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Folder List

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|-------------------|----------------------|----------------------|----------------------|---|
| 9                 | 5                    | 08/14/1972           | Financial Records    | Agreement of Trust by and between Richard M. Nixon, as Settlor and H.R. Haldeman, as Trustee, with attachments. 39 pages. |

3

AGREEMENT OF TRUST

by and between

RICHARD M. NIXON,

as Settlor

and

H. R. HALDEMAN,

as Trustee

Dated: August 14, 1972

MUDGE ROSE GUTHRIE & ALEXANDER  
20 BROAD STREET, NEW YORK, NEW YORK

THIS AGREEMENT OF TRUST made the 11<sup>th</sup> day of August, 1972 by RICHARD M. NIXON, as Settlor and H. R. HALDEMAN, as Trustee,

WHEREAS, RICHARD M. NIXON is presently the 37th President of the United States of America and formerly acted in the service of the United States of America as the 36th Vice President, as a member of the United States Senate and House of Representatives and as a member of the Armed Forces of the United States; and

WHEREAS, by virtue of RICHARD M. NIXON's service to the United States of America, there exist numerous books, documents, papers, letters, correspondence, memoranda, pamphlets, pictures, photographs, plats, maps, films, television tape recordings, motion pictures, sound recordings, both on record and on tape, and other similar materials, as well as numerous items which are commonly referred to as memorabilia, including, without limitation, awards, plaques, medals, membership or achievement certificates, gavels, symbolic currency, keys and figurines, commemorative and personal photographs, flags, banners, works of art, including sculptures, paintings, etchings and drawings, books, both inscribed by the author or donor and uninscribed, religious items, jewelry and clothing which relate to the events of the official or personal life of

RICHARD M. NIXON or of his wife, PATRICIA R. NIXON, and have historical or commemorative significance, all of which items are hereinafter referred to collectively as "Materials"; and

WHEREAS, the Settlor desires, by this Agreement, to create a trust, to be known as "The Irrevocable Literary Trust," the principal of which is to consist of Materials and cash, securities or other property contributed by the Settlor, by the Settlor's wife, PATRICIA R. NIXON, and possibly by others, and the sole purpose of which is to provide a means for utilizing such Materials and cash, securities or other property exclusively for charitable, scientific, literary, educational or public purposes, as herein provided, and generally in a manner which will insure that contributions made to the trust created under this Agreement, either inter vivos or by testamentary disposition will, as appropriate, be deductible under Sections 170, 2055 and 2522 of the Internal Revenue Code of 1954, as amended; and

WHEREAS, the Settlor desires to provide for the modification of the trust created under this Agreement as and when modification may be deemed advisable in the interest of establishing or preserving the deductibility of contributions to said trust under the Internal Revenue Code of 1954, as amended;

NOW, THEREFORE, THIS AGREEMENT OF TRUST WITNESSETH:

That, in consideration of the premises and the mutual covenants herein contained, and other good and valuable considerations, the receipt of which is hereby acknowledged, the Settlor has granted, conveyed, assigned, transferred, set over and delivered, and by these presents does hereby grant, convey, assign, transfer, set over and deliver unto the Trustee (which term shall, whenever it is used in this Agreement, be deemed to mean the original Trustee named above and any additional or successor Trustee or Trustees at any time acting hereunder, unless by express provision or necessary implication another meaning is clearly intended), all of his right, title and interest in and to the Materials listed and described in Schedule A, annexed hereto and made a part hereof, the receipt of which Materials the Trustee does hereby acknowledge, to have and to hold the same, and any additional Materials and any cash, securities or other property as may hereafter be transferred and delivered to the Trustee in accordance with the terms of this Agreement of Trust, in trust, nevertheless, for the following uses and purposes, and subject to the terms, conditions, powers and agreements hereinafter set forth:

FIRST: (A) The Trustee shall, through the facilities of any public or private non-profit entity or entities or institution or institutions, whether located within or outside of the State of California, contributions to which are deducti-

ble under the provisions of Sections 170, 2055 and 2522 of the Internal Revenue Code of 1954, as amended, including, without limitation, any Presidential Library bearing said RICHARD M. NIXON's name, or any facility held in the name of the United States of America, make all or substantially all of the Materials subject to the terms of this Agreement of Trust available for public viewing, study or research, either by loan to or other custodial arrangement with, such entity or entities or institution or institutions and subject to such restrictions, terms, conditions or obligations relating to the use, care, preservation and maintenance of such Materials as the Trustee deems necessary or advisable. The Trustee shall have the sole and absolute power to make arrangements for the public viewing, study or research of the Materials held hereunder and to impose restrictions, terms, conditions or obligations relating to the use, care, preservation and maintenance of such Materials, and the selection by the Trustee of a particular entity or entities or institution or institutions, as aforesaid, shall not be permanent or binding in any way, with the said Trustee also to have the power at any time and from time to time to cause any Materials being exhibited or held by any particular entity or entities or institution or institutions to be removed therefrom and exhibited by or deposited with another entity or entities or institution or institutions.

(B) As to any property other than Materials

which is held as part of the principal of the trust created hereunder, the Trustee shall hold and manage the same and shall invest and reinvest the same and shall collect the rents, if any, interest, dividends and other income therefrom and, after the payment of all lawful charges therefrom (including the commissions and/or compensation of the Trustee or Trustees at any time acting hereunder and all expenses of administration of the trust), shall pay over the balance of the net income therefrom, if any, either to the United States of America, by transfer exclusively for public purposes, either to the Administrator of General Services to be used for any Presidential Library bearing said RICHARD M. NIXON's name, subject, however, to those restrictions, if any, imposed by the Trustee and agreeable to the Administrator of General Services as to their use, or otherwise, or to one or more corporations or trusts, selected by the Trustee, which meets the description which appears in Sections 170(c)(2), 2055(a)(2) and (3) and 2522(a)(2) of the Internal Revenue Code of 1954, as amended.

(C) The Trustee is authorized and empowered, at any time and from time to time during the term of the trust created under this Agreement, to make a permanent transfer of ownership of some or all of the Materials or of any other property held hereunder, subject to the terms of this Agreement (and in



the case of a transfer of all of the Materials and of the other property held hereunder, to terminate the trust created under this Agreement) either to the United States of America, by transfer exclusively for public purposes, either to the Administrator of General Services for deposit in any Presidential Library bearing said RICHARD M. NIXON's name, subject, however, to those restrictions, if any, imposed by the Trustee and agreeable to the Administrator of General Services as to their use, or otherwise, or to one or more corporations or trusts, selected by the Trustee, which meet the description which appears in Sections 170(c)(2), 2055(a)(2) and (3) and 2522(a)(2) of the Internal Revenue Code of 1954, as amended.

(D) The Trustee shall, at all times, cause the Materials and all other property and the income therefrom subject to the terms of this Agreement of Trust to be held, utilized and, if necessary, distributed, in a manner so as not to subject the trust created hereunder to the tax on undistributed income imposed by Section 4942 of the Internal Revenue Code of 1954, as amended, and in no event shall the Materials or any other property and the income therefrom subject to the terms of this Agreement of Trust be held or used for profit or to carry on propaganda or to influence or attempt to influence legislation or in connection with any political campaign on behalf of any candidate for public office. In addition, neither the Trustee, while

acting as Trustee, nor the trust created under this Agreement shall engage in any act of self-dealing as defined in Section 4941(d) of the Internal Revenue Code of 1954, as amended, or retain any excess business holdings as defined in Section 4943(c) of the Internal Revenue Code of 1954, as amended, or make any investments in such manner as to incur tax liability under Section 4944 of the Internal Revenue Code of 1954, as amended, or make any taxable expenditures as defined in Section 4945(d) of the Internal Revenue Code of 1954, as amended.

SECOND: Either the Settlor or the Trustee shall have the power, exercisable at any time or from time to time during the term of the trust created under this Agreement, to amend this Agreement in any manner reasonably calculated to ensure the deductibility of contributions to said trust under Sections 170, 2055 and 2522 of the Internal Revenue Code of 1954, as amended, provided that no such amendment may authorize the Settlor or the Trustee to divert any of the assets held in trust hereunder from the charitable, scientific, literary, educational or public purposes for which such trust was created.

THIRD: The Settlor and the Settlor's wife, PATRICIA R. NIXON, or either of them, shall have the right at any time and from time to time during the continued existence of the trust

created hereunder, to contribute Materials or cash, securities and/or other property to the trust created under this Agreement either by deed, assignment or other conveyance executed during their, his or her lifetimes, and/or by devise or bequest by his or her Last Will and Testament, or any Codicil thereto, duly admitted to probate or duly established. The Trustee shall also accept additions of Materials or cash, securities or other property to the principal of the trust created hereunder made in accordance with the terms and provisions of that certain Agreement of Trust executed the same day as this Agreement of Trust by and between RICHARD M. NIXON and PATRICIA R. NIXON, as Settlers and RICHARD M. NIXON, as Trustee, pursuant to which a trust, referred to in that Agreement of Trust as The Family and Literary Properties Trust, was created. Any other person or persons may, with the consent of the Trustee, at any time and from time to time during the continued existence of the trust created hereunder, similarly contribute Materials or cash, securities or other property to the trust created under this Agreement. Any such Materials or cash, securities or other property thus contributed or added to the trust created under this Agreement shall be held by the Trustee subject to and in accordance with all of the terms and conditions of this Agreement of Trust.

FOURTH: Unless otherwise expressly provided in this

Agreement, the Trustee at any time acting hereunder, including any additional or successor Trustee or Trustees appointed under the provisions hereof, in addition to any power conferred upon the Trustee under any other provision of this Agreement of Trust and in addition to general power or authority which such Trustee would otherwise possess by law, is hereby given full power and authority:

(A) As to any property other than Materials at any time held as part of the principal of the trust created hereunder:

(1) To sell, either by private contract or at public auction, grant options in respect of, exchange, mortgage or lease for any term of years, or otherwise dispose of any or all of the trust funds, whether real or personal, of whatsoever nature or kind and wheresoever the same may be situated, for such consideration, whether for cash or upon credit or partly for cash and partly upon credit, and upon such other terms and conditions as deemed proper, and to make, execute, acknowledge and deliver any and all deeds, leases, assignments, mortgages or other instruments, and to do all acts deemed necessary and proper to effectuate or in connection with any such disposition of the trust funds; and in no case shall any purchaser of property from the Trustee or other persons dealing with the Trustee be bound to see to the application of the purchase money or other property or fund under any of the provisions of this Agreement;

(2) To manage, operate, repair, improve, mortgage or lease (whether for a period longer

or shorter than ten years and whether expiring before or after the termination of any trust created hereunder) any real estate, whether improved or unimproved, forming a part of the trust funds;

(3) To adjust, compromise, compound and settle any and all claims, debts or obligations due to or from the trust funds to such extent and upon such terms and conditions as the Trustee may deem advisable without first bringing against the claimant or compelling the claimant to bring any action at law, suit in equity, or any other legal proceeding to establish any such claims, and to reduce the rate of interest on, to extend or otherwise modify, or to foreclose upon default or otherwise enforce or to abstain from the enforcement of any such right, claim, debt or obligation, and to abandon, if deemed advisable, any property, real or personal, constituting a part of the trust funds; to execute and deliver to the federal or any state or other taxing authorities instruments waiving any statutory or other time limitations as to any tax matters in any way relating to the trust funds; and to execute all agreements, deeds, releases or other documents necessary or proper in connection with any adjustment, compromise, compounding, settlement or waiver, and said Trustee shall not be held responsible for any losses which may occur to the trust funds by reason thereof;

(4) To submit to final arbitration any matter of difference with others;

(5) To borrow money upon the security of the trust funds or any part thereof for any purpose or purposes deemed necessary or proper for the management thereof, including, but without limitation, the purchase of securities or other property for the account of the trust; and this power to borrow money shall include the power to borrow from any corporate Trustee at any time acting hereunder, on terms no less favorable as to security, interest or

other matters related to such borrowing, than those made available by it to borrowers generally who or which have credit standing comparable to that of the said trust, and such corporate Trustee shall in no event be penalized in any way on account of such borrowing, whether by reason of self-dealing or otherwise; and it is hereby provided that the said Trustee shall, notwithstanding any rule of law to the contrary, have the power to maintain a margin account or accounts and to make such pledges of and other undertakings with respect to assets of the trust as shall in the judgment of the Trustee be advisable in connection with the establishment and maintenance of such account or accounts;

(6) To continue the trust funds invested in such stocks, bonds or other securities and property delivered to the Trustee upon the execution of this Agreement or hereafter acquired from any additions to the trust funds, without any requirement for diversification and including the carrying on of any business, joint venture or enterprise in which the funds represented by such stocks, bonds and other securities or property may be invested at the time the same are received;

(7) To invest and reinvest all or any part of the trust funds in such manner and in such securities and other property, real or personal, as deemed advisable, without being limited in such investments to that property or those securities which otherwise would alone be lawful for trustees' investments under any laws applicable thereto, and without being required to diversify such investments in any manner whatsoever; without in any way limiting the power of investment and reinvestment herein conferred upon the Trustee, the Settlers direct that the foregoing provisions should be construed to include a power to invest in securities of any kind of corporation commonly known as an investment trust company or mutual fund;

(8) To vote in person or by proxy any

shares of stock in any corporation constituting a part of the trust funds at any meeting of the stockholders of such corporation, to deposit any stocks, bonds or other securities with any committee under any plan of reorganization, recapitalization or readjustment of any corporation, and generally, as to any shares of stock, bonds, scrip or other securities which may at any time form a part of the trust funds, to enjoy the same powers under ordinary conditions and also in the case of a merger, lease, consolidation or reorganization, readjustment or recapitalization, sale of assets or other corporate action as might be exercised by an individual owner who is under no trust obligation, including the acceptance and holding thereafter of any securities which may be issued as a result of such corporate action;

(9) To vote for an individual Trustee, or for any officer or employee of a corporate Trustee, or for either of them to be directors or a director, officers or an officer, of any corporation in which the trust funds may be interested, or to be members or a member of any committee related in any way to such corporation, and any Trustee or officer or employee of any corporate Trustee may serve as such directors or director, officers or officer, committee members or committee member, and receive proper remuneration for such services, and may exercise free and untrammelled discretion with respect to all matters concerning the affairs of such corporation, and no Trustee or officer or employee of a corporate Trustee so acting as a director or officer or as a member of such committee shall be accountable for his acts as such to any person interested in the trust funds;

(10) To accept or substitute any stocks, bonds, scrip or other securities in exchange for any securities which may at any time constitute any part of the trust funds, and to exercise any powers incidental to any such acceptance or substitution; to pay all assessments, subscriptions or other sums of money for the protection of

the Trustee's interests as holder of any stocks, bonds or other securities, and to exercise any option contained in any stocks, bonds or other securities for the conversion of the same into other securities, and thereafter to hold any securities thus received;

(11) To cause to be registered in the name of the Trustee hereunder any securities which may from time to time comprise the trust funds, or to take and keep them unregistered, and to retain them or any part thereof in such condition that they will pass by delivery; and to hold securities or other property in the Trustee's own name or in the name of a nominee without disclosing any fiduciary relationship;

(12) To pay out of principal or income any and all claims or demands which properly may become payable from time to time against the trust funds, and the Trustee's allocation of any such charges against principal or income or partly against principal and partly against income shall be final and conclusive and binding upon all persons interested in the trust funds, and the Trustee's discretion in making the same shall not be questioned;

(13) In case of securities taken or purchased at a premium, not to be bound to set apart any portion of the income as a sinking fund to restore or absorb such premium, but the same may be done if deemed desirable;

(14) With respect to any and all stocks and bonds at any time delivered to the Trustee by the Settlers to treat as income any dividends (except liquidating dividends) declared but not yet paid on any such stocks and any and all interest accrued on any bonds, at the time of delivery of such stocks, bonds or other securities to the Trustee by the Settlers; and during the term of administration of each trust created hereunder, to treat as income any and all cash dividends (whether of the kind sometimes described as "ordinary dividends" or



"extra-ordinary dividends") except liquidating dividends, and to treat as principal (a) all liquidating dividends and (b) all distributions made in the shares of the corporation making the same, whether in the form of a stock split or a stock dividend or otherwise, and (c) all warrants, and (d) all dividends or distributions made in the stock of a corporation other than the one declaring the same, and (e) any and all distributions made other than from ordinary income by any investment trust company, mutual fund or real estate investment trust; and in connection therewith, to determine, in the Trustee's discretion, whether any cash dividend is or is not a liquidating dividend; and to retain or distribute all such dividends accordingly as herein provided;

(15) To allocate between principal and income any and all rents from leaseholds and any dividends or other distributions in respect of any stock of oil, gas, mining or lumber companies, and any and all distributions in respect of the kind of property ordinarily known as a wasting investment, constituting a part of the trust fund at any time, in such manner that there shall be allocated to income only ordinary income and there shall be allocated to principal any amounts representing depreciation, depletion, reserve, or other adjustments which are necessary or proper to insure the preservation as principal of the capital invested in such stock or property;

(16) To effect the division of the principal of the trust funds or to distribute the same either in kind or in money or partly in kind and partly in money, and for the purpose of such allotment the judgment of the Trustee concerning the propriety thereof and the form of such division or distribution and the relative values for the purpose of such division or distribution of the securities or the real or personal property so allotted shall be binding and conclusive on all persons interested under this Agreement;

(17) To delegate the power and discretions,

or any of them, to any one or more of the other Trustee, with further power to revoke any such delegations, and further, to appoint from time to time, in the Trustee's discretion, an agent or agents for the purpose of performing any act which the Trustee is authorized, empowered or directed to do, whether or not such act may require discretion on the part of such agent or agents, and the acts of any such duly appointed agent or agents shall in all respects be as lawful and binding upon the trusts as if performed by the Trustee and the Trustee shall not be personally liable to any beneficiary hereunder or to any other person by reason of any act done or omitted by the agent or agents so appointed, whether such act required discretion on the part of such agent or agents or involved a delegation of discretion by the Trustee;

(18) To commingle the assets of all or any of the foregoing trust funds the one with the other so that any one of said trust funds may consist in whole or in part of an undivided share or shares in assets, the remaining undivided share or shares in which constitute the whole or a part of any other trust fund, and to substitute at any time and from time to time any investment or asset constituting a part or the whole of any trust fund for any investment or asset constituting a part or the whole of any other trust fund;

(19) So long as there shall be no corporate Trustee acting under this Agreement, to employ or retain any bank, corporation or other institution to act as custodian of the assets of the trust created hereunder, and to permit said bank, corporation or institution to hold said assets in its name, or in the name of its nominee, and to pay to said bank, corporation and/or institution its charges for acting as such custodian, and to charge the same against principal or income as the Trustee in the Trustee's discretion, shall determine, and the Trustee shall be entitled to reimbursement for the same and for such necessary and proper

charges and expenses as may be incurred in connection therewith. Any such bank, corporation or institution which acts as such custodian shall not be liable or responsible in any way to any person interested in the trust created under this Agreement, for any act performed by it in accordance with the instructions of the Trustee, or of any of the Trustee's duly appointed agents; and

(20) ~~Without in any way affecting the~~ right of any Trustee to act as such fiduciary, or to receive compensation for so acting, to employ counsel, investment advisers, brokers, accountants, clerks and agents, and any firm of which any individual Trustee may be a partner or with which any individual Trustee may be associated and any corporation of which any individual Trustee may be a director, officer, stockholder, employee or in any way interested, may be so employed by the Trustee for such purpose, and to pay to any such firm or corporation such fees, commissions, compensation and/or remuneration for services rendered from principal or income as the Trustee may deem proper; and to purchase and/or sell for the account of any trust under this Agreement, any real and/or personal property, stocks, bonds and other securities or property from, to or through any firm or corporation acting as a principal without regard to the fact that such corporation is a Trustee or that an individual Trustee may be a partner of such firm or may be associated with such firm, or may be a director, officer, stockholder, employee of or in any way interested in such corporation, and, in the case of any such sale or purchase, to accept such sales price, in the case of a sale, or to pay such purchase price, in the case of a purchase, as the Trustee may deem proper.

(B) As to any Materials at any time held as part of the principal of the trust created hereunder:

(1) To adjust, compromise, compound and settle any and all claims or disputes relating

to any Materials held hereunder to such extent and upon such terms and conditions as the Trustee may deem advisable without first bringing against the claimant or compelling the claimant to bring any action at law, suit in equity, or any other legal proceeding to establish any such claims, to execute and deliver to the federal or any state or other taxing authorities instruments waiving any statutory or other time limitations as to any tax matters in any way relating to any Materials held hereunder and to execute all agreements, deeds, releases or other documents necessary or proper in connection with any adjustment, compromise, compounding, settlement or waiver, and said Trustee shall not be held responsible for any losses which may occur to the trust created hereunder by reason thereof;

(2) To submit to final arbitration any matter of difference with others;

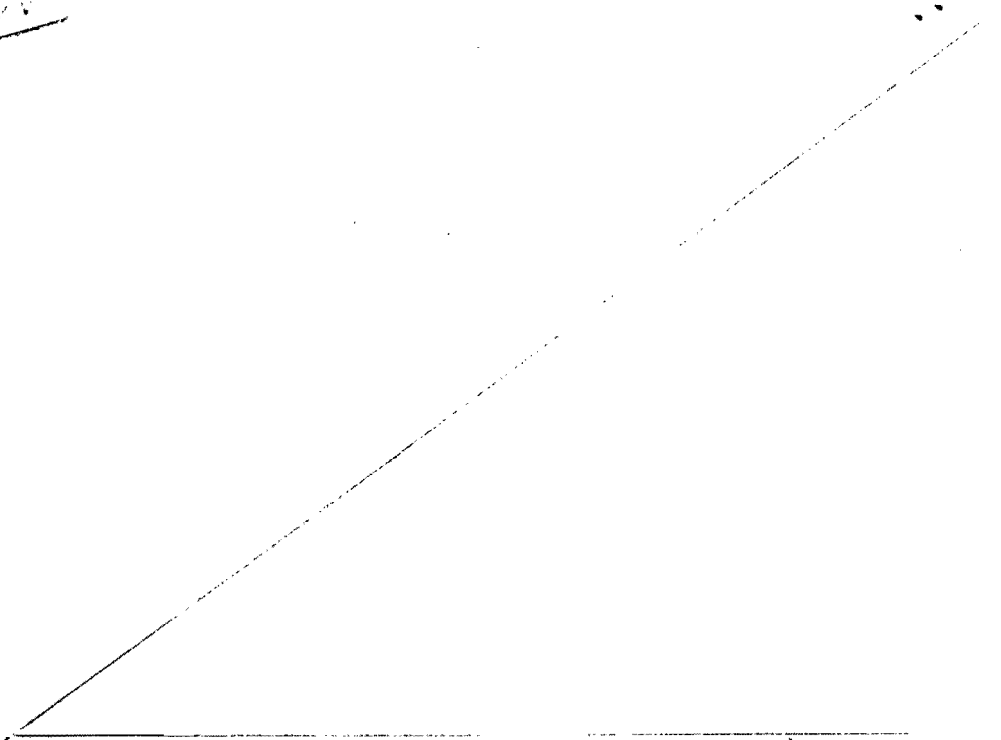
(3) To retain any Materials delivered to the Trustee upon the execution of this Agreement or hereafter acquired from any additions to the trust created hereunder, without requirement for making the same produce any income; and

(4) To delegate the power and discretions, or any of them, to any other Trustee or Trustees, with further power to revoke any such delegations, and further, to appoint from time to time, in the Trustee's discretion, an agent or agents for the purpose of performing any act which the Trustee is authorized, empowered or directed to do, whether or not such act may require discretion on the part of such agent or agents, and the acts of any such duly appointed agent or agents shall in all respects be as lawful and binding upon the trust created hereunder as if performed by the Trustee and the Trustee shall not be personally liable to any beneficiary hereunder or to any other person by reason of any act done or omitted by the agent or agents so appointed, whether such act required discretion on the part of such agent or agents or involved a delegation of discretion by the Trustee.

(C) As to any Materials and any other property at any time held as part of the principal of the trust created hereunder:

Without in any way affecting the right of any Trustee to act as such fiduciary or to receive compensation for so doing, to employ counsel, investment advisors, brokers, accountants, clerks, secretaries, assistants and agents, and to pay from income and/or principal reasonable compensation therefor.

*(Handwritten initials)*  
*(Handwritten initials)*



FIFTH: A majority of the Trustees at any time acting hereunder or, if there shall only be one Trustee then acting hereunder, such sole Trustee, shall have the power at any time and from time to time (i) to appoint an additional or successor Trustee or additional or successor Trustees to act hereunder, such appointment or appointments to take effect immediately or upon the happening of any future event specified in the instrument or instruments by which the same is or are made, (ii) to remove any Trustee or Trustees at any time acting hereunder, and (iii) to revoke any contingent appointment of any additional or successor Trustee made in accordance with the provisions of this Article FIFTH. RICHARD M. NIXON, regardless of whether or not he may be acting as a Trustee hereunder, shall have the power to remove any Trustee or Trustees at any time acting hereunder, to revoke any contingent appointment of a successor or an additional Trustee made by a majority of the Trustees or the sole Trustee acting hereunder, and, in his discretion, to appoint a successor Trustee or Trustees to act in the place and stead of the Trustee or Trustees so removed or whose contingent appointment has been revoked, or an additional Trustee or additional Trustees to act hereunder. In no event shall there ever be more than five Trustees acting hereunder at any one time and, if three or more Trustees shall at any time be

acting hereunder, one of said Trustees may be designated, by a majority vote of the then acting Trustees, as Chairman of the Board of Trustees, said Chairman to have an equal vote with the remaining Trustees but to have general administrative control over the actions of the Trustees hereunder. Each appointment of an additional or successor Trustee hereunder, and any revocation of a contingent appointment, shall be made by an instrument in writing, bearing the signature of the person or persons authorized to make such appointment or revocation of a contingent appointment. Each additional or successor Trustee so appointed shall accept his or her appointment by an instrument in writing, wherein he or she agrees to perform all the duties of said office and to be bound by all of the terms and covenants of this Agreement of Trust. Each additional or successor Trustee appointed pursuant to this Article FIFTH shall have all of the rights, powers, privileges, duties, exemptions and discretions conferred upon the original Trustee under any of the provisions of this Agreement of Trust.

SIXTH: During RICHARD M. NIXON's life, the original Trustee named in this Agreement of Trust shall not be entitled to receive any commissions and/or compensation for acting as a Trustee hereunder. From and after RICHARD M. NIXON's death, said original Trustee, if he shall still be acting as a Trustee

hereunder, shall be entitled to receive such commissions or compensation as shall be allowable by statute or custom to a Trustee of an inter vivos trust under the law of the State of California, as the same shall from time to time be in force and effect, and at the times and intervals provided by statute or custom. Any additional or successor Trustee appointed pursuant to the provisions of Article FIFTH of this Agreement shall be entitled to receive such commissions or compensation as shall be specified in the instrument appointing such successor or additional Trustee. In no event shall any Materials be sold, however, for the purpose of paying such commissions and/or compensation to any Trustee at any time, acting hereunder but such commissions and/or compensation shall be payable only from other property from time to time held under this Agreement of Trust.

SEVENTH: No Trustee acting hereunder, whether named herein or appointed pursuant to any of the provisions hereof, shall be required to give or file any bond or other security for the faithful performance of his or her duties as such Trustee in any jurisdiction whatsoever.

EIGHTH: Any Trustee acting hereunder may resign and be discharged from the trust and obligations hereunder by giving written notice, duly executed and acknowledged, of his or



her resignation to RICHARD M. NIXON, if he shall then be living, and to the other Trustees or Trustee then acting hereunder.

NINTH: No Trustee acting hereunder shall be responsible for any error of judgment or mistake of fact or law, and shall be fully protected for any action taken in good faith, in accordance with the advice of counsel, or in reliance thereon. No Trustee acting hereunder shall be responsible for the act, default or omission of any other Trustee, nor for the default or misconduct of any agent or attorney appointed by the Trustee or Trustees, or any of them. Each Trustee shall be liable only for his or her own willful misconduct or gross negligence.

TENTH: Wherever in this Agreement of Trust any reference is made by number and letter symbols to any provision of the Internal Revenue Code of 1954, as amended, such reference shall be construed to refer to any successor provision similar in import to the one referred to herein, even though referred to by other number and letter symbols in a succeeding Tax Law of the United States.

ELEVENTH: Except as provided in Article SECOND hereof, this Agreement of Trust and the trust created hereunder shall be irrevocable.

TWELFTH: The Settlor and the first Trustee here-

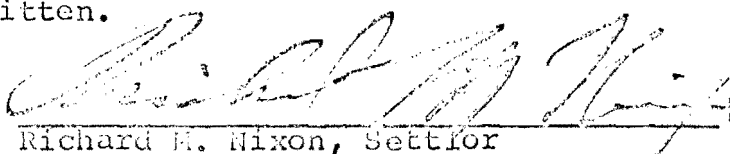
under are domiciled in the State of California. Accordingly, all questions pertaining to the construction, regulation, validity and effect of this Agreement of Trust and/or of the trust created hereunder shall, during the entire term thereof, be determined in accordance with the law of the State of California.


THIRTEENTH: Should any provision of this Agreement of Trust be or become invalid or unenforceable, the remaining provisions hereof shall be and shall continue to be fully effective and enforceable.

FOURTEENTH: All powers of administration granted under this Agreement shall be exercisable only in a fiduciary capacity.

FIFTEENTH: The Trustee, by joining in the execution of this Agreement of Trust, signifies his acceptance of the trust.

IN WITNESS WHEREOF, RICHARD M. NIXON and H. R. HALDEMAN have hereunto set their hands and seals the day and year first above written.

 [L.S.]  
Richard M. Nixon, Settlor

 [L.S.]  
H. R. Haldeman, Trustee

STATE OF *Mississippi* )  
COUNTY OF *Sibley* ) ss.:

On the *11th* day of *August*, 1972, before me personally appeared RICHARD M. NIXON and H. R. HALDEMAN, to me known and known to me to be the persons described in and who executed the foregoing Agreement of Trust, and they duly acknowledged to me that they executed the same.

  
Notary Public

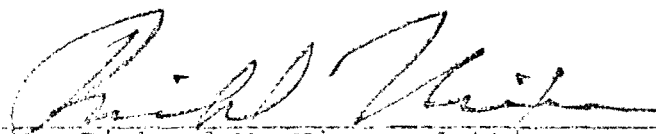
My Commission Expires *10-31-1973*

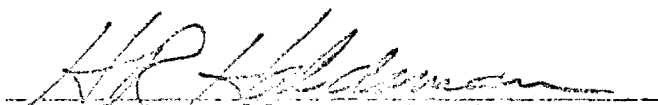
SCHEDULE A

Attached to and made a part of that certain Agreement of Trust made and executed the 11<sup>th</sup> day of August, 1972, at Arlington, Va. D.C., by and between RICHARD M. NIXON, as Settlor, and H. R. HALDEMAN, as Trustee.

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Letter of July 27, 1972 from Arthur F. Burns to the President enclosing a copy of statement he presented to the Joint Economic Committee.

  
Richard M. Nixon, Settlor [L.S.]

  
H. R. Haldean, Trustee [L.S.]

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CHAIRMAN OF THE BOARD OF GOVERNORS  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

July 27, 1972

Dear Mr. President:

NM

I am enclosing a copy of a statement I presented to the Joint Economic Committee. It deals rather comprehensively with the economy. As you will see, it also supports strongly your fiscal policy.

Sincerely yours,

Arthur F. Burns

The Honorable Richard Nixon  
The President of the United States  
The White House  
Washington, D. C.

Enclosure

*P.S. Did you have a chance  
to read my report on  
Latin America? I'd like to tell  
you more about it.*

For release on delivery

Statement by

Arthur F. Burns

Chairman, Board of Governors of the Federal Reserve System

before the

Joint Economic Committee

July 26, 1972

I am pleased to report to this Committee once again the views of the Federal Reserve Board on the state of the economy.

Since my appearance before this Committee in February, evidence has accumulated of a significant strengthening in the pace of economic expansion. The output of our Nation's factories and mines has increased rapidly since last fall and now exceeds the previous peak rate in September 1969.

Advancing levels of production and sales have resulted in a larger demand for labor by manufacturing plants, distributive firms, service establishments, and other places of business. Total employment since June of last year has risen by 3 million and the length of the workweek has generally increased.

The improvement of labor markets has encouraged substantial numbers of women and younger workers to enter the labor force. The ranks of job seekers have also been swelled by a sizable reduction in the Armed Forces. As a consequence, unemployment has remained high despite better job opportunities. Last month, however, unemployment did show a heartening decline.

A major source of the quickening tempo of economic activity has been the recovery in business capital formation. Confidence of the business community was bolstered by the governmental measures adopted last year to moderate inflation and to stimulate employment and output. With incentives to invest strengthened, contracts for business construction and orders for machinery and equipment have been rising vigorously.

Higher residential construction has also been a stimulating factor. New housing starts have declined somewhat from the level reached early in 1972, but the effects of the pronounced rise in new housing starts last year are still ramifying. Sales of furniture and appliances, for example, have been soaring this year.

Consumer buying generally has been on a marked uptrend since the late summer of 1971. Spendable incomes of consumers have risen steadily and substantially, as employment has increased and the workweek has lengthened. After more than 5 years of stagnation, average weekly earnings of production workers have increased significantly in real terms since last summer. Confidence in the economic outlook has improved, and consumers are now borrowing at record rates to buy new autos and other durable goods.

In short, as we see the economic scene, the current expansion is now exhibiting the characteristics typical of cyclical recoveries. A strong revival of output in the durable goods trades is under way, employment is rising rapidly, and more and more branches of production are being caught up in the rising trend of activity.

There is good reason to expect this cumulative process of business expansion to continue on into 1973. Inventory accumulation should provide an upward thrust in the months immediately ahead. Stocks have fallen to low levels in relation to sales, and it appears that a pick-up in inventory building is already in process. Business investment in fixed capital should continue to be a major expansive factor, since new orders and contracts for plant and equipment have



been moving strongly upward for some time. If these categories of business spending rise briskly, as now seems likely, growth rates of employment and earnings will remain high. Disposable income will also gain from a rise in social security benefits this fall and sizable tax refunds next spring. With consumers in a more optimistic mood, these additions to purchasing power should stimulate demand further.

Thus, when I consider the recent course of economic activity and the prospects for the near-term future, I find reason for optimism. The expansion in real output and employment has remained orderly and well balanced. Most major sectors appear to be poised for a further rise in activity. And it seems likely that unemployment will diminish as real output continues to rise.

Progress has also been made in moderating the rate of increase in wages and prices. Over the first half of this year, average hourly earnings in the private nonfarm economy rose at an annual rate of about 5-1/4 per cent, compared with 6-3/4 per cent during the first 7 months of 1971. The control program has evidently had a salutary effect, although competitive forces may also have served to dampen the rise in wage rates.

Price indexes too indicate some reduction in the rate of inflation. A comprehensive measure of price performance--the fixed-weight index of prices of all private goods and services in the gross national product--rose over the first three quarters of last year at an annual rate of about 4.5 per cent. In the three most recent quarters, the rate of increase has receded to about 3 per cent.

Other price indexes also show improvement. Thus, consumer prices since last August have increased at an annual rate of 2.7 per cent, compared with 3.8 per cent in the first 7 months of 1971. In the last 4 months, the annual rate of increase averaged about 2 per cent.

The need for further progress in curbing inflationary pressures remains great, however, particularly in view of potential developments in 1973. Next year, collective bargaining agreements covering large numbers of workers will be reopened in major industries. The negotiations will take place in a climate of improving labor markets and against the backdrop of a substantial increase in consumer prices over the past several years. If wage rate increases should accelerate, pressures on unit costs of production would intensify. And business firms would probably take advantage of receptive product markets to pass on cost increases to customers.

Greater success in our efforts to moderate inflation is therefore vital. If costs are to be stabilized, the wage guidelines--which now permit increases in wage rates well above long-term productivity gains--will need to be lowered. But any such wage development will necessitate measures to assure workers that their real earnings will not be eroded by continuing increases in consumer prices.

A tighter rein on inflation is needed not only to protect the incomes and savings of our people; it is needed also to restore equilibrium in our international accounts. Indeed, I seriously doubt whether this external objective can be achieved without a stable price level. The Smithsonian realignment of exchange rates last December

laid the basis for a substantial improvement in our competitive position. But that potential will be dissipated if appreciable increases in domestic costs and prices continue.

Our international accounts are still seriously out of balance. Imports this year have increased substantially further, and while exports have also risen, our trade deficit has deepened. Such a development is not unusual in the months immediately following a currency depreciation, and the more advanced stage of our economic recovery relative to that of our major trading partners has undoubtedly been an aggravating factor. With economic conditions abroad again improving, the demand for our exports should rise more vigorously over the near term. Past experience suggests, however, that 2 or 3 years may need to elapse before the full benefit of last December's exchange rate realignment is realized.

The over-all balance of payments was in substantial deficit during the first quarter. But beginning in mid-March, the over-all balance became more favorable, due principally to short-term capital inflows. Indeed, we actually experienced a balance of payments surplus between mid-March and June 23, when the British pound was floated.

In the weeks immediately following the British decision, exchange markets around the world experienced renewed turmoil, and a sizable shift of dollars into European central banks occurred. Most recently, however, order has been re-established on the foreign exchanges. The renewal of market confidence is due in no small measure to the intervention in the exchange markets by the Federal Reserve in collaboration with the Treasury.

The recent disturbances of exchange markets provide a clear warning. If repetitive monetary crises are to be avoided and an environment conducive to healthy expansion of foreign trade and investment is to be preserved, international negotiations on monetary reform must begin promptly. The recent disturbances are also a warning that turmoil in international financial markets may continue until the United States and its major trading partners find ways to rid their economies of the inflationary sickness that is plaguing us all.

Let me turn next to the course that our Nation's monetary and fiscal policies must pursue to offer hope of solving our inflation problem, and at the same time facilitate growth in production and employment.

Typically, expansions in economic activity are accompanied by pronounced pressures in credit markets, reflecting larger credit demands as well as more stringent monetary policies. Thus far, this expansion has been rather free from such pressures. Inflows of savings deposits to nonbank thrift institutions--though below earlier peaks--remain abundant, and these funds are being used actively in mortgage lending. Commercial banks, besides extending substantial amounts of credit to businesses and consumers this year, have been able to acquire a record volume of mortgages and to supply a major part of the funds raised in credit markets by state and local governments. And although interest rates on short-term securities have risen from their lows early this year, long-term rates of interest

have changed very little. Actually, interest rates on practically all classes of loans and securities--including mortgages--are distinctly below their July 1971 levels.

A major reason for the relative stability of interest rates was the substantial reduction in the size of the Federal deficit for fiscal 1972 from earlier expectations. Moderation in business credit demands was also a contributing factor. Retained earnings of corporations were augmented by the rise in business profits, the release of funds by the investment tax credit and accelerated depreciation, and the 4 per cent ceiling on dividends imposed by the Committee on Interest and Dividends. Businesses were thus in a good position to finance their needs for increased investment spending and working capital from internal sources.

Monetary policy over this past year also contributed to stability in credit markets. The Federal Reserve pursued a moderate course of monetary expansion, so that fears of a new wave of inflationary pressures would not be generated. But the Federal Reserve also saw to it that the economic recovery would not suffer for want of money or credit.

The moderate course of monetary policy is evidenced by the major monetary aggregates. During the 12 months ending in June, the narrowly defined money supply (currency plus demand deposits) increased by 5 per cent, or less than the increase in the Nation's real output. The money supply defined more broadly, so as to include time deposits other than large-denomination certificates of deposit, rose faster as consumers built up liquid assets by adding to their time and savings accounts.

As this Committee knows, rates of monetary expansion have recently varied considerably from one quarter to the next. The effects of such variations on economic activity can easily be exaggerated. Last fall, for example, growth in money balances slowed sharply, and concern was voiced in some quarters that the economic expansion would falter. Actually, there was no shortage of money or credit at that time. The abundant supply provided in the first half of last year was still there to meet the need of consumers and businesses. In fact, the slowdown served a useful function. For it assured the public that there was no intention to open the monetary spigot in a reckless effort to stimulate expansion, while wages and prices were being held in check with direct controls.

The Board recognizes, however, that fluctuations in growth rates of money and bank credit have at times gone beyond our intentions. To deal with this problem, techniques of implementing monetary policy have recently been altered in ways that might permit us to minimize undesired variations.

Early this year, the Federal Open Market Committee decided that the pursuit of its monetary goals might be aided by focusing less heavily on the Federal funds rate as an operating target and instead giving more weight to the desired growth of the bank reserves held against private deposits. This change in operating procedure did not, of course, mean that money and capital market developments would be disregarded. It merely meant that, in the Committee's judgment, greater emphasis could be placed on the reserves needed to attain the desired growth rates of the monetary aggregates, while still giving

attention to interest rates and other dimensions of financial markets. Monetary developments since January seem to confirm that judgment, but more time will be needed to evaluate properly the new operating techniques.

At present, the Federal Reserve is in a favorable position to continue pursuing a path of moderate monetary growth, for economic expansion thus far has been orderly and supplies of real resources are still ample. And if, as seems likely, private credit demands advance at a temperate pace, interest rates near current levels could continue to prevail in the months immediately ahead.

Whether or to what degree this desirable outcome is realized will depend heavily on the state of the Federal budget. At the time of the midyear budget review, the deficit projected for fiscal 1973 was \$27 billion. The recent passage of the social security bill has raised that figure appreciably. Supplements to defense spending not allowed for in the midyear budget review may add further to the deficit. And there will be a temporary but potentially dangerous bulge in the deficit next spring, when large refunds of over-withheld taxes will add to disposable income. This concentrated fiscal stimulus could have unfortunate consequences for prices.

I recognize that deficits are difficult to avoid when tax revenues fall below the levels that would be produced by an economy operating at full employment. But in fiscal 1973 the deficit may be growing at a time when the economy is expanding briskly and the margins of unused capacity are narrowing. Such a development would

add explosive fuel to the fires of inflation. I therefore see no escape from the conclusion that the time has come when the Congress must put our fiscal house in order.

We stand at a crossroads in our fiscal arrangements. Many of our citizens are alarmed by the increasing share of their incomes that is taken away by Federal, State, and local taxes. Meanwhile, Federal expenditures have been rising at a rate well above the growth rate of our national income and product. The propensity to spend more than we are prepared to finance through taxes is becoming deep-seated and ominous. An early end to Federal deficits is not now in sight. Numerous Federal programs have a huge growth of expenditures built into them and there are proposals presently before the Congress that would raise expenditures by vast amounts in coming years.

The fundamental problem, therefore, is how to regain control over Federal expenditures. I do not think this can be accomplished without departing from our traditional methods of budgetary management.

I have long been an advocate of zero-base budgeting -- a procedure that would require careful scrutiny by the congressional appropriations committees of the full expenditure requested for every Government program, rather than just the increase in expenditures. Such a procedure would help to weed out programs whose social usefulness has diminished or ended. It would take considerable time, however, to reform budgetary procedures along these lines even if the Congress were ready to adopt it.



To obtain immediate results, other steps are needed.

Recently, a bipartisan group of Congressmen advanced a proposal that would prohibit consideration of any appropriation bills in the House of Representatives until the House had approved a resolution containing a comprehensive Federal budget. The proposal also would require a two-thirds majority vote for any appropriation bill exceeding the provisions of the over-all budget resolution. This is a highly constructive suggestion. I hope the Congress will give it careful study and at the same time consider the desirability of establishing a Joint Committee of the Congress on Revenues and Expenditures.

Another proposal that could produce immediate beneficial results has already been studied by many members of the Congress--namely, the President's recommendation for a legislative ceiling on this year's budget expenditures. I strongly support this recommendation in the hope that the ceiling would be a rigid one, that it would admit of no escape hatches whatever, and that it would apply both to the Executive and to the Congress.

Re-establishment of order in our Federal finances has become a critical need in our Nation's struggle against inflation. In the Board's judgment an enduring prosperity cannot be achieved unless this need is attended to promptly and courageously by the Congress.

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INSTRUMENT APPOINTING  
SUCCESSOR TRUSTEE

AGREEMENT OF TRUST

by and between

RICHARD M. NIXON,

as Settlor

and

H. R. HALDEMAN,

as Trustee

Dated: August 14, 1972

MUDGE ROSE GUTHRIE & ALEXANDER  
20 BROAD STREET, NEW YORK, NEW YORK

APPOINTMENT OF SUCCESSOR TRUSTEE

THIS INSTRUMENT, made the 11<sup>th</sup> day of August, 1972, by H. R. HALDEMAN, as Trustee of that certain trust known as The Irrevocable Literary Trust and created under an Agreement of Trust made the 11<sup>th</sup> day of August, 1972, by and between said RICHARD M. NIXON, as Settlor and the undersigned, as Trustee.

W I T N E S S E T H :

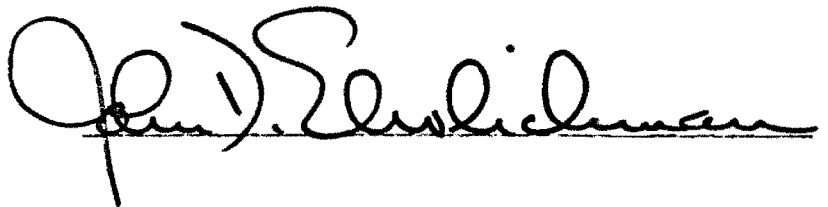
WHEREAS, the undersigned possesses the power under Article FIFTH of said Agreement of Trust made the 11<sup>th</sup> day of August, 1972, by and between RICHARD M. NIXON, as Settlor, and the undersigned, as Trustee, to appoint a successor or successors to act in the place and stead of the undersigned as Trustee or Trustees of the trust created under said Agreement of Trust should the undersigned, for any reason, cease to act as such;

NOW, THEREFORE, pursuant to the aforementioned power, the undersigned does hereby appoint JOHN D. EHRLICHMAN as successor Trustee to act in his place and stead should he, for any reason whatsoever, cease to act as Trustee under said Agreement of Trust.

  
H. R. Haldeaman

ACCEPTANCE OF APPOINTMENT

The undersigned, JOHN D. EHRLICHMAN, does accept the foregoing appointment as successor Trustee of that certain trust known as The Irrevocable Literary Trust and created under an Agreement of Trust made the 11<sup>th</sup> day of August, 1972, by and between RICHARD M. NIXON, as Settlor, and H. R. HALDEMAN, as Trustee, should said H. R. HALDEMAN, for any reason, cease to act as a Trustee of such trust, and does agree, upon assuming the office of Trustee of such trust, to perform the duties of said office and to be bound by all of the terms and conditions of said Agreement of Trust.

A handwritten signature in cursive script, reading "John D. Ehrlichman", written over a horizontal line.