80	834.00	Symbol: COC	
34 DIAGEO PLC SPON ADR-NEW	NYSE	15	51.65	2.64%	20.52	774.75	Symbol: DEO	
35 WALT DISNEY CO	NYSE	175	18.80	1.11%	36.75	3,307.50	Symbol: DIS:Rated: B	
36 DOW CHEMICAL CO	NYSE	35	34.38	3.89%	48.90	1,203.30	Symbol: DOW:Rated: B +	
37 EL PASO CORP	NYSE	40	20.91	4.22%	11/01	34.80	5/02 824.40	Symbol: EPA:Rated: B
38 ELECTRONIC DATA SYS CORP NEW	NYSE	25	37.15	1.81%	10/01	15.00	5/02 928.75	Symbol: EDS:Rated: A
39 ENDESA SA SPONSORED ADR	NYSE	65	14.32	4.16%	38.81	930.80	Symbol: ELE	
40 EXXON MOBIL CORP	NYSE	89	40.92	2.24%	61.86	3,641.68	Symbol: XOM:Rated: A-	
41 FEDERAL HOME LN MTG CORP	NYSE	15	61.20	1.43%	13.20	918.00	Symbol: FRE:Rated: A +	
42 FEDERAL NATIONAL MORTGAGE ASSN	NYSE	15	73.75	1.78%	19.80	1,108.25	Symbol: FNM:Rated: A +	
43 FOREST LABORATORIES INC	NYSE	30	70.80			2,124.00	Symbol: FRX:Rated: B +	
44 FUJI PHOTO FILM CO ADR NEW	OTC	25	31.50	.46%	3.70	787.50	Symbol: FUJII	
45 GENERAL ELECTRIC CO	NYSE	60	29.05	2.47%	43.20	1,743.00	Symbol: GE:Rated: A +	
46 GENZYME CORP GENERAL DIVISION	OTC	115	19.24			2,212.60	Symbol: GENZ:Rated: B-	
47 GILLETTE CO	NYSE	80	33.87	1.91%	52.00	2,709.60	Symbol: GIL:Rated: A-	
48 GLAXOSMITHKLINE PLC SP ADR	NYSE	15	43.14	2.57%	16.68	647.10	Symbol: GSK	
49 GRANT PRIDECO INC	NYSE	60	13.60			1,224.00	Symbol: GRP	
50 GROUPE DANONE SPONS ADR	NYSE	45	27.47	1.13%	14.04	1,238.15	Symbol: DA	
51 GRUPO TELEvisa SA DE CV SPON ADR	NYSE	30	37.38			1,121.40	Symbol: TV	
52 HSBC HLDG PLC SP ADR NEW	NYSE	15	58.20	2.49%	21.75	873.00	Symbol: HBC	
53 HARTFORD FINL SVCS GROUP INC	NYSE	30	59.47	1.74%	31.20	1,784.10	Symbol: HIG	
54 HOME DEPOT INC	NYSE	60	36.73	.54%	12.00	2,203.80	Symbol: HD:Rated: A +	
55 HONG KONG&CHINA GAS SP ADR	OTC	825	1.46	2.80%	10/01	33.83	5/01 1,204.50	Symbol: HOKCY
56 HOUSEHOLD INTERNATIONAL INC	NYSE	40	49.70	2.01%	10/01	40.00	4/02 1,988.00	Symbol: HIR:Rated: A
57 HUTCHISON WHAMPOA LTD-ADR	NYSE	25	37.341	2.854	26.65	933.53	Symbol: HUWHY	
58 IDEC PHARMACEUTICALS CORP	OTC	50	35.45			1,772.50	Symbol: IDPH:Rated: B-	
59 ING GROEP NV SPONS ADR	NYSE	50	25.43	2.72%	34.60	1,271.50	Symbol: ING	

10/20/02

STK DIVE missing 7/2/02

# SALOMON SMITH BARNEY

A member of Citigroup

## Preferred Client Statement June 1 - June 30, 2002

Ref: 00001171 00026494

### ADELLE DAVIS FOUNDATION

Stocks  
continued

Common stocks	Exchange	No of shares	Price	Yield	Anticipated Income (annualized)	U.S. Dollar Market value	Comment
INTEL CORP	OTC	118	\$ 19.27	.437%	\$ 9.44	\$ 2,155.88	Symbol: INTC Rated: A
INTL BUSINESS MACHINES CORP	NYSE	10	72.00	.833	6.00	720.00	Symbol: IBM Rated: B
IRELAND BANK SPONS ADR-EUR	NYSE	30	49.87	2.413	35.97	1,490.10	Symbol: IRE
J.P. MORGAN CHASE & CO	NYSE	50	33.82	4.009	68.00	1,698.00	Symbol: JPMAR Rated: B+
KIMBERLY CLARK CORP	NYSE	10	62.00	1.935	12.00	620.00	Symbol: KMBAR Rated: B+
KONINKLIJKE PHILIPS ELECTRONICS NS SPON ADR NEW	NYSE	45	27.60	.978	12.15	1,242.00	Symbol: PHG
KRAFT FOODS INC CLASS A	NYSE	15	40.95	1.269	7.80	614.25	Symbol: KFT
LIBERTY MEDIA CORP A	NYSE	180	10.00			1,800.00	Symbol: L
EU LILLY & CO	NYSE	15	58.40	2.198	16.60	848.00	Symbol: LLYAR Rated: B+
LLOYDS TSB GRP PLC SP ADR	NYSE	20	40.05	4.843	39.80	801.00	Symbol: LYG
MARSH & MCLENNAN COS INC	NYSE	10	96.60	2.318	22.40	968.00	Symbol: MMCAR Rated: A
MAXTOR CORP (NEW)	NYSE	148	4.52			668.96	Symbol: MXO
MCGRAW HILL COS INC	NYSE	30	59.70	1.706	30.60	1,791.00	Symbol: MHP
MERCK & CO INC	NYSE	20	50.84	2.764	28.00	1,012.80	Symbol: MRKAR Rated: A+
MERRILL LYNCH & CO INC	NYSE	30	40.50	1.58	19.20	1,215.00	Symbol: MERAR Rated: A-
METTLER TOLEDO INTL INC	NYSE	25	36.87		11/01 5/02	921.75	Symbol: MTD
MICROSOFT CORP	OTC	75	54.70			4,102.50	Symbol: MSFTAR Rated: B+
MORGAN STANLEY	NYSE	45	43.08	2.135	41.40	1,938.60	Symbol: MWDAR Rated: A-
NESTLE S A SPONSORED ADR	NYSE	19/01 20	56.00	1.41	18.38	1,160.00	Symbol: NSRGY
NEWS LTD-ADR-NEW	NYSE	35	22.93	.231	1.86	802.55	Symbol: NWS
NIPPON TEL & TEL SPON ADR	NYSE	40	20.59	.788	6.58	823.60	Symbol: NTT
NOKIA CORP SPONSORED ADR	NYSE	65	14.48	1.368	10/01 13.07	941.20	Symbol: NOK
NOMURA HOLDINGS INC ADR	NYSE	50	14.70	.659	11/01 4.85	12/11/02 75.00	Symbol: NMR
NOVARTIS AG ADR	NYSE	25	43.83	1.04	11.40	1,085.75	Symbol: NVS
NOVO-NORDISK A S ADR	NYSE	25	32.80	.868	10/01 7.13	822.50	Symbol: NVO
NUCOR CORP	NYSE	10	65.04	1.188	7.60	650.40	Symbol: NUEAR Rated: B+
PEPSICO INC	NYSE	35	48.20	1.244	21.00	1,687.00	Symbol: PEPAR Rated: A-
PHILIP MORRIS COS INC	NYSE	15	43.68	5.311	34.80	655.20	Symbol: MOVAR Rated: A+
QUANTUM CORP DLT & STORAGE	NYSE	210	4.20			882.00	Symbol: DSS
RSA SECURITY INC	OTC	150	4.81			721.50	Symbol: RSAS
ROYAL DUTCH PETROLEUM CO NY REG SH PAR N GLDR 1.25	NYSE	20	55.27	2.301	10/01 25.44	3/02 1,105.40	Symbol: RD
SBC COMMUNICATIONS INC	NYSE	50	30.50	3.54	54.00	1,525.00	Symbol: SBCLAR Rated: A-
SK TELECOM LTD SPON ADR	NYSE	50	24.78	.169	2.10	1,239.50	Symbol: SKM
SANDISK CORP	OTC	80	12.40			992.00	Symbol: SNDK

ADF1420

# SALOMON SMITH BARNEY

Member of Citigroup

## Preferred Client Statement June 1 - June 30, 2002

Ref: 00001171 00028405

### ADELLE DAVIS FOUNDATION

Common stocks	Exchange	No of shares	Price	Yield	Anticipated income (annualized)	U.S Dollar Market value	Comment
94 SAP AKLENGESSELLSCHAFT SPONS ADR-USO	NYSE	30	\$ 24.29	.424%	\$ 3.09	\$ 728.70	Symbol: SAP
95 SEVEN ELEVEN JAPAN LTD-ADR	NYSE	20	39.381	.512	4.04	787.62	Symbol: SVELY
96 SONY CORP SPON ADR-NEW	NYSE	25	53.10	.318	4.23	1,327.50	Symbol: SNE
98 SPRINT CORP	NYSE	85	10.61	4.712	42.50	801.45	Symbol: FONIRated: B
99 SUN MICROSYSTEMS INC	OTC	(85)	5.01	2/02		425.85	Symbol: SUNWRated: B +
100 TAIWAN SEMICONDUCTOR MFG CO LTD ADR	NYSE	96	13.00			1,235.00	Symbol: TSM
101 TELEFONICA S.A. SPON ADR	NYSE	30	24.85			745.50	Symbol: TEF
102 TEXAS INSTRUMENTS INC	NYSE	105	23.70	.358	8.93	2,488.50	Symbol: TXNRated: B +
103 TORONTO DOMINION BANK-NEW	NYSE	35	23.50	3.068	25.24	822.50	Symbol: TDNRated: A
104 TYCO INTL LTD NEW	NYSE	142	13.51	.37	7.10	1,918.42	Symbol: TYCIRated: B
105 UNITEDHEALTH GROUP INC	NYSE	40	81.55	.032	1.20	3,862.00	Symbol: UNHURated: A
106 VERIZON COMMUNICATIONS	NYSE	50	40.15	3.835	77.00	2,007.50	Symbol: VZIRated: B +
107 VODAFONE GROUP PLC SP ADR	NYSE	(60)	13.65	1.545 3/02	12.68	Ref 818.00	Symbol: VOD
108 WPP GROUP PLC SPON ADR NEW	OTC	(15)	44.081	.725	4.80 3/02	681.22	Symbol: WPPGY
109 WAL-MART DE MEXICO SA DE CV SPON ADR	OTC	30	27.18			814.80	Symbol: WMMVY
110 WASHINGTON MUTUAL INC	NYSE	20	37.11	2.802	20.80	742.20	Symbol: WMIRated: B +
111 WELLS FARGO & CO NEW	NYSE	55	50.08	2.237	61.60	2,753.30	Symbol: WFCIRated: A
112 WILLIAMS COS INC	NYSE	60	5.89	13.355	48.00	359.40	Symbol: WMBIRated: B
113 WYETH	NYSE	25	51.20	1.798	23.00	1,280.00	Symbol: WYERated: B
<b>Total stocks</b>					<b>\$ 2,049.48</b>	<b>\$ 197,227.78</b>	

This value is a grand total of all the anticipated annual income amounts that are shown on the statement.

Total anticipated income (annualized)

\$ 2,049.48

ADF1421

# SALOMON SMITH BARNEY

A member of Citigroup

## Preferred Client Statement June 1 - June 30, 2002

Page 1 of 5

Ref: 00001171 00026486

████████████████████  
████████████████████  
████████████████████

SALOMON SMITH BARNEY INC.  
Your Financial Consultant

████████████████████  
████████████████████  
████████████████████

6/02

ADELLE DAVIS FOUNDATION

████████████████████  
████████████████████  
████████████████████

Mutual  
Funds

Salomon Smith Barney is a service mark of Salomon Smith Barney Inc.  
Salomon Smith Barney Inc. is a member of the Securities Investor Protection Corporation (SIPC).

	Last period	This period
Cash balance	\$ 28.00	\$ 30.00
Insured Deposit Account <sup>SM</sup> principal	2,236.54	2,933.35
Stocks	42,047.50	38,608.88
Mutual funds	113,672.12	108,184.26
Net Value	\$ 158,184.16	\$ 147,737.49
Portfolio Credit Line Borrowing Power		\$ 81,733.00

	This period	This year
Dividends	\$ 698.22	\$ 2,433.65
Insured Deposit Account interest	2.59	10.10
Cap. gains distributions	0.00	318.69
Total	\$ 698.81	\$ 2,760.44

### Additional summary information

FRGN tax withheld	This period	This year
	\$ 0.00	\$ .57

### Cash balance

	This period
Opening balance	\$ 2,264.54
Securities bought and other subtractions	0.00
Securities sold and other additions	0.00
Dividends credited	698.22
Insured Deposit Account <sup>SM</sup> interest reinvested	2.59
Closing balance	\$ 2,963.35

A line credit balance in any securities account may be paid to you on demand. Although property accounted for on our books and records, these funds may be used for our business purposes.

ADELLE DAVIS FOUNDATION  
INVESTMENTS - PART II - USE TO INFORMATION  
2 of 2

**Preferred Client Statement**  
June 1 - June 30, 2002

Ref: 00001171 00026487

**ADELLE DAVIS FOUNDATION**

**Portfolio details**

The values of your holdings are as of 06/28/02. Dividend yield is the estimated annual income, assuming the current dividend, divided by the security's market price at the end of the statement period. Salomon Smith Barney Inc. does not guarantee the accuracy of prices reflected on the statement nor do these prices represent levels at which securities can be bought or sold.

Research ratings of Salomon Smith Barney Inc., Standard & Poor's and Moody's Investors Service may be shown for certain securities. All research ratings represent the "opinions" of the research provider and should not be construed as representations or guarantees of performance. Your Financial Consultant will be pleased to provide you with further information or assistance in interpreting research ratings.

Balances are FDIC insured up to \$100,000 per institution, subject to combined total of all your deposits, including those outside this account.

Description	Principal	Market value	Accrued Interest	Annual % return	Comment
CITIBANK NA	2,933.35	\$ 2,933.35		1.308%	
INSURED DEPOSIT ACCOUNT					
Total Insured Deposit Account		\$ 2,933.35	\$ 0.00		

Insl. J  
Deposit  
Account

6/30/02  
↓

Stocks

Maryland  
Account

Common stocks	Exchange	No of shares	Price	Yield	Anticipated income (annualized)	U.S. Dollar Market value	Research Rating	Comment
AT&T CORP	NYSE	100	\$ 10.70	1.401%	\$ 15.00	\$ 1,070.00	1/H	In margin account Symbol: TLRated: B
APPLE COMPUTER INC	OTC	100	17.72			1,772.00	1/H	In margin account Symbol: AAPLRated: B-
BANK OF AMERICA CORP	NYSE	50	70.36	3.411	120.00	3,518.00	1/M	In margin account Symbol: BACLRated: A-
CISCO SYS INC	OTC	100	13.96			1,395.00	1/H	In margin account Symbol: CSCORated: B+
CITIGROUP INC	NYSE	50	38.75	1.858	38.00	1,937.50		In margin account Symbol: CRLRated: A
COCA-COLA CO	NYSE	50	58.00	1.428	40.00	2,900.00	2/L	In margin account Symbol: KOARated: A-
WALT DISNEY CO	NYSE	100	18.90	1.111	21.00	1,890.00	1/M	In margin account Symbol: DISLRated: B
EASTMAN KODAK CO	NYSE	25	28.17	6.17	45.00	729.25	3/H	In margin account Symbol: EKLRated: B
EDISON INTERNATIONAL	NYSE	100	17.00			1,700.00		In margin account Symbol: EIXLRated: B
EXXON MOBIL CORP	NYSE	75	40.92	2.248	69.00	3,069.00	1/L	In margin account Symbol: XOMLRated: A-
FORD MOTOR COMPANY PAR 0.01	NYSE	100	18.00	2.50	40.00	1,800.00	1/M	In margin account Symbol: FLRated: B

## Preferred Client Statement June 1 - June 30, 2002

Ref: 00001171 00026488

### ADELLE DAVIS FOUNDATION

#### Stocks -continued

Common stocks	Exchange	No of shares	Price	Yield	Anticipated income (annualized)	U.S. Dollar Market value	Research Rating	Comment
INTEL CORP	OTC	100	\$ 18.27	.437%	\$ 8.00	\$ 1,827.00	1/M	In margin account Symbol: INTC Rated: A
JP MORGAN CHASE & CO	NYSE	50	33.92	4.009	68.00	1,698.00	1/M	In margin account Symbol: JPM Rated: B+
MICROSOFT CORP	OTC	50	54.70			2,735.00	3/H	In margin account Symbol: MSFT Rated: B+
MORGAN STANLEY	NYSE	50	43.08	2.135	46.00	2,154.00	2/H	In margin account Symbol: MWDI Rated: A-
PROCTER & GAMBLE CO	NYSE	50	89.30	1.702	76.00	4,465.00	1/M	In margin account Symbol: PGI Rated: A
SBC COMMUNICATIONS INC	NYSE	50	30.50	3.54	54.00	1,525.00	3/H	In margin account Symbol: SBCI Rated: A-
SMUCKER J M CO NEW	NYSE	1	34.13	1.875	.64	34.13	3/M	In margin account Symbol: SJMI Rated: B+
VERIZON COMMUNICATIONS	NYSE	50	40.15	3.835	77.00	2,007.50	1/H	In margin account Symbol: VZV Rated: B+
VODAFONE GROUP PLC SP ADR	NYSE	50	13.65	1.545	10.55	682.50	1/H	In margin account Symbol: VOD
<b>Total stocks</b>					\$ 726.19	\$ 38,808.89		

#### Mutual funds

Description	Number of shares	Price	Dividend yield	Anticipated income (annualized)	Market value	Comment
INVESTMENT COMPANY OF AMERICA FD CLASS A	2,890,176	\$ 26.12	1.98%	\$ 1,502.89	\$ 75,491.40	In margin account
LIBERTY HIGH YIELD SECURITIES FUND CLASS B	2,315,948	4.19	10.071	977.32	9,703.81	In margin account
MAINSTAY HIGH YIELD CORPORATE BOND FD CLASS B	2,098,483	5.15	12.504	1,350.13	10,798.89	In margin account
OPPENHEIMER HIGH YIELD BOND FUND CLASS B	1,195,319	6.51	9.294	945.49	10,172.16	In margin account
<b>Total mutual funds</b>				\$ 4,775.83	\$ 106,164.26	

#### Anticipated annual income

This value is a grand total of all the anticipated annual income amounts that are shown on the statement.

Total anticipated income (annualized)

\$ 5,502.02

Adelle Davis Foundation

23-7262117

Self-Dealing

The Attorney General is also investigating whether the Note Receivable-Nutradell was an act of self-dealing. In the meantime the note is included in other investments on the tax return. The Attorney General's office has indicated it will issue a determination in the near future.