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PACIFIC GAS AND ELECTRIC COMPANY

PG&E + 245 MARKET STREET • SAN FRANCISCO, CALIFORNIA 94106 • (415) 781-4211

July 21, 1969

Local Union No. 1245  
International Brotherhood of  
Electrical workers, AFL-CIO  
P. O. Box 584  
Walnut Creek, California 94597

Attention: Mr. Ronald T. weakley, Business Manager

Gentlemen:

During the negotiations leading to the Benefit Agreement, dated January 1, 1969, the Union requested that employees be permitted to continue contributions to a retirement fund in order that they might supplement the retirement income payable under the provisions of the Retirement Plan.

In response to this proposal, the Company agreed to establish a diversified Investment Fund as an adjunct to the existing Savings Fund Plan. Employees will be permitted to contribute up to 4% of their straight time earnings to the Fund which will be held by a Trustee. The Trustee will, at the direction of an Investment Counselor (currently Dodge and Cox), invest these contributions in common stocks and securities convertible into common stocks.

Attached are the general instructions which we propose to give to the Investment Counselors.

If the foregoing is in accordance with your understanding and you are in agreement with the attached, please so indicate in the space provided below and return one executed copy of this letter to Company.

Yours very truly,

PACIFIC GAS AND ELECTRIC COMPANY

By *W. Bonbright*  
Manager of Industrial Relations

The Union is in accord with the foregoing and it agrees thereto as of the date hereof.

LOCAL UNION NO. 1245, INTERNATIONAL  
BROTHERHOOD OF ELECTRICAL WORKERS, AFL-CIO

August 5, 1969

By *Ronald T. Weakley*  
Business Manager

PURPOSE, INVESTMENT OBJECTIVE, AND INVESTMENT  
POLICY OF THE DIVERSIFIED INVESTMENT FUND

The purpose of the Diversified Investment Fund is to give an employee the opportunity to accumulate over a long term of years, from his own savings and judicious investment of these savings, a capital fund which can provide supplemental income or meet special needs.

The investment policy of the Fund is based on the expectation that:

- (1) Investment in the Fund will usually be for a long term and on a regular basis.
- (2) The Company's Retirement Plan will provide a basic living income for the employees' post-retirement years.
- (3) Withdrawals and distributions from the Fund will not be likely to exceed the inflow of contributions for many years.
- (4) Employees investing in the Fund are willing to accept the risks of investment in equity securities, and securities convertible into equity securities, in an endeavor to obtain a greater yield than fixed dollar securities are likely to provide and to offset the long-term effects of continuing inflation.
- (5) Employees who desire an investment in PG&E common stock have the opportunity to do so with augmentation by Company contributions, through the Employee Savings Fund Plan, simultaneously with investment in the Diversified Investment Fund part of the Plan.

The investment objective of the Fund, therefore, is to maximize expected investment yield over a long term, taking into account current income and market value appreciation, realized and unrealized, by a policy of investment in common stock and securities convertible into common stocks, with reasonable regard for stability and avoidance of undue risks. Until cash requirements for withdrawals and distributions indicate otherwise, the need for current income from dividends and interest will not be a factor in the investment policy. The policy excludes investment in securities of the Company and its subsidiaries and in securities guaranteed by the Company or any of its subsidiaries. The policy recognizes that investment in securities of gas and electric utility companies should be made only in the light of the opportunity of employees to acquire a substantial investment in PG&E common stock through the other options of the Employee Savings Fund Plan.