

J. Stanley Johnson and
Mary W. Johnson
2062 Pine Crest Drive
Altadena, California 91001

December 27, 1978

Mr. David W. Morrisroe
Vice President for Business
and Finance and Treasurer
California Institute of Technology
Pasadena, California 91125

Dear Mr. Morrisroe:

Enclosed please find 2,500 shares of the Common Stock of H & R Block to establish the Caltech Student Investment Fund at the California Institute of Technology. The Fund shall be a separately invested endowment fund with the primary purpose of providing a learning experience for students in investment management with the expectation that, through the operation of this Fund, they may gain increased understanding of the free enterprise system as it functions in the American economy today.

This Fund shall be operated on the terms and conditions set forth in the attached "Objectives and Guidelines for the Caltech Student Investment Fund" which is incorporated herein by reference.

Monies withdrawn from the Fund shall be applied to expenses of the Fund and to support projects of interest to the students of the Institute. Said projects shall further the educational and scientific purposes of Caltech. Distributions from the Fund shall be expended under the supervision and direction of the Vice President for Student Affairs.

The California Institute of Technology, and any student serving as a member of the student committee directing the investment of the funds, and any faculty member or other person acting as an adviser to said students shall be exonerated from any and all liability with respect to the investment and reinvestment of the funds, including, but not limited to, exonerated from liability for loss, depletion, shrinkage, or reduction in value of the Fund's assets by reason of investment made or retained, in accordance with the procedures herein outlined.

RECEIVED

DEC 29 1978

DIR OF DEVELOPMENT

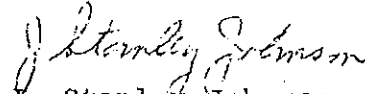
cc: GAM
6-24-99

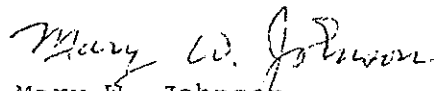
Mr. David W. Morrisroe
December 27, 1978
Page Two

If, in any given year, at least five students cannot be found who wish to serve as the Directors of this Fund, then, for that year, the Fund shall be invested under the supervision and direction of the Treasurer of the Institute.

If, in the judgment of its Board of Trustees, change of circumstances should, at some future time, render the designated use of this Fund no longer appropriate, then the Board should use the Fund income, but not the principal, to further the objects and purposes of the California Institute of Technology. The names of J. Stanley Johnson and Mary W. Johnson shall be associated with any such use of the Fund.

Sincerely,


J. Stanley Johnson


Mary W. Johnson

JSJ/MWJ:rmt
Enclosure

Objectives and Guidelines for the Caltech Student Investment Fund

These objectives and guidelines express the intent of the donors and the California Institute of Technology with respect to the operation of the Caltech Student Investment Fund. The objectives and guidelines set forth herein are to be considered a part of the document under which a separately invested endowment fund has been established for the purpose of creating this Fund. These objectives and guidelines may be revised from time to time by mutual agreement of the donors and the Institute.

Although ultimate control over the Fund has been delegated to the Administration and Trustees of the California Institute of Technology, it is the intent that, insofar as possible, the Fund be managed by students. In order to further student involvement with the Fund, the revenues shall be used for Institute purposes that are at the same time of broad and special interest to the students.

The purpose of the Fund is to provide a different kind of learning experience. While the Trustees of the California Institute of Technology have the ultimate power to terminate the Fund, it is understood that they will not do so as long as the Fund is being handled responsibly and is serving a useful purpose, or unless a change in law or circumstance mandates a termination.

Objectives of the Caltech Student Investment Fund

To enhance students' interest in investments and in the basic techniques of wise investing.

To develop an interest in, and improved understanding of, general economic forces (including government policies and inflation); the importance of managerial competence; and the impact of technological, industrial, and market trends on the value of securities.

To establish contacts between students and the world of finance, including brokers, advisors, market services, financial officers of corporations, and the markets themselves.

To provide a practical and challenging learning opportunity in the field of business economics and management.

To provide a flow of revenue, generated by wise investment decisions of students, that may be used to fund projects identified by students and serving an Institute purpose.

By these means, to increase the understanding of as large a number of students as possible of the free enterprise system as it functions in the American economy today.

Should any collateral courses be available at Caltech, it is felt that they could be most helpful in realizing these

objectives. However, the taking of such courses is not a requirement for participation in the management of this Fund.

Guidelines for Operation of the Caltech Student Investment Fund

Management

Student Board of Directors--The Caltech Student Investment Fund shall be managed by a student Board of Directors of nine or eleven members, or some other number if it is thought more appropriate. Up to three of these members may be graduate students, and it is felt that normally some should be.

Selection of Student Board--Directors will be nominated by the Inter-house Council and elected by the undergraduate student body at large. Such nominees shall be selected from student applicants who have expressed, in writing, their interest, their reasons for wishing to serve as Directors of the Fund, and their qualifications. An effort shall be made to place in nomination substantially more candidates than there are places to fill.

Term of Office of Student Board of Directors--Directors will be elected for a one-year term, and shall be eligible to be re-elected for an additional year. Students may wish to consider staggering the terms, with some directors being elected in mid-year to afford better continuity.

Management in Years of Insufficient Student Interest--If, in any given year, fewer than five students are interested in serving as Directors of the Fund, then, for that year, the Fund shall be invested under the supervision and direction of the Treasurer of the Institute.

Duties

Duties of the Student Board of Directors

The Board of Directors shall:

- Develop and adopt appropriate Bylaws.
- Elect officers and define their duties.
- Hold regular meetings, and special meetings as required.
- Conduct the necessary studies.
- Make investment decisions and convey these decisions to the Institute in writing.
- Make regular written reports of the conduct and progress of the Fund.
- Make provisions for handling the Fund when school is not in session.
- See that new members of the Board are acquainted with the objectives and guidelines of the Student Investment Fund.

No Personal Liability

Members of the Board of Directors are expected to be conscientious and to use their best judgment. However, they will have no personal liability for the results of their decisions.

Meetings of the Board of Directors--All meetings of the Board shall be open to interested observers. Students may be reluctant to take the initiative in attending meetings. It is therefore suggested that invitations be extended each year to ten or more students or others interested in finance to attend meetings. This should help to dispel any feelings of cliquishness or secrecy.

Reporting

Monthly Reports Prepared by the Controller's Office--The Institute will prepare monthly reports to the Board, showing the status of the Fund. These reports shall be reviewed by the Fund Board, and, together with any comments that the Board may care to make, be made readily available to the student body by some effective means, such as publishing in the student newspaper.

Student Reports--Quarterly, the Board shall report on the progress of the Fund, as compared with a recognized market index such as the Standard and Poors 500.

Annual Meeting and Report--At an Annual Meeting following the close of the fiscal year, the Board shall review the year's activities, the general approach taken to investing, and the results. A copy of this report shall be sent to the President of Caltech (or someone designated by him), to the Treasurer of Caltech, to the Vice President for Student Affairs, and to the donors.

Advisory Council

There shall be an Advisory Council to the Fund Board. This shall be made up of three advisers selected from the Institute faculty, staff, or administration; former members of the Institute faculty, staff, or administration; or outsiders interested and knowledgeable in the investment field.

Two of the advisers shall be selected by the Student Investment Fund Board, and the Third by the Vice President for Student Affairs of the California Institute of Technology.

It should be recognized that important continuity as well as sound advice can be provided by properly selected advisers.

However, advisers will serve in an advisory capacity only. All investment decisions shall be made by the student Board of Directors.

Fund Fiscal Year

The Fund fiscal year shall end December 31. This will allow time for evaluating the year's results, determining the amount of money that may be spent, and employing the money for suitable projects before the senior members of the Board graduate.

Expenses and Amount to be Distributed Annually--

Yield will be added to the principal amount of the Fund. Transaction costs will be charged to the Fund.

The amount to be withdrawn shall be recommended by the Student Board of Directors in consultation with their Advisors, keeping in mind the desirability of leaving enough in the Fund to counteract the effect of inflation on real value. It is recognized that the Fund can be diminished in some years by the negative course of market conditions or by individual investment decisions. The final decision as to the amount to be withdrawn shall be approved by the Administration. However, the maximum distribution from the Fund shall be limited to 4 percent of the average quarterly market value of the Fund for the previous two years (or for the period that the Fund has been in operation if less than two years). This maximum distribution shall include amounts to be used for expenses of operating the Fund and for designated projects.

Purposes for Which Distribution May be Expended--The project or projects for which the money will be used shall be recommended by the students and approved by the Administration--normally the Vice President for Student Affairs. They shall be projects that serve an Institute purpose, but that are at the same time of broad interest to students. A selection should be made from projects conceived by the students themselves--ones that have been advocated by either the Student Investment Fund Board, the Inter-house Council, or the officers of the Associated Students. They should not include making up any deficits in regular activities, or use for the furtherance of any political cause. Money for scholarships would not normally be considered as falling within the intent of this provision.

Investment Guidelines

The purposes of the Fund are stated in the Objectives. The overriding consideration is that students have a learning experience in line with these Objectives.

While performance of the Fund is important, attempting to run it as an aggressive performance fund is not the aim. Such techniques as buying on margin, selling short, or dealing in options might be inappropriate in the hands of unseasoned investors. More than that, they are beside the main point of this Fund.

Limitations on Investments

Investments should be restricted to:

U.S. Government obligations of every kind.
Corporate obligations of every kind.
Common or preferred stocks of companies listed on the NYSE,
the AMEX, or Over the Counter.

Diversification

It is anticipated that normally there will be investments in the common or preferred stock of five to ten companies and some fixed income investments. Students are encouraged not to invest more than 20% of the Fund in any one stock. This provision shall not require the partial sale of any holding that has appreciated in value.

Prohibition of Certain Investments

There should be no purchases of commodities or real estate.

Review

Student-Faculty Review Board--There shall be a Student-Faculty Review Board of six members, three appointed by the Board of Directors of the Investment Fund (but two of them not themselves Directors), and three by the Administration. A review of the Fund operations should be made within the first two years, and at least every four years thereafter.

Items to be considered during the review should include:

Level of student interest

Adequacy of reporting

Whether the Fund remains a valid and constructive learning vehicle appropriate for its stated Objectives

Whether the amount of money drawn off seems appropriate, keeping in mind the desirability of maintaining the real value of the Fund

Whether the use of the money seems appropriate

Other provisions of the Guidelines

The Review Board may recommend changes or modification in the method of operating the Fund. These changes may be put into effect if they receive the approval of the Board of Trustees of the Institute, or the Executive Committee of the Board.

In the case of a tie vote, the Vice President for Student Affairs may cast the deciding vote.

Termination of Fund

If the Review Board should find that the Fund is no longer serving a useful purpose, it can recommend that the assets of the Fund be turned over to the regular endowment of the Institute. The final decision shall be made by a vote of the student body, with concurrence by the Board of Trustees of the Institute.

If there are compelling reasons for terminating the Fund or for changing its method of operation, by reason of restrictive statutes, changed conditions, or for other reasons not now apparent, the Trustees of the California Institute of Technology may act in their sole discretion. This should be only under extreme circumstances, and only because of failure of the Fund to serve a suitable purpose.

Executed at Pasadena, California this 27 day of
December, 1978.

California Institute of Technology

By Henry J. Kerner
and David W. Horrocks

J. Stanley Johnson
J. Stanley Johnson
Mary W. Johnson
Donors Mary W. Johnson

