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

**2008**

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

For calendar year 2008, or tax year beginning 08/22, 2008, and ending 12/31, 2008

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 foundation: **LAURA AND JOHN ARNOLD FOUNDATION**

Number and street (or P O box number if mail is not delivered to street address): **3050 POST OAK BLVD, SUITE 825**

Room/suite: \_\_\_\_\_

City or town, state, and ZIP code: **HOUSTON, TX 77056**

**A Employer identification number**: 26-3241764

**B Telephone number (see page 10 of the instructions)**: (713) 554-1346

**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)**: \$ 91,590,270.

**J Accounting method**:  Cash,  Accrual,  Other (specify) \_\_\_\_\_

**C If exemption application is pending, check here**:  **X**

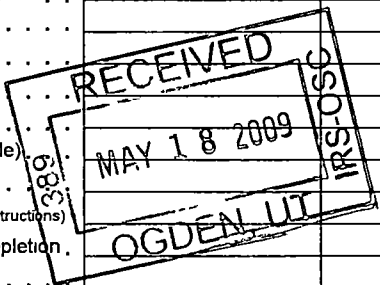
**D 1. Foreign organizations, check here**:

**2. Foreign organizations meeting the 85% test, check here and attach computation**:

**E If private foundation status was terminated under section 507(b)(1)(A), check here**:

**F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here**:

<b>Part I Analysis of Revenue and Expenses</b> (The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see page 11 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)
<b>Revenue</b>	1 Contributions, gifts, grants, etc., received (attach schedule) . . . . .	100,000,000.			
	2 Check <input type="checkbox"/> if the foundation is not required to attach Sch B. . . . .				
	3 Interest on savings and temporary cash investments . . . . .				
	4 Dividends and interest from securities . . . . .	380,625.	226,794.		STMT 1
	5a Gross rents . . . . .				
	b Net rental income or (loss) . . . . .				
	6a Net gain or (loss) from sale of assets not on line 10 . . . . .	1,209,645.			
	b Gross sales price for all assets on line 6a . . . . .	7,112,130.			
	7 Capital gain net income (from Part IV, line 2) . . . . .		1,209,645.		
	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) (attach schedule) . . . . .					
11 Other income (attach schedule) . . . . .					
12 Total. Add lines 1 through 11 . . . . .	101,590,270.	1,436,439.			
<b>Operating and Administrative Expenses</b>	13 Compensation of officers, directors, trustees, etc . . . . .	NONE			
	14 Other employee salaries and wages . . . . .				
	15 Pension plans, employee benefits . . . . .				
	16a Legal fees (attach schedule) . . . . .				
	b Accounting fees (attach schedule) . . . . .				
	c Other professional fees (attach schedule) . . . . .				
	17 Interest . . . . .				
	18 Taxes (attach schedule) (see page 14 of the instructions) . . . . .				
	19 Depreciation (attach schedule) and depletion . . . . .				
	20 Occupancy . . . . .				
	21 Travel, conferences, and meetings . . . . .				
	22 Printing and publications . . . . .				
	23 Other expenses (attach schedule) . . . . .				
	24 Total operating and administrative expenses. Add lines 13 through 23 . . . . .	NONE			
	25 Contributions, gifts, grants paid . . . . .	10,000,000.			10,000,000.
26 Total expenses and disbursements. Add lines 24 and 25 . . . . .	10,000,000.			10,000,000.	
27 Subtract line 26 from line 12 . . . . .					
a Excess of revenue over expenses and disbursements . . . . .	91,590,270.				
b Net investment income (if negative, enter -0-) . . . . .		1,436,439.			
c Adjusted net income (if negative, enter -0-) . . . . .			-0-		



SCANNED MAY 29 2009

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		
Assets	1	Cash - non-interest-bearing . . . . .				
	2	Savings and temporary cash investments . . . . .	NONE	91,590,270.	91,590,270.	
	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 schedule) (see page 15 of the instructions)				
	7	Other notes and loans receivable (attach schedule) ▶ Less: allowance for doubtful accounts ▶				
	8	Inventories for sale or use . . . . .				
	9	Prepaid expenses and deferred charges . . . . .				
	10 a	Investments - U S and state government obligations (attach schedule)				
	b	Investments - corporate stock (attach schedule)				
	c	Investments - corporate bonds (attach schedule)				
	11	Investments - land, buildings, and equipment basis ▶ Less: accumulated depreciation (attach schedule) ▶				
	12	Investments - mortgage loans . . . . .				
	13	Investments - other (attach schedule)				
	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 the instructions Also, see page 1, item I) . . . . .	NONE	91,590,270.	91,590,270.		
Liabilities	17	Accounts payable and accrued expenses . . . . .				
	18	Grants payable . . . . .				
	19	Deferred revenue . . . . .				
	20	Loans from officers, directors, trustees, and other disqualified persons				
	21	Mortgages and other notes payable (attach schedule)				
	22	Other liabilities (describe ▶)				
23	Total liabilities (add lines 17 through 22)					
Net Assets or Fund Balances	Foundations that follow SFAS 117, check here ▶ <input type="checkbox"/>		and complete lines 24 through 26 and lines 30 and 31.			
	24	Unrestricted . . . . .				
	25	Temporarily restricted . . . . .				
	26	Permanently restricted . . . . .				
	Foundations that do not follow SFAS 117, check here and complete lines 27 through 31. ▶ <input checked="" 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 . . . . .	NONE	91,590,270.		
	30	Total net assets or fund balances (see page 17 of the instructions) . . . . .	NONE	91,590,270.		
31	Total liabilities and net assets/fund balances (see page 17 of the instructions) . . . . .	NONE	91,590,270.			

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 NONE
2	Enter amount from Part I, line 27a . . . . .	2 91,590,270.
3	Other increases not included in line 2 (itemize) ▶	3
4	Add lines 1, 2, and 3 . . . . .	4 91,590,270.
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 91,590,270.

Part IV Capital Gains and Losses for Tax on Investment Income

Table with columns for property description, acquisition date, sale date, gross sales price, depreciation, cost/basis, gain/loss, and net capital gain/loss. Includes rows for 'SEE PART IV SCHEDULE' and 'Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69'.

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 NOT AVAILABLE FOR INITIAL YEAR RETURNS

Was the foundation liable for the section 4942 tax on the distributable amount of any year in the base period? Yes No

1 Enter the appropriate amount in each column for each year, see page 18 of the instructions before making any entries

Table with 4 columns: (a) Base period years, (b) Adjusted qualifying distributions, (c) Net value of noncharitable-use assets, (d) Distribution ratio.

Table with 2 columns: Description of calculation steps (Total of line 1, Average distribution ratio, Net value of assets, etc.) and corresponding line numbers (2-8).

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

Table with 11 rows and 2 columns. Rows include: 1a Exempt operating foundations, b Domestic foundations, 2 Tax under section 511, 3 Add lines 1 and 2, 4 Subtitle A (income) tax, 5 Tax based on investment income, 6 Credits/Payments (6a-6d), 7 Total credits and payments, 8 Enter any penalty, 9 Tax due, 10 Overpayment, 11 Enter the amount of line 10 to be credited to 2009 estimated tax.

Part VII-A Statements Regarding Activities

Table with 10 rows and 3 columns. Rows include: 1a During the tax year, did the foundation attempt to influence any national, state, or local legislation...; b Did it spend more than \$100 during the year...; c Did the foundation file Form 1120-POL for this year?; d Enter the amount of tax on political expenditures...; e Enter the reimbursement...; 2 Has the foundation engaged in any activities that have not previously been reported to the IRS?; 3 Has the foundation made any changes, not previously reported to the IRS...; 4a Did the foundation have unrelated business gross income of \$1,000 or more during the year?; 4b If "Yes," has it filed a tax return on Form 990-T for this year?; 5 Was there a liquidation, termination, dissolution, or substantial contraction during the year?; 6 Are the requirements of section 508(e) satisfied either...; 7 Did the foundation have at least \$5,000 in assets at any time during the year?; 8a Enter the states to which the foundation reports...; 8b If the answer is "Yes" to line 7, has the foundation furnished a copy of Form 990-PF...; 9 Is the foundation claiming status as a private operating foundation...; 10 Did any persons become substantial contributors during the tax year? (Handwritten: See Schedule B)

Part VII-A Statements Regarding Activities (continued)

11	At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(3)? If "Yes," attach schedule (see page 20 of the instructions) . . . . .		X
12	Did the foundation acquire a direct or indirect interest in any applicable insurance contract before August 17, 2008? . . . . .		X
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application? . . . . .	X	
Website address ▶ <u>N/A</u>			
14 The books are in care of ▶ <u>KAREN CARLSON</u> Telephone no. ▶ <u>(713) 554-1346</u>			
Located at ▶ <u>3050 POST OAK BLVD, SUITE 825 HOUSTON, TX</u> ZIP + 4 ▶ <u>77056</u>			
15 Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of Form 1041 - Check here . . . . . <input type="checkbox"/> N/A			
and enter the amount of tax-exempt interest received or accrued during the year . . . . . ▶ <u>15</u>			

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.

		Yes	No
1a	During the year did the foundation (either directly or indirectly)		
(1)	Engage in the sale or exchange, or leasing of property with a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(2)	Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(3)	Furnish goods, services, or facilities to (or accept them from) a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(4)	Pay compensation to, or pay or reimburse the expenses of, a disqualified person? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(5)	Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
(6)	Agree to pay money or property to a government official? (Exception. Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days) . . . . . <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
b	If any answer is "Yes" to 1a(1)-(6), did any of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance (see page 20 of the instructions)? . . . . . <input type="checkbox"/> <b>1b</b> N/A		
c	Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2008? . . . . . <input type="checkbox"/> <b>1c</b> X		
2	Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5))		
a	At the end of tax year 2008, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2008? . . . . . <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," list the years ▶ _____		
b	Are there any years listed in 2a for which the foundation is not applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to all years listed, answer "No" and attach statement - see page 20 of the instructions) . . . . . <input type="checkbox"/> <b>2b</b> N/A		
c	If the provisions of section 4942(a)(2) are being applied to any of the years listed in 2a, list the years here ▶ _____		
3a	Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year? . . . . . <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
b	If "Yes," did it have excess business holdings in 2008 as a result of (1) any purchase by the foundation or disqualified persons after May 26, 1969, (2) the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest, or (3) the lapse of the 10-, 15-, or 20-year first phase holding period? (Use Schedule C, Form 4720, to determine if the foundation had excess business holdings in 2008) . . . . . <input type="checkbox"/> <b>3b</b> N/A		
4a	Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes? . . . . . <input type="checkbox"/> <b>4a</b> X		
b	Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2008? . . . . . <input type="checkbox"/> <b>4b</b> X		

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required (continued)

5a During the year did the foundation pay or incur any amount to

(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))?  Yes  No

(2) Influence the outcome of any specific public election (see section 4955), or to carry on, directly or indirectly, any voter registration drive?  Yes  No

(3) Provide a grant to an individual for travel, study, or other similar purposes?  Yes  No

(4) Provide a grant to an organization other than a charitable, etc., organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)? (see page 22 of the instructions)  Yes  No

(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals?  Yes  No

b If any answer is "Yes" to 5a(1)-(5), did any of the transactions fail to qualify under the exceptions described in Regulations section 53.4945 or in a current notice regarding disaster assistance (see page 22 of the instructions)?  Yes  No  
 Organizations relying on a current notice regarding disaster assistance check here

c If the answer is "Yes" to question 5a(4), does the foundation claim exemption from the tax because it maintained expenditure responsibility for the grant?  Yes  No  
 If "Yes," attach the statement required by Regulations section 53.4945-5(d)

6a Did the foundation, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?  Yes  No

b Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract?  Yes  No  
 If you answered "Yes" to 6b, also file Form 8870

7a At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction?  Yes  No

b If yes, did the foundation receive any proceeds or have any net income attributable to the transaction?  Yes  No

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 22 of the instructions).

(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
SEE STATEMENT 2		NONE	NONE	NONE

2 Compensation of five highest-paid employees (other than those included on line 1 - see page 23 of the instructions). If none, enter "NONE."

(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
NONE				

Total number of other employees paid over \$50,000  Yes  No

**Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors (continued)**

**3 Five highest-paid independent contractors for professional services (see page 23 of the instructions). If none, enter "NONE."**

(a) Name and address of each person paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		

Total number of others receiving over \$50,000 for professional services . . . . . NONE

**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	Expenses
1 N/A	

**Part IX-B Summary of Program-Related Investments (see page 23 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 NONE	
All other program-related investments See page 24 of the instructions	
3 NONE	
<b>Total.</b> Add lines 1 through 3 . . . . .	



**Part X Minimum Investment Return** (All domestic foundations must complete this part. Foreign foundations, see page 24 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	1,405,872.
b	Average of monthly cash balances	1b	48,062,372.
c	Fair market value of all other assets (see page 24 of the instructions)	1c	NONE
d	<b>Total</b> (add lines 1a, b, and c)	1d	49,468,244.
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	NONE
3	Subtract line 2 from line 1d	3	49,468,244.
4	Cash deemed held for charitable activities. Enter 1 1/2 % of line 3 (for greater amount, see page 25 of the instructions)	4	742,024.
5	<b>Net value of noncharitable-use assets.</b> Subtract line 4 from line 3 Enter here and on Part V, line 4	5	48,726,220.
6	<b>Minimum investment return.</b> Enter 5% of line 5	6	2,436,311.

**Part XI Distributable Amount** (see page 25 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	2,436,311.
2a	Tax on investment income for 2008 from Part VI, line 5	2a	28,729.
b	Income tax for 2008 (This does not include the tax from Part VI)	2b	
c	Add lines 2a and 2b	2c	28,729.
3	Distributable amount before adjustments Subtract line 2c from line 1	3	2,407,582.
4	Recoveries of amounts treated as qualifying distributions	4	
5	Add lines 3 and 4	5	2,407,582.
6	Deduction from distributable amount (see page 25 of the instructions)	6	
7	<b>Distributable amount</b> as adjusted. Subtract line 6 from line 5 Enter here and on Part XIII, line 1	7	2,407,582.

**Part XII Qualifying Distributions** (see page 25 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	10,000,000.
b	Program-related investments - total from Part IX-B	1b	NONE
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc , purposes	2	NONE
3	Amounts set aside for specific charitable projects that satisfy the:		
a	Suitability test (prior IRS approval required)	3a	NONE
b	Cash distribution test (attach the required schedule)	3b	NONE
4	<b>Qualifying distributions.</b> Add lines 1a through 3b Enter here and on Part V, line 8, and Part XIII, line 4	4	10,000,000.
5	Foundations 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 26 of the instructions)	5	
6	<b>Adjusted qualifying distributions.</b> Subtract line 5 from line 4	6	10,000,000.

**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 26 of the instructions)

	(a) Corpus	(b) Years prior to 2007	(c) 2007	(d) 2008
1 Distributable amount for 2008 from Part XI, line 7 . . . . .				2,407,582.
2 Undistributed income, if any, as of the end of 2007				
a Enter amount for 2007 only . . . . .				
b Total for prior years 20____, 20____, 20____				
3 Excess distributions carryover, if any, to 2008.				
a From 2003 . . . . .				
b From 2004 . . . . .				
c From 2005 . . . . .				
d From 2006 . . . . .				
e From 2007 . . . . .				
f Total of lines 3a through e . . . . .				
4 Qualifying distributions for 2008 from Part XII, line 4 ▶ \$ <u>10,000,000.</u>				
a Applied to 2007, but not more than line 2a . . . . .				
b Applied to undistributed income of prior years (Election required - see page 26 of the instructions) . . . . .				
c Treated as distributions out of corpus (Election required - see page 26 of the instructions) . . . . .				
d Applied to 2008 distributable amount . . . . .				2,407,582.
e Remaining amount distributed out of corpus . . . . .	7,592,418.			
5 Excess distributions carryover applied to 2008 (If an amount appears in column (d), the same amount must be shown in column (a) )				
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e Subtract line 5	7,592,418.			
b Prior years' undistributed income Subtract line 4b from line 2b				
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 27 of the instructions . . . . .				
e Undistributed income for 2007 Subtract line 4a from line 2a Taxable amount - see page 27 of the instructions . . . . .				
f Undistributed income for 2008 Subtract lines 4d and 5 from line 1 This amount must be distributed in 2009 . . . . .				
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see page 27 of the instructions) . . . . .				
8 Excess distributions carryover from 2003 not applied on line 5 or line 7 (see page 27 of the instructions) . . . . .				
9 Excess distributions carryover to 2009. Subtract lines 7 and 8 from line 6a . . . . .	7,592,418.			
10 Analysis of line 9				
a Excess from 2004 . . . . .				
b Excess from 2005 . . . . .				
c Excess from 2006 . . . . .				
d Excess from 2007 . . . . .				
e Excess from 2008 . . . . .	7,592,418.			

**Part XIV Private Operating Foundations** (see page 27 of the instructions and Part VII-A, question 9) **NOT APPLICABLE**

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 2008, enter the date of the ruling . . . . .

b Check box to indicate whether the foundation is a private operating foundation described in section 4942(j)(3) or 4942(j)(5)

	Tax year	Prior 3 years			(e) Total
	(a) 2008	(b) 2007	(c) 2006	(d) 2005	
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 foundation had \$5,000 or more in assets at any time during the year - see page 27 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) )

JOHN AND LAURA ARNOLD

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

N/A

**2 Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc., Programs:**

Check here  if the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds. If the foundation makes gifts, grants, etc (see page 28 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 Name and address (home or business)	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
a <i>Paid during the year</i>  SEE STATEMENT 3				
<b>Total . . . . .</b>				<b>▶ 3a 10,000,000.</b>
b <i>Approved for future payment</i>				
<b>Total . . . . .</b>				<b>▶ 3b</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... a Transfers from the reporting foundation 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, other assets, or paid employees d If the answer to any of the above is "Yes," complete the following schedule

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' in columns (b) and (d).

2a Is the foundation 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

Table with 3 columns: (a) Name of organization, (b) Type of organization, (c) Description of relationship. All cells are empty.

Signature block containing: Under penalties of perjury, I declare that I have examined this return... Signature of officer or trustee, Date (15 May 09), Title (President), Preparer's signature, Date (MAY 14 2009), Preparer's identifying number (P00178307), Firm's name (MARGOLIS, PHIPPS & WRIGHT P.C.), EIN (76-0324056), and Phone no (713-625-3500).

**Schedule of Contributors**

▶ Attach to Form 990, 990-EZ, and 990-PF.

**2008**

Name of the organization <b>LAURA AND JOHN ARNOLD FOUNDATION</b>	Employer identification number <b>26-3241764</b>
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**Organization type (check one):**

**Filers of:**

**Section:**

Form 990 or 990-EZ

- 501(c)( ) (enter number) organization
- 4947(a)(1) nonexempt charitable trust **not** treated as a private foundation
- 527 political organization

Form 990-PF

- 501(c)(3) exempt private foundation
- 4947(a)(1) nonexempt charitable trust treated as a private foundation
- 501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**. (Note. Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.)

**General Rule**

- For organizations filing Form 990, 990-EZ, or 990-PF that received, during the year, \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II.

**Special Rules**

- For a section 501(c)(3) organization filing Form 990, or Form 990-EZ, that met the 33 1/3% support test of the regulations under sections 509(a)(1)/170(b)(1)(A)(vi), and received from any one contributor, during the year, a contribution of the greater of (1) \$5,000 or (2) 2% of the amount on Form 990, Part VIII, line 1h or 2% of the amount on Form 990-EZ, line 1. Complete Parts I and II.
- For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, aggregate contributions or bequests of more than \$1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. Complete Parts I, II, and III.
- For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, some contributions for use *exclusively* for religious, charitable, etc., purposes, but these contributions did not aggregate to more than \$1,000. (If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Do not complete any of the parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc., contributions of \$5,000 or more during the year) . . . . . ▶ \$ \_\_\_\_\_

**Caution.** Organizations that are not covered by the General Rule and/or the Special Rules do not file Schedule B (Form 990, 990-EZ, or 990-PF), but they **must** answer "No" on Part IV, line 2 of their Form 990, or check the box in the heading of their Form 990-EZ, or on line 2 of their Form 990-PF, to certify that they do not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

Name of organization **LAURA AND JOHN ARNOLD FOUNDATION**

Employer identification number

**26-3241764**

**Part I** Contributors (see instructions)

(a) No.	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
1	JOHN AND LAURA ARNOLD  3050 POST OAK BLVD, SUITE 850  HOUSTON, TX 77056	\$ 100,000,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)



FORM 990PF, PART I - DIVIDENDS AND INTEREST FROM SECURITIES

DESCRIPTION	REVENUE AND EXPENSES PER BOOKS	NET INVESTMENT INCOME
FIDELITY INVESTMENTS - DIVIDENDS	226,794.	226,794.
FIDELITY INVESTMENTS - TAX EXEMPT INCOME	153,831.	NONE
TOTAL	380,625.	226,794.

FORM 990PF, PART VIII - LIST OF OFFICERS, DIRECTORS, AND TRUSTEES

NAME AND ADDRESS	TITLE AND AVERAGE HOURS PER WEEK DEVOTED TO POSITION	COMPENSATION	CONTRIBUTIONS TO EMPLOYEE BENEFIT PLANS	EXPENSE ACCT AND OTHER ALLOWANCES
JOHN D. ARNOLD 3050 POST OAK BLVD, SUITE 850 HOUSTON, TX 77056	CHAIRMAN OF THE BOARD/DIRECTOR 3.	NONE	NONE	NONE
LAURA E. ARNOLD 3050 POST OAK BLVD, SUITE 850 HOUSTON, TX 77056	PRESIDENT/DIRECTOR 3.	NONE	NONE	NONE
KAREN CARLSON 3050 POST OAK BLVD, SUITE 850 HOUSTON, TX 77056	SECRETARY/TREASURER/DIRECTOR 16.	NONE	NONE	NONE

GRAND TOTALS

NONE NONE NONE

FORM 990FP, PART XV - GRANTS AND CONTRIBUTIONS PAID DURING THE YEAR

RELATIONSHIP TO SUBSTANTIAL CONTRIBUTOR

AND

FOUNDATION STATUS OF RECIPIENT

RECIPIENT NAME AND ADDRESS

PURPOSE OF GRANT OR CONTRIBUTION

AMOUNT

BAYLOR COLLEGE OF MEDICINE ONE BAYLOR PLAZA, MS: BCM160 HOUSTON, TX 77030	NONE IRC §501(C)(3)	BEST MINDS BEST MEDICINE CAMPAIGN	5,000,000.
TEXAS CHILDREN'S HOSPITAL 1919 S. BRAESWOOD, MC4-4483 HOUSTON, TX 77030	NONE IRC §501(C)(3)	HEAL SICK CHILDREN CAMPAIGN - MATERNITY WARD	5,000,000.

TOTAL CONTRIBUTIONS PAID  
 -----  
 10,000,000.  
 =====

**FORM 990-PF - PART IV  
CAPITAL GAINS AND LOSSES FOR TAX ON INVESTMENT INCOME**

Kind of Property		Description				P r o p e r t y	Date acquired	Date sold
Gross sale price less expenses of sale	Depreciation allowed/ allowable	Cost or other basis	FMV as of 12/31/69	Adj basis as of 12/31/69	Excess of FMV over adj basis		Gain or (loss)	
7,112,130.		78,000 SHS ISHARES TR S&P 500 INDEX FUND PROPERTY TYPE: SECURITIES 5,902,485.				P	11/25/2008	12/23/2008
							1,209,645.	
							----- 1,209,645. =====	
TOTAL GAIN (LOSS) .....		.....						