JAMES IRVINE FOUNDATION  
(Notes from minutes of J.I. Foundation)

June 19, 1936: Sometime in 1935 or 1936 James Irvine apparently began the process of establishing the non-profit James Irvine Foundation. Much of 1936 was consumed by James Irvine and his advisors sorting out how and why the proposed Foundation was to be formed and how control and most of the income from the Company could be preserved for Mr. Irvine during his life. By June 6, '36 a letter from a representative of James Irvine indicated the "certificate of stock remain in Mr. Irvine's name, but that they be endorsed by him and delivered to Miss Price (his secretary) as secretary of Foundation, and kept in the safe at Mr. Irvine's office in San Francisco, which will also be the office of the Foundation."

Jan. 15, 1937: By Jan. 1937 the process had reached the point where drafts of the indenture of trust were being prepared as is indicated in a Jan 15, '37 letter an attorney for Mr. Irvine talked of "completing the organization" of the James Irvine Foundation and defining "what dividends, etc., should be paid to Mr. Irvine during his life and what should go to the trustee." The letter also referred to a governing indenture of trust which stated the foundation could not "sell, encumber, or otherwise dispose of any of the shares of stock of the Irvine Company held by the trustee under this trust, and shall maintain and administer the same under this trust as a unit without division or segregation there of."

In addition to prohibitions against disposing of the company's stock the trust expressed reservations against the foundation allowing the Company to dispose of its land except for "development land adjacent to the Pacific Coast and Newport Bay."

Jan 20, 1937: A follow-up letter from the same attorney enclosed "six copies of the latest draft of the proposed trust indenture between James Irvine and the James Irvine Foundation."

Feb. 24, 1937: The Trust indenture was finally dated Feb. 24, 1937. The James Irvine Foundation was charged with providing "financial aid for charitable purposes and for privately supported educational institutions in the State of California."

Some 23 years later the restriction of only aiding private educational institutions became a potentially major hurdle for the Company when it was proposed that it give 1000 acres to the University.
In the final and adopted draft of the Declaration of Trust Mr. Irvine made it very clear what the trustees charge was.

"Trustor hereby makes the following directions with respect to the management of the shares of stock of The Irvine Company and the property thereof, which consists for the most part of a land holding situated in Orange County, California; that inasmuch as the development and operation of said property has constituted the lifework of the Trustor, it is the purpose of said Trustor, by the creation of this trust and by vesting in the Trustee through its holding of said stock of The Irvine Company, the exercise of a controlling voice in the operation of its properties, to perpetuate the operation thereof and thus insure an adequate foundation for the charitable purposes herein provided. It is the Trustor’s firm conviction that no other security could afford The James Irvine Foundation a more safe and stable investment than the capital stock of The Irvine Company, if this land holding is preserved and sustained at its present state of development, with such improvements, if any, as may be justified in the future."

The original Trustees of the Foundation were selected by Mr. Irvine from members of his family and close friends. They included his wife, who served until her death in 1950, his son Myford, who was elected president and occupied that office until his death in 1959, his lawyer, Mr. James G. Scarborough, his accountant and business advisor, Mr. N. Loyall McLaren and long time friend, Mr. A. J. McFadden.

1937-47: Minutes and correspondence during this period seem to indicate that there was not much activity by The Foundation with many meetings put off or dates changed to accommodate individual members schedules. J.I. continued to run the Company as he saw fit and the Foundation distributed what funds they had available without much fan fare.

August 24, 1947: James Irvine dies while fishing on the Company owned Flying "D" cattle ranch located in southern Montana. (The Flying "D" ranch was sold by the Company in 1978 and is currently owned by media mogul Ted Turner.) Minutes of the Foundation meeting dated Sept. 19, 1947 state that "510 shares of capital stock of The Irvine Company" out of 1000 shares were transferred to the Foundation. The minutes additionally deal with the process of change of ownership of the stock and names trustee James G. Scarborough as proxy holder. They direct him to vote the 510 shares to increase the number of Directors of The Irvine Company from 5 to 7 adding N. Loyal McLaren and A. J. McFadden to the Board. Other existing members of the Company Board were Myford Irvine, P.A. Dinsmore, James Scarborough, W.B. Hellis (ranch manager) and C.M.Plum.

The Sept. 19, ’47 minutes also indicate that there was discussion about who would represent the other share holders on the Company’s Board. "Mr. McLaren
said the voting rights under the laws of West Virginia were cumulative voting, and that Joan Irvine (Joan was either 14 or 15 years old in '47) was entitled to representation on the Board. Mrs. Clarke (Joan's mother) had asked him (McLaren) to represent Joan. Myford Irvine was entitled to representation on the Board through his stock ownership. Mr. Clarke had discussed the situation with Stanton of O'Melveny's office and they requested McLaren to represent Joan on the Board of The Irvine Company."

Apparently McClaren represented Joan's interest until June, 1957 when Joan voted herself onto the Company's Board.

1947-'59

Despite the fact the Foundation now legally controlled the Company there is little evidence that either the Foundation's trustees or their elected representatives on the Company's board had much impact on its operation. Myford Irvine merely took over his father's role as President of The Irvine Company while continuing to be President of the Foundation. As best as I can determine the Foundation trustees doled out what funds they had and left the Company in the hands of Myford.

During this period, however, north Orange County was experiencing significant urban growth resulting in growing pressures on opening up the Irvine Ranch to real estate development. Toward the end of this period and just prior to Myford's death ('59) it was reported that he had numerous discussions with home builders and Real Estate developers who expressed interest in acquiring property from the Company. I have been told that the responsibilities of running the Ranch, and the obvious pressures to on the one hand sell land to developers, and yet reserve the apparent will of his father to preserve the holdings began to weigh in on Myford.

1959

By the time 1959 had seen its last dawn both the Company and the Foundation was to go through profound change. On January 9, 1959 in the basement of the Irvine home on Myford Avenue, Myford Irvine was found dead from self inflicted gun shots. Those shots not only ended the life of James Irvine's last living son they also confronted the Foundation's trustees with the immediate need to exercise both the responsibilities and powers set forth in the Indenture of Trust established by J.I. some 22 years earlier.

Within days of Myford's death the Foundation held an emergency meeting and passed a resolution "expressing shock over death of Myford Irvine" and recommended that the Board of Directors of The Irvine Company elect A.J.
McFadden President and N. Loyall McClaren Vice President of The Irvine Company. On January 15 just six days after Myford’s death the Company held a special Board meeting and accepted the recommendations of their majority share holder by electing McFadden President and McClaren Vice President of The Irvine Company. This is the first time in its history that someone other than an Irvine headed the Company. The Foundation had taken firm control of the Company.

According to Foundation members their election was a necessary interim step to provide stability to the Company until permanent leadership could be found. Interim or not McFadden and McClaren were no light weights.

**Mr. McFadden** was a graduate of Pomona College and the Harvard Law School. He was a leading agriculturalist in Orange County and had served with distinction as president of many grower organizations, including the National Council of Farmer Cooperatives, Agricultural Council of California and California State Board of Agriculture. He was also a director of Southern California Edison Company, Pacific Mutual Life Insurance Company, and Founders Fire & Marine Insurance Company. At the time he was also president and trustee of Pomona College and a former regent of the University of California.

**Mr. McClaren** was a graduate of the University of California, from which he held an honorary degree of Doctor of Laws. He was a partner in Haskins & Sells, an international accounting firm. He also was a member of the board of directors of the Federal Reserve Bank of San Francisco, Pacific Telephone and Telegraph Company, Santa Fe Railway, and Rheum Manufacturing company. He was a regent of the University of San Francisco and a member of the Advisory Council of the University of California Business School.

McFadden and McClaren were suddenly thrust into a whirlpool of conflicting issues. Joan Irvine (Burt) objected to the Foundation taking control of the Company and wanted to be President herself, a report was about to be made recommending that the Company give 1000 acres of land to the University of California which potentially conflicted with the Indenture of Trust established by James Irvine and by then it was obvious that the historic era of agriculture for the Company was coming to an end and the strange and unknown world of real estate about to begin.

Within six months the planner/architect William Pereira who had been hired by the University to find a site for a new campus recommended one on the Ranch’s property and suggested that the Company make a gift of the site and enter the chaotic world of real estate development by building what he described as a “new town” around the new campus. Shortly thereafter the Company authorized Pereira to study the feasibility of building the “new town.”

So during the 12 months of 1959 the Foundation lost its President (Myford), the Company lost its President, the Foundation assumed active control of the
Company, the University of California expressed interest in locating on the Ranch property and the Company authorized a study to determine the feasibility of building a "new town." And sometime towards the end of that year the Foundation began a search for a full time President of the Company.

1960

1960 was a significant and pivotal year in the history of the Company. William Pereira's report to the Company was submitted in May and concluded that the proposal to build a "new town" was feasible and supported by the County of Orange and all surrounding cities. Indeed, Pereira's vision looked like an ideal way for the Company to begin to benefit from its growing real estate value.

But could it justify giving away 1000 acres of obviously extremely valuable land. The Company didn't take long to decide that it was to its interest to make the gift and at its' March, 1960 Board meeting voted to seek approval of its shareholders at a meeting set for June 20, 1960 to "transfer approximately 1,000 acres of said land to the Board of Regents of the University of California, without consideration, for use solely as a University site."

Now it was up to the Foundation. How could they vote in favor of this gift in light of James Irvine's seemingly explicit instructions about not making gifts to tax supported institutions? Obviously wanting to support the idea they rationalized their way around the apparent conflict at their June 1, 1960 trustee's meeting by stating that "the directors of this corporation (the Foundation) have concluded that the anticipated benefits to The Irvine Company of said transfer that over a period of years the monetary advantages, both direct and indirect, to The Irvine Company which will flow from said transfer will greatly exceed the present value of the land to be transferred." Thus they concluded that the 1000 acres was not a gift and instructed their proxy holder "to vote the foundation's 510 shares of said stock.....in favor of said proposed transfer, without consideration, ....." at the meeting of the shareholders to be held on June 20, 1960.

However, the desire of the Company to give land to the University had to go through some more legal hoops. Legal counsel for the Regents was well aware of the Foundation's indenture and thought it best to let a judge decide whether the Company could make such a gift. Accordingly he filed an action in the courts seeking a determination that despite the Indenture the Company had the right to make the land gift. Correspondence between the Company's and the Foundation's attorneys indicate that it took the remainder of the year for a opinion to be issued by the courts indicating its' approval.

By then, however, the Company was well on its way to fulfill its part of this unique public/private partnership. In Sept., 1960 Charles S. Thomas was hired as the President of the Company. For both personal and business reasons Mr. Thomas was an ideal choice. He was a long time friend of both Loyall McClaren and Joan's mother Athalie Clark and it was hoped he could bridge the growing gulf between Joan and the Foundation. Furthermore, his long business and
public service experience made him an ideal candidate to head up what uniquely was both a public and private challenge. Most recently he had been president of the TWA airline company. Active in the republican party he had also served as Secretary of the Navy and Under Secretary of Defense. He was an experienced executive known to Foundation members and Joan's mother. At least temporarily a unanimous choice.